

ASSEMBLY BILL NO. 574—COMMITTEE ON WAYS AND MEANS

MAY 30, 2011

Referred to Committee on Government Affairs

SUMMARY—Revises Assembly Bill No. 144 of this session.
(BDR S-1309)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Contains Appropriation not included
in Executive Budget.

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EXPLANATION – Matter in **bolded italics** is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to breaches of contracts for public works; revising the provisions of Assembly Bill No. 144 of this session relating to a material breach of certain contracts; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing law requires that, for a contractor, applicant or design-build team to
2 receive a preference in bidding for a contract for a public work, the contract must
3 include a provision which requires the contractor, applicant or design-build team to
4 comply with five specified conditions and provides that failure to comply with any
5 of those five conditions is a material breach of the contract that entitles the public
6 body to damages in the amount of 10 percent of the cost of the contract. (Section 2
7 of Assembly Bill No. 144 of the 2011 Legislative Session) This bill provides that
8 the public body is entitled to liquidated damages in the amount of 1 percent of the
9 contract or subcontract for the public work entered into by the party that caused a
10 failure to comply with any of the five specified conditions. This bill also allows the
11 public body to recover the damages directly from the party that caused a failure to
12 comply with any of the five specified conditions. Finally, this bill provides that the
13 condition which requires that at least 25 percent of the suppliers of materials for the
14 public work be located in this State does not apply when the public body requires
15 the acquisition of materials or equipment that cannot be obtained from a supplier
16 located in this State.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Section 2 of Assembly Bill No. 144 of this session is hereby amended to read as follows:

Sec. 2. 1. To qualify to receive a preference in bidding pursuant to subsection 2 of NRS 338.1389, subsection 2 of NRS 338.147, subsection 3 of NRS 338.1693, subsection 3 of NRS 338.1727 or subsection 2 of NRS 408.3886, a contractor, an applicant or a design-build team, respectively, must submit to the public body sponsoring or financing a public work a signed affidavit which certifies that, for the duration of the project:

(a) At least 50 percent of all workers employed on the public work, including, without limitation, any employees of the contractor, applicant or design-build team and of any subcontractor engaged on the public work, will hold a valid driver's license or identification card issued by the Department of Motor Vehicles;

(b) All vehicles used primarily for the public work will be:

(1) Registered and partially apportioned to Nevada pursuant to the International Registration Plan, as adopted by the Department of Motor Vehicles pursuant to NRS 706.826; or

(2) Registered in this State;

(c) At least 50 percent of the design professionals working on the public work, including, without limitation, any employees of the contractor, applicant or design-build team and of any subcontractor engaged on the public work, will have a valid driver's license or identification card issued by the Department of Motor Vehicles;

(d) At least 25 percent of the suppliers of the materials used for the public work will be located in this State ~~and~~ *unless the public body requires the acquisition of materials or equipment that cannot be obtained from a supplier located in this State;* and

(e) The contractor, applicant or design-build team and any subcontractor engaged on the public work will maintain and make available for inspection within this State his or her records concerning payroll relating to the public work.

2. Any contract for a public work awarded to a contractor, applicant or design-build team who submits the affidavit described in subsection 1 and who receives a preference in bidding described in subsection 1 must:



(a) Include a provision in the contract that substantially incorporates the requirements of paragraphs (a) to (e), inclusive, of subsection 1; and

(b) Provide that a failure to comply with any requirement of paragraphs (a) to (e), inclusive, of subsection 1 is a material breach of the contract and entitles the public body to liquidated damages ~~in the amount of 10 percent of the cost of the contract.~~ *only as provided in subsections 5 and 6.*

3. A person or entity who believes that a contractor, applicant or design-build team has obtained a preference in bidding as described in subsection 1 but has failed to comply with a requirement of paragraphs (a) to (e), inclusive, of subsection 1 may file a written objection with the public body for which the contractor, applicant or design-build team is performing the public work. A written objection authorized pursuant to this subsection must set forth proof or substantiating evidence to support the belief of the person or entity that the contractor, applicant or design-build team has failed to comply with a requirement of paragraphs (a) to (e), inclusive, of subsection 1.

4. If a public body receives a written objection pursuant to subsection 3, the public body shall determine whether the objection is accompanied by the proof or substantiating evidence required pursuant to that subsection. If the public body determines that the objection is not accompanied by the required proof or substantiating evidence, the public body shall dismiss the objection. If the public body determines that the objection is accompanied by the required proof or substantiating evidence or if the public body determines on its own initiative that proof or substantiating evidence of a failure to comply with a requirement of paragraphs (a) to (e), inclusive, of subsection 1 exists, the public body shall determine whether the contractor, applicant or design-build team has failed to comply with a requirement of paragraphs (a) to (e), inclusive, of subsection 1 and the public body or its authorized representative may proceed to award the contract accordingly or, if the contract has already been awarded, seek the remedy authorized in subsection 5.

5. A public body may recover , by civil action *against the party responsible for a failure to comply with a requirement of paragraphs (a) to (e), inclusive, of subsection 1*, liquidated damages as described in ~~paragraph (b) of~~ subsection ~~[2]~~ *6* for a breach of a contract for a public work caused by a failure to comply with a requirement of paragraphs (a) to (e), inclusive, of subsection 1. If a public



body recovers liquidated damages pursuant to this subsection for a breach of a contract for a public work, the public body shall report to the State Contractors' Board the date of the breach, the name of each entity which breached the contract and the cost of the contract. The Board shall maintain this information for not less than 6 years. Upon request, the Board shall provide this information to any public body or its authorized representative.

6. If a contractor, applicant or design-build team submits the affidavit described in subsection 1, receives a preference in bidding described in subsection 1 and is awarded the contract, *the contract between the contractor, applicant or design-build team and the public body*, each contract between the contractor, applicant or design-build team and a subcontractor *or supplier and each contract between a subcontractor and a subcontractor or supplier* must provide ~~{for the apportionment of liquidated damages assessed pursuant to subsection 5 if a person other than the contractor was responsible for the breach of a contract for a public work caused by a failure to comply with a requirement of paragraphs (a) to (e), inclusive, of subsection 1. The apportionment of liquidated damages must be in proportion to the responsibility of each party for the breach.}~~ *that:*

(a) If a party to the contract causes a material breach of the contract between the contractor, applicant or design-build team and the public body as a result of a failure to comply with a requirement of paragraphs (a) to (e), inclusive, of subsection 1, the party is liable to the public body for liquidated damages in the amount of 1 percent of the cost of the largest contract to which he or she is a party;

(b) The right to recover the amount determined pursuant to paragraph (a) by the public body pursuant to subsection 5 may be enforced by the public body directly against the party that causes the material breach; and

(c) No other party to the contract is liable to the public body for liquidated damages.

7. A public body that awards a contract for a public work to a contractor, applicant or design-build team who submits the affidavit described in subsection 1 and who receives a preference in bidding described in subsection 1 shall, on or before July 31 of each year, submit a written report to the Director of the Legislative Counsel Bureau for transmittal to the Legislative Commission. The report must include information on each contract for a public work awarded to a contractor, applicant or design-build team who



1 submits the affidavit described in subsection 1 and who
2 receives a preference in bidding described in subsection 1 ,
3 including, without limitation, the name of the contractor,
4 applicant or design-build team who was awarded the contract,
5 the cost of the contract, a brief description of the public work
6 and a description of the degree to which the contractor,
7 applicant or design-build team and each subcontractor
8 complied with the requirements of paragraphs (a) to (e),
9 inclusive, of subsection 1.

10 **Sec. 2.** (Deleted by amendment.)

11 **Sec. 3.** (Deleted by amendment.)

12 **Sec. 4.** This act becomes effective upon passage and approval.

