

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1400 (First Edition)

SHORT TITLE: Payment Bond Revisions

SPONSOR(S): Reps. McMahan, Baddour and Cox

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES					
General Fund		\$58,500	\$58,500	\$58,500	\$58,500
EXPENDITURES					
General Fund	\$250,000	\$40,703	\$30,103	\$30,103	\$30,103
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Administration – Office of State Construction					
EFFECTIVE DATE: The act becomes effective October 1, 1999, and applies to actions commenced on payment bonds for contracts awarded on or after that date.					

BILL SUMMARY: This bill amends the law governing claims against payment bonds on public projects.

ASSUMPTIONS AND METHODOLOGY:

Expenditures

In order to establish a contractual relationship with a firm working on a bonded public project, HB 1400 requires a contractor to file a Notice of Contract with the Office of State Construction in the North Carolina Department of Administration. To establish a system to record these Notices of Contract, the Director of the Office of State Construction estimates that it will take a one-time appropriation of \$250,000. This appropriation request is for computer equipment and software (\$88,000) and software development costs (\$162,000). The equipment price includes packaged software for a [full relational database management system such as DB2 and a Sun application/ Web server](#). Development costs include research, database design, setup, security, programming, and testing. It is estimated for [one project manager and two analyst programmers](#) to take 210 days to complete this project. [State Construction used rates specified in the SIPS Development Convenience contract.](#)

Based on the estimated volume of Notices of Contract that will be filed each year, the Director of the Office of State Construction anticipates needing an additional clerical position. This clerical position will process internet and paper request for Notices of Contract, handle the billing for the \$15 fee, keep records of Notices of Contract on file, and answer phone inquiries. Due to the time needed to create the computer system for HB 1400, the clerical position will not be hired until FY 2000-01. The estimated budget for this position is \$40,703 in FY 2000-01 and \$30,103 each year thereafter.

It must be noted that an appropriation for the administrative cost of HB 1400 is not included in HB 168, The Appropriations Act of 1999.

Revenue

Contractors must pay a \$15 filing fee for each Notice of Contract filed with the Office of State Construction. It is assumed that contractors constructing buildings and highways for state and local governments will file a Notice of Contract. There is no single source for information on the number of contracts let for government projects each year. For building construction, the number of state projects handled by the Office of State Construction averages approximately 300 each year. For local building construction, there is no statewide data from city and county government associations. The Engineering Division in the Department of Insurance reviews the plans for public buildings to make sure they comply with the North Carolina Building Code. In 1998, the Division reviewed 410 plans for city and county owned projects. For an average year, this fiscal note will assume 700 state and local building projects. Each project normally has four prime contractors – general, mechanical, electrical, plumbing – that should file a Notice of Contract. This would equal 2,800 Notices of Contract filed with the Office of State Construction each year.

As for highway projects, the Department of Transportation lets 250 to 350 statewide projects each year and its Division Engineers and Bridge Maintenance unit let 1,000 to 1,200 projects valued at over \$10,000 each year. Some of the Division Engineer projects are small projects that do not have subcontractors such as owner operated equipment. This fiscal note will assume 300 statewide and 800 Division highway projects are let each year. It is also assumed that these 1,100 contractors will file a Notice of Contract. There is no information on city highway maintenance and construction contracts. Some city contracts are handled by the local DOT Division Engineer and are accounted for in the state totals.

A total of 2,800 building contracts and 1,100 highway contracts will yield \$58,500 in revenues each year from the \$15 Notice of Contract fee. This revenue will be deposited into the General Fund. With an October 1999 effective date and the seven months needed by the Office of State Construction to implement the Notice of Contract computer system, it is assumed that the program will not be up and running until FY 2000-01.

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