

February 6, 2017

The Honorable Julia Lynn, Chairperson
Senate Committee on Commerce
Statehouse, Room 445-S
Topeka, Kansas 66612

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 55 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 55 is respectfully submitted to your committee.

SB 55 would require performance bonds and payment bonds for construction contracts that are \$25,000 or more and involve public-private agreements.

The Board of Regents indicates that passage of the bill would impact potential construction projects on state university campuses. While contractors would be required to purchase the bonds, many times the bonding cost is passed along from the contractor to the owner or paying agent in the cost of construction. This added cost could increase the construction projects of public-private agreements paid for by state universities. The Board notes that average costs of performance bonds and payment bonds range from 1.0 percent to 3.0 percent each, depending on the size of the project.

The Board indicates that the federal Miller Act requires bonds be issued on all public federally funded projects exceeding \$100,000. Kansas law also requires all other public building construction to have bonds on projects exceeding \$100,000, which includes construction management at-risk projects at the state universities. The bill would require smaller projects of \$25,000 or more to have bonding.

The bill would have no fiscal effect on the Department of Administration or the Kansas Department of Transportation. Any fiscal effect associated with SB 55 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Kelly Oliver, Board of Regents
Colleen Becker, Department of Administration