

## **BILL ANALYSIS**

Senate Research Center  
76R11068 PAM-F

H.B. 2717  
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Economic Development  
5/13/1999  
Engrossed

### **DIGEST**

Current law does not specify how frequently a contractor must submit invoices in order to be paid promptly. Materials that are fabricated especially for a project are not necessarily something for which a contractor must be paid promptly. Currently, a contractor who enters into a written contract to improve a residential homestead for an amount over \$5,000 must deposit funds in a construction account in a financial institution, but there is no similar requirement for written purchase orders. Current law defines a construction contract as one obligating a party to provide labor or labor and materials, but it does not cover a contract obligating a party to provide materials or equipment. Under current law, the General Services Commission (commission) is not obligated to provide for pollution liability coverage for public works projects. In addition, the commission requires a review of uniform general conditions of state building construction contracts not less than once every five years. H.B. 2717 addresses the above-referenced concerns, as follows. This bill provides that a written purchase order entered into by a contractor with a property owner to construct improvements to a residential homestead for an amount exceeding \$5,000 requires the contractor to deposit the funds in a construction account in a financial institution. It includes providing materials or equipment as a principal obligation to a party for the construction or repair of improvements to real property located in this state when defining a construction contract. H.B. 2717 requires the commission to provide for the centralized purchasing of pollution liability. This bill requires the commission to require a review of the uniform general conditions of state building construction contracts whenever the commission considers review worthwhile, but not less frequently than once every three years. This bill also authorizes a contractor who has a contract that requires workers' compensation insurance coverage to provide the coverage through a self-insurance plan.

### **PURPOSE**

As proposed, H.B. 2717 requires the commission to provide for the centralized purchasing of pollution liability. This bill requires the commission to require a review of the uniform general conditions of state building construction contracts whenever the commission considers review worthwhile, but not less frequently than once every three years. This bill also authorizes a contractor who has a contract that requires workers' compensation insurance coverage to provide the coverage through a self-insurance plan.

### **RULEMAKING AUTHORITY**

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 162.006(a), Property Code, to require a contractor who enters into a written purchase order to deposit the trust funds in a construction account in a financial institution.

SECTION 2. Amends Section 35.52, Business and Commerce Code, by amending Subsections (b) and (c) and adding Subsection (e), to specify that a contract obligates a party to provide materials or equipment, rather than labor and materials. Provides that certain inconsistent judgments are not enforceable in Texas. Makes a nonsubstantive changes.

SECTION 3. Amends Section 130.001, Civil Practice and Remedies Code, to redefine "construction contract."

SECTION 4. Amends Section 2166.259(c), Government Code, to require the General Services Commission (commission) to provide for the centralized purchasing of pollution liability coverage. Makes a conforming change.

SECTION 5. Amends Section 2166.305(a), Government Code, to require the commission to require a certain review once every three, rather than five, years.

SECTION 6. Amends Section 406.096(c), Labor Code, to authorize a contractor to provide coverage through a self-insurance plan certified under Chapter 407, Labor Code.

SECTION 7. (a) Effective date: September 1, 1999.

(b) Makes application of this Act prospective.

SECTION 8. Emergency clause.