

REVENUE: No revenue impact

FISCAL: No fiscal impact

Action: Do Pass with Amendments to the A-Engrossed Measure. (Printed B-Eng.)

Vote: 5 - 0 - 0

Yeas: George, Schrader, Starr, Verger, Metsger

Nays: -

Exc.: -

Prepared By: Jim Stembridge, Administrator

Meeting Dates: 5/20

WHAT THE MEASURE DOES: Requires contracting agencies to accept general obligation bonds, irrevocable letters of credit, or other forms of financial security from a contractor in lieu of moneys held as retainage in connection with public improvement contracts, unless the agency makes findings that the alternative security offered poses extraordinary risk. Permits a contractor to accept similar instruments from a subcontractor.

ISSUES DISCUSSED:

- Unintended consequences of previous legislation
- Benefits for small businesses

EFFECT OF COMMITTEE AMENDMENT: Requires contracting agency to accept alternative forms of financial security unless agency makes findings that the alternative security offered poses extraordinary risk.

BACKGROUND: Oregon's Public Contracting Code defines "retainage" as the difference between the amount earned by a contractor on a public improvement contract and the amount paid by the contracting agency. The withholding of retainage by a contracting agency on a public improvement contract is made in an amount equal to no more than five percent of the contract price of the work completed, unless the agency's charter requires a higher percentage. Contractors are allowed to receive full payment if they provide to the contracting agency financial security in lieu of moneys held in retainage.

HB 2955-B clarifies that bonds, securities, surety bonds, and other types of financial instruments are acceptable forms of financial security in lieu of moneys that would otherwise be held back in retainage. The measure also defines types of bonds that can be used, such as corporation bonds rated A or better, general obligation bonds, or irrevocable letters of credit.