



SENATE BILL No. 56

January 13, 1992, Introduced by Senator WARTNER and referred to the Committee on Commerce.

A bill to amend sections 1 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 and 129.204 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 1 and 4 of Act No. 213 of the Public
2 Acts of 1963, section 1 as amended by Act No. 11 of the Public
3 Acts of 1982, being sections 129.201 and 129.204 of the Michigan
4 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 per-
8 formance bond and a GOOD AND SUFFICIENT 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 bank or a
17 state or federally chartered savings and loan association instead
18 of the bonds.

19 (3) Neither the invitation for bids ~~—~~ nor any person
20 acting ~~—~~ or purporting to act ~~—~~ on behalf of the governmental
21 unit shall require that the bonds REQUIRED BY SUBSECTION (1) be
22 furnished by a particular bank or surety company, ~~or~~ through a
23 particular agent or broker, or through a bank, company, agent, or
24 broker in any particular locality.

25 Sec. 4. (1) A bond shall be executed by a surety company
26 authorized to do business in this state.

1 (2) PROOF THAT A SURETY COMPANY IS AUTHORIZED TO DO BUSINESS
2 IN THIS STATE INCLUDES, BUT IS NOT LIMITED TO, A CERTIFICATE
3 ISSUED BY THE MICHIGAN INSURANCE BUREAU ATTESTING THAT THE SURETY
4 COMPANY IS AUTHORIZED TO DO BUSINESS IN THIS STATE. In the case
5 of a contract of the state or a department, board, commission,
6 institution, or agency ~~thereof~~ OF THE STATE, the bonds shall be
7 payable to the people of the state. In the case of all other
8 contracts, the bonds shall be payable to the governmental unit.