

**ASSEMBLY BILL**

**No. 263**

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**Introduced by Assembly Member Correa**

February 16, 2001

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An act to add Section 995.311 to the Code of Civil Procedure, relating to bonds.

LEGISLATIVE COUNSEL'S DIGEST

AB 263, as introduced, Correa. Bonds: public works contracts.

Existing law, the Bond and Undertaking Law, provides a comprehensive system for the execution and approval of bonds and undertakings. Existing law provides that a bond shall be executed by 2 or more sufficient personal sureties, or by one sufficient admitted surety insurer, or by any combination of sufficient personal sureties and admitted surety insurers, unless the statute providing for the bond requires execution by an admitted surety insurer.

This bill would provide that any bond required on a public works contract, as defined, shall be executed by an admitted surety insurer. This bill would require a public agency approving the bond on a public works contract to verify that the bond is being executed by an admitted surety insurer, and provide that the public agency may fulfill this duty by obtaining a specified certificate to be issued by the county clerk or obtaining specified information from the Department of Insurance website and attaching it to the bond. By increasing the duties of local agencies, this bill would create a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund

to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 995.311 is added to the Code of Civil  
2 Procedure, to read:

3 995.311. (a) Notwithstanding any other provision of law, any  
4 bond required on a public works contract, as defined in Section  
5 1101 of the Public Contract Code, shall be executed by an admitted  
6 surety insurer. A public agency approving the bond on a public  
7 works contract shall have a duty to verify that the bond is being  
8 executed by an admitted surety insurer.

9 (b) A public agency may fulfill its duty under subdivision (a)  
10 by verifying the status of the party executing the bond in one of the  
11 following ways:

12 (1) Obtaining a certificate from the county clerk that confirms  
13 the surety is an admitted surety insurer and attaching it to the bond.

14 (2) Printing out information from the web site of the  
15 Department of Insurance confirming the surety is an admitted  
16 surety insurer and attaching it to the bond.

17 SEC. 2. Notwithstanding Section 17610 of the Government  
18 Code, if the Commission on State Mandates determines that this  
19 act contains costs mandated by the state, reimbursement to local  
20 agencies and school districts for those costs shall be made pursuant  
21 to Part 7 (commencing with Section 17500) of Division 4 of Title  
22 2 of the Government Code. If the statewide cost of the claim for  
23 reimbursement does not exceed one million dollars (\$1,000,000),  
24 reimbursement shall be made from the State Mandates Claims  
25 Fund.

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