

**Assembly Bill No. 2037**

**CHAPTER 315**

An act to amend Section 9201 of the Public Contract Code, relating to public contracts.

[Approved by Governor August 30, 2002. Filed with Secretary of State September 3, 2002.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2037, Diaz. Public contracts: claims.

Existing law authorizes a public entity to compromise or otherwise settle any third-party claim relating to a public works contract.

This bill would impose a state-mandated local program by requiring a public entity to include provisions in the contract for timely notification of the contractor of a third-party claim. This bill would also provide that a public entity is entitled to recover reasonable costs incurred by the public entity in providing the notice.

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.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

SECTION 1. Section 9201 of the Public Contract Code is amended to read:

9201. (a) A public entity shall have full authority to compromise or otherwise settle any claim relating to a contract at any time.

(b) The public entity shall include provisions in a public works contract for timely notification of the contractor of the receipt of any third-party claim, relating to the contract.

(c) The public entity shall be entitled to recover its reasonable costs incurred in providing the notification required by subdivision (b).

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service



mandated by this act, within the meaning of Section 17556 of the Government Code.

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