



SENATE BILL No. 629

September 12, 1995, Introduced by Senators NORTH, SHUGARS, STILLE, MC MANUS and STALLINGS and referred to the Committee on Local, Urban and State Affairs.

A bill to amend sections 1, 3, and 4 of Act No. 213 of the Public Acts of 1963, entitled

"An act to provide a procedure for bonding contractors for public buildings and public works of governmental units; and to repeal certain acts and parts of acts,"

section 1 as amended by Act No. 11 of the Public Acts of 1982, being sections 129.201, 129.203, and 129.204 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 1, 3, and 4 of Act No. 213 of the
2 Public Acts of 1963, section 1 as amended by Act No. 11 of the
3 Public Acts of 1982, being sections 129.201, 129.203, and 129.204
4 of the Michigan Compiled Laws, are amended to read as follows:

5 Sec. 1. (1) Before any contract ~~—~~ exceeding \$50,000.00
6 for the construction, alteration, or repair of any public
7 building, ~~or~~ public work, or PUBLIC improvement of the state or

1 a county, city, village, township, school district, public
2 educational institution, other political subdivision, public
3 authority, or public agency, ~~hereinafter~~ referred to IN THIS
4 ACT as the "governmental unit", is awarded, THE GOVERNMENTAL UNIT
5 SHALL REQUIRE THAT the proposed contractor, ~~hereinafter~~
6 referred to IN THIS ACT as the "principal contractor", shall fur-
7 nish at his or her own cost to the governmental unit a GOOD AND
8 SUFFICIENT performance ~~bond and a~~ AND payment bond which ~~shall~~
9 ~~become~~ BECOMES binding upon the award of the contract to the
10 principal contractor. ~~However, if the~~

11 (2) IF A principal contractor DESCRIBED IN SUBSECTION (1) is
12 a common carrier as defined in section 3 of Act No. 300 of the
13 Public Acts of 1909, ~~as amended,~~ being section 462.3 of the
14 Michigan Compiled Laws, or the designated operator of a state
15 subsidized railroad, the principal contractor may provide an
16 irrevocable letter of credit from a state or national CHARTERED
17 bank or a state or federally chartered savings and loan associa-
18 tion OR CREDIT UNION instead of the ~~bonds~~ BOND REQUIRED BY
19 SUBSECTION (1).

20 (3) ~~Neither the~~ THE invitation for bids ~~nor~~ OR any
21 person acting ~~or~~ or purporting to act ~~or~~ on behalf of the gov-
22 ernmental unit shall NOT require that the ~~bonds~~ BOND REQUIRED
23 BY SUBSECTION (1) be furnished by a particular bank or surety
24 company, ~~or~~ through a particular agent or broker, or through a
25 bank, company, agent, or broker in any particular locality.

26 (4) IF THE GOVERNMENTAL UNIT DOES NOT OBTAIN A BOND AS
27 REQUIRED BY SUBSECTION (1), THE GOVERNMENTAL UNIT IS LIABLE FOR

1 THE FAILURE TO MAKE PAYMENT BY THE PRINCIPAL CONTRACTOR OR OTHER
2 THIRD PARTY TO ANY PERSON WHO IS ENTITLED TO RECOVER UNDER THE
3 BOND.

4 Sec. 3. ~~The payment~~ A bond REQUIRED BY SUBSECTION (1)

5 shall be in an amount fixed by the governmental unit but not less
6 than ~~25%~~ 75% of the contract amount ~~solely~~ for the protection
7 of ~~claimants, as defined in section 6,~~ PERSONS supplying labor
8 or materials to the principal contractor or his OR HER
9 subcontractors. ~~in the prosecution of the work provided for in~~
10 ~~the contract.~~

11 Sec. 4. (1) A bond REQUIRED BY SUBSECTION (1) shall be

12 PROPERLY executed by a surety company authorized BY THE MICHIGAN
13 INSURANCE BUREAU to do business in this state.

14 (2) In the case of a contract of the state or a department,
15 board, commission, institution, or agency ~~thereof~~ OF THE STATE,
16 the bonds REQUIRED BY SUBSECTION (1) shall be payable to the
17 people of the state. In the case of all other contracts, the
18 bonds shall be payable to the CONTRACTING governmental unit.