

**HOUSE . . . . . No. 1656**

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**The Commonwealth of Massachusetts**

PRESENTED BY:

***Gailanne M. Cariddi***

*To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:*

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act creating the state guarantee fund for default on public construction surety bond payments.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Gailanne M. Cariddi</i>	<i>1st Berkshire</i>	<i>1/12/2017</i>
<i>Michelle M. DuBois</i>	<i>10th Plymouth</i>	

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By Ms. Cariddi of North Adams, a petition (accompanied by bill, House, No. 1656) of Gailanne M. Cariddi and Michelle M. DuBois for legislation to establish the public construction surety bond state guarantee fund. State Administration and Regulatory Oversight.

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[SIMILAR MATTER FILED IN PREVIOUS SESSION  
SEE HOUSE, NO. 3889 OF 2015-2016.]

**The Commonwealth of Massachusetts**

\_\_\_\_\_  
**In the One Hundred and Ninetieth General Court  
(2017-2018)**  
\_\_\_\_\_

An Act creating the state guarantee fund for default on public construction surety bond payments.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1           SECTION . Chapter 175 of the General Laws is hereby amended by adding the following  
2 section:1

3           Section 226. (a) As used in this section the following words shall, unless the context  
4 clearly requires otherwise, have the following meanings:-

5           “Defaulting issuer”, an issuer who has failed to pay a claim after having been found liable  
6 for a surety bond by a court of competent jurisdiction.

7           “Fund”, the Public Construction Surety Bond State Guarantee Fund established by  
8 subsection (d).

9 “Issuer”, any person issuing a bond pursuant to chapter 149A.

10 “Person”, a natural person or legal entity including, but not limited to, a partnership,  
11 limited liability company, association, trust or corporation.

12 “Purchaser”, a person who purchases a surety bond for a building project as defined in  
13 section 2 of chapter 149A.

14 (b) Any person issuing a bond in the commonwealth pursuant to chapter 149A shall first  
15 register such activity with the division of insurance in a form required by the commissioner. The  
16 commissioner shall collect a fee for such registration in an amount not more than \$10,000  
17 annually. Any fee collected by the commissioner shall be deposited in the fund established in  
18 subsection (c) for payment to a qualifying purchaser as further defined by the commissioner.

19 (c) There shall be established and set up on the books of the commonwealth a separate  
20 fund to be known as the Public Construction Surety Bond State Guarantee Fund, to make  
21 payments to qualifying purchasers. There shall be credited to the fund the registration fee  
22 collected by the commissioner pursuant to subsection (b). All amounts in the fund shall be  
23 available for expenditure by the commissioner for payment to qualifying purchasers in  
24 accordance with this section. No expenditure from the fund shall cause the fund to be in  
25 deficiency at the close of a fiscal year. Monies deposited in the fund that are unexpended at the  
26 end of the fiscal year shall not revert to the General Fund and shall be available for expenditure  
27 in the subsequent fiscal year.

28 (e) Any issuer who fails to register prior to engaging in the issuance of a bond pursuant to  
29 this section shall be subject to a fine payable to the commissioner of not less than \$50,000 and  
30 not more than \$150,000.

31 (f) The commissioner shall promulgate regulations to implement the purposes of this  
32 section.

33 SECTION 2. This act shall apply to any claim by a qualifying purchaser, pursuant to  
34 section 1, on or after January 1, 2012.