

## Report From Agency



### State of Wisconsin Department of Workforce Development Equal Rights Division

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## Adjustment of Thresholds for Payment and Performance Assurance Requirements

### DWD 293.02

The Wisconsin Department of Workforce Development proposes to amend s. DWD 293.02, relating to the adjustment of thresholds for payment and performance assurance bond requirements and affecting small businesses.

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#### Analysis Prepared by the Department of Workforce Development

**Statutory authority:** Sections 103.005(1), 779.14 (1s), and 227.11, Stats.

**Statute interpreted:** Section 779.14, Stats.

**Explanation of agency authority.** Section 779.14, Stats., sets the cost thresholds for the payment and performance assurance bond requirements that apply to contracts for the performance of labor or furnishing of materials for a public improvement project or public work. Section 779.14 (1s), Stats., requires the Department to biennially adjust the thresholds for various requirements in proportion to any change in construction costs since the last adjustment if the adjustment to be made would not be less than 5%.

**Summary of the proposed rule.** Chapter DWD 293 provides threshold amounts for various payment and performance assurance bond requirements that apply to contracts issued by state or local governments for the performance of labor or furnishing of materials for a public improvement or public work. This rule adjusts these thresholds to reflect a 6.82% increase in construction costs from December 2007 to December 2009.

**Summary of related federal law.** The threshold for application of the federal contractor payment and performance bond requirements is \$100,000. This threshold is in the statute and is rarely adjusted.

**Summary of factual data and analytical methodology.** Section DWD 293.01 provides that the Department will adjust the thresholds on the basis of the change in the construction cost index as published in the *Engineering News-Record*, a national construction trade publication. Thresholds are rounded to the nearest thousand.

**Comparison with similar rules in adjacent states.** Minnesota has a public contractors' performance and payment bond requirement that applies to a contract that exceeds \$75,000. Illinois requires a bond if a contract for a public work exceeds \$5,000. Neither state appears to have a mechanism for adjustment of the thresholds, other than statutory amendment. Michigan has a performance bond requirement without a clear statutory threshold. The Department is not aware of a performance bond requirement for public works contracts in Iowa.

**Effect on small business.** The rule affects small businesses as defined in s. 227.114 (1), Stats., but does not have a significant economic impact on a substantial number of small businesses.

**Analysis used to determine effect on small business.** Many construction companies are small businesses. The adjustment of the thresholds for application of the payment and performance bond requirements prevent these provisions from affecting more and more public works projects over time due solely to the effects of inflation.

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**SECTION 1. DWD 293.02 is amended to read:**

**DWD 293.02 (1) STATE CONTRACTS.** (a) The payment and performance assurance requirements in s. 779.14 (1m) (c) 1., Stats., shall apply to contracts with the state for the performance of labor or furnishing materials for a public improvement or public work with a contract price exceeding ~~\$15,000~~ \$16,000 but not exceeding ~~\$139,000~~ \$148,000.

(b) The payment and performance assurance requirements in s. 779.14 (1m) (c) 2., Stats., shall apply to contracts with the state for the performance of labor or furnishing materials for a public improvement or public work with a contract price exceeding ~~\$139,000~~ \$148,000 but not exceeding ~~\$345,000~~ \$369,000.

(c) The payment and performance assurance requirements in s. 779.14 (1m) (c) 3., Stats., shall apply to contracts with the state for the performance of labor or furnishing materials for a public improvement or public work with a contract price exceeding ~~\$345,000~~ \$369,000.

**(2) LOCAL GOVERNMENT CONTRACTS.** (a) The payment and performance assurance requirements in s. 779.14 (1m) (d) 1., Stats., shall apply to contracts, other than contracts with the state, for the performance of labor or furnishing materials for a public improvement or public work with a contract price exceeding ~~\$15,000~~ \$16,000 but not exceeding ~~\$69,000~~ \$74,000.

(b) The payment and performance assurance requirements in s. 779.14 (1m) (d) 2., Stats., shall apply to contracts, other than contracts with the state, for the performance of labor or furnishing materials for a public improvement or public work with a contract price exceeding ~~\$69,000~~ \$74,000 but not exceeding ~~\$139,000~~ \$148,000.

(c) The payment and performance assurance requirements in s. 779.14 (1m) (d) 3., Stats., shall apply to contracts, other than contracts with the state, for the performance of labor or furnishing materials for a public improvement or public work with a contract price exceeding ~~\$139,000~~ \$148,000.

**SECTION 2. EFFECTIVE DATE.** This rule shall take effect the first day of the month following publication in the Administrative Register as provided in s. 227.22 (2) (intro), Stats.