

- 1 KJ7EUA-3
- 2 By Representatives Underwood, Pettus, Rigsby, Lomax, Woods
- 3 RFD: State Government
- 4 First Read: 21-Mar-23
- 5 2023 Regular Session

1	Enrolled, An Act,
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5	Relating to public works contracts; to amend Sections
6	39-1-1, 39-2-1, 39-2-2, and 39-2-6, Code of Alabama 1975, to
7	increase the threshold dollar amount for which competitive
8	bidding is generally required; to further provide for certain
9	notice procedures; to authorize the publication of notice by
10	electronic means; to authorize the use of electronic sealed
11	bids; and in connection therewith would have as its purpose or
12	effect the requirement of a new or increased expenditure of
13	local funds within the meaning of Section 111.05 of the
14	Constitution of Alabama of 2022.
15	BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:
16	Section 1. Sections 39-1-1, 39-2-1, 39-2-2, and 39-2-6,
17	Code of Alabama 1975, are amended to read as follows:
18	"§39-1-1
19	(a) Any person entering into a contract with an
20	awarding authority in this state for the prosecution of any
21	public works shall, before commencing the work, shall execute
22	a performance bond, with penalty equal to 100 percent of the
23	amount of the contract price. In addition, another bond,
24	payable to the awarding authority letting the contract, shall
25	be executed in an amount not less than 50 percent of the
26	contract price, with the obligation that the contractor or
27	contractors shall promptly make payments to all persons
28	supplying labor, materials, or supplies for or in the



29 prosecution of the work provided in the contract and for the 30 payment of reasonable attorneys'attorney fees incurred by 31 successful claimants or plaintiffs in civil actions on the 32 bond.

(b) Any person that has furnished labor, materials, or supplies for or in the prosecution of a public work and payment has not been made may institute a civil action upon the payment bond and have their rights and claims adjudicated in a civil action and judgment entered thereon.

Notwithstanding the foregoing, a civil action shall not be 38 39 instituted on the bond until 45 days after written notice to the surety of the amount claimed to be due and the nature of 40 the claim. The civil action shall be commenced not later than 41 42 one year from the date of final settlement of the contract. 43 The giving of notice by registered or certified mail, postage prepaid, addressed to the surety at any of its places of 44 business or offices shall be deemed sufficient under this 45 46 section. In the event the surety or contractor fails to pay 47 the claim in full within 45 days from the mailing of the 48 notice, then the person or persons may recover from the 49 contractor and surety, in addition to the amount of the claim, 50 a reasonable attorney's attorney fee based on the result, 51 together with interest on the claim from the date of the 52 notice.

(c) Every person having a right of action on the last described bond as provided in this section shall, upon written application to the authority under the direction of whom the work has been prosecuted, indicating that labor, material,



57 foodstuffs, or supplies for the work have been supplied and 58 that payment has not been made, shall be promptly furnished a 59 certified copy of the additional bond and contract. The 60 claimant may bring a civil action in the claimant's name on 61 the bond against the contractor and the surety, or either of 62 them, in the county in which the work is to be or has been 63 performed or in any other county where venue is otherwise 64 allowed by law.

65 (d) In the event a civil action is instituted on the payment bond, at any time more than 15 days before the trial 66 67 begins, any party may serve upon the adverse party an offer to accept judgment in favor of the offeror or to allow judgment 68 to be entered in favor of the offeree for the money or as 69 70 otherwise specified in the offer. If within 10 days after the 71 service of the offer, the adverse party serves written notice that the offer is accepted, either party may then file the 72 73 offer and notice of acceptance together with proof of service 74 and the clerk of the court shall enter judgment. An offer not 75 accepted shall be deemed withdrawn and evidence of the offer 76 shall not be admissible. If the judgment finally obtained by 77 the offeree is less favorable than the offer, the offeree 78 shall pay the reasonable attorney's attorney fees and costs 79 incurred by the offeror after the making of the offer. An 80 offer that is made but not accepted does not preclude a 81 subsequent offer. When the liability of one party to another party has been determined by verdict, order, or judgment, but 82 the amount or extent of the liability remains to be determined 83 84 by further proceedings, any party may make an offer of



85	judgment, which shall have the same effect as an offer made			
86	before trial if the offer is made no less than 10 days prior			
87	to the commencement of hearings to determine the amount or			
88	extent of liability.			
89	(e) This section shall not require the taking of a bond			
90	to secure contracts in an amount less than <del>fifty thousand</del>			
91	dollars (\$50,000)one hundred thousand dollars (\$100,000).			
92	(f) (1) The contractor shall, immediately after the			
93	completion of the contract, <u>shall</u> give notice of the			
94	completion by <del>an advertisement in a newspaper of general</del>			
95	circulation published within the city or county in which the			
96	work has been done, for a period of four successive			
97	weeks.publishing the notice for a minimum of three weeks using			
98	one or more of the following methods:			
99	a. In a newspaper of general circulation in the county			
100	or counties in which the work, or some portion thereof, has			
101	been done.			
102	b. On a website that is maintained by a newspaper of			
103	general circulation in the county or counties in which the			
104	work, or some portion thereof, has been done.			
105	c. On a website utilized by the awarding authority for			
106	publishing notices.			
107	(2) If no newspaper is published in the county in which			
108	the work was done, and if the awarding authority does not			
109	utilize a website for the purpose of publishing notices, the			
110	notice may be given by posting at the courthouse for 30 days,			
111	and proof of the posting of the notice shall be given by the			
112	awarding authority and the contractor.			



113 (3) A final settlement shall not be made upon the contract until the expiration of 30 days after the completion 114 of the notice. Proof of publication of the notice shall be 115 116 made by the contractor to the authority by whom the contract 117 was made by affidavit of the publisher or website owner and a printed copy of the notice published. If no newspaper is 118 published in the county in which the work is done, the notice 119 120 may be given by posting at the courthouse for 30 days, and proof of same shall be made by the judge of probate, sheriff, 121 122 and the contractor. 123 (4) For contracts for road resurfacing materials that are awarded on an annual basis, where the bid specifications 124 125 include options such as a unit price for materials, a unit price for the delivery of materials, or a unit price for 126 127 materials to be laid in place by the bidder, notice of completion pursuant to this subsection may be given on an 128 129 annual basis upon completion of the project as a whole, rather 130 than at the completion of each proceed order. 131 (q) Subsection (f) shall not apply to contractors 132 performing contracts of less than fifty thousand dollars 133 (\$50,000) one hundred thousand dollars (\$100,000) in amount. In 134 such cases, the governing body of the contracting agency, to 135 expedite final payment, shall cause notice of final completion 136 of the contract to be published one time in a newspaper of 137 general circulation, published in the county of the contracting agency and shall post notice of final completion 138 on the agency's bulletin board for one week, and shall require 139 140 the contractor to certify under oath that all bills have been



141 paid in full. Final settlement with the contractor may be made 142 at any time after the notice has been posted for one entire 143 week."

144 "\$39-2-1

As used in this title, the following words shall have the meanings ascribed to them as follows:

147 (1) AWARDING AUTHORITY. Any governmental board, 148 commission, agency, body, authority, instrumentality, department, or subdivision of the state, its counties and 149 municipalities. This term includes, but shall not be limited 150 151 to, the Department of Transportation, the State Building Commission the Division of Real Property Management of the 152 Department of Finance, the State Board of Education, and any 153 154 other entity contracting for public works. This term shall 155 exclude the State Docks Department and any entity exempted from the competitive bid laws of the state by statute. 156

(2) FORCE ACCOUNT WORK. Work paid for by reimbursing for the actual costs for labor, materials, and equipment usage incurred in the performance of the work, as directed, including a percentage for overhead and profit, where appropriate.

(3) LIFE CYCLE COSTS. The total cost of ownership over the extended life of a public works project, taking into consideration the costs of construction, operation, and maintenance, less any value obtained from salvage and quantifiable environmental benefits, or the sum of all recurring and one-time (non-recurring) costs over the full life span or a specified period of a good, service, structure,



or system, including purchase price, installation costs, operating costs, maintenance and upgrade costs, and remaining (residual or salvage) value at the end of ownership or its useful life.

(4) PERSON. Natural persons, partnerships, limitedliability companies, corporations, and other legal entities.

(5) PUBLIC PROPERTY. Real property which the state,
county, municipality, or awarding authority thereof owns or
has a contractual right to own or purchase, including
easements, rights-of-way, or otherwise.

179 (6) PUBLIC WORKS. The construction, installation, repair, renovation, or maintenance of public buildings, 180 181 structures, sewers, waterworks, roads, curbs, gutters, side 182 walls, bridges, docks, underpasses, and viaducts as well as 183 any other improvement to be constructed, installed, repaired, 184 renovated, or maintained on public property and to be paid, in 185 whole or in part, with public funds or with financing to be 186 retired with public funds in the form of lease payments or 187 otherwise."

188

"§39-2-2

(a) (1) Before entering into any contract for a public works involving an amount in excess of <u>fifty thousand dollars</u> <u>(\$50,000)</u> <u>one hundred thousand dollars (\$100,000)</u>, the awarding authority shall advertise for sealed bids, except as provided in subsection (j).

194 (2)a. If the awarding authority is the state, or a
195 county, or an instrumentality thereof, it shall advertise for
196 sealed bids at least once each week for three consecutive



197 weeks in a newspaper of general circulation in the county or 198 counties in which the improvement, or some part thereof, is to 199 be made.

200 b. If the awarding authority is a municipality, or an 201 instrumentality thereof, it shall advertise for sealed bids at 202 least once in a newspaper of general circulation published in 203 the municipality where the awarding authority is located. If 204 no newspaper is published in the municipality, the awarding 205 authority shall advertise by posting notice thereof on a 206 bulletin board maintained outside the purchasing office and in 207 any other manner and for the length of time as may be determined. In addition to bulletin board notice, sealed bids 208 209 shall also be solicited by sending notice by mail to all 210 persons who have filed a request in writing with the official 211 designated by the awarding authority that they be listed for solicitation on bids for the public works contracts indicated 212 213 in the request. If any person whose name is listed fails to 214 respond to any solicitation for bids after the receipt of 215 three such solicitations, the listing may be canceled.

216 (3) With the exception of the Department of 217 Transportation, for all public works contracts involving an 218 estimated amount in excess of five hundred thousand dollars 219 (\$500,000), awarding authorities shall also advertise for 220 sealed bids at least once in three newspapers of general 221 circulation throughout the state.

222 (4) (3) The advertisements shall briefly describe the 223 improvement, state that plans and specifications for the 224 improvement are on file for examination in a designated office



225 of the awarding authority, state the procedure for obtaining 226 plans and specifications, state the time and place in which 227 bids shall be received and opened, and identify whether 228 prequalification is required and where all written 229 pregualification information is available for review. 230 (5) (4) All bids shall be opened publicly at the 231 advertised time and place. 232 (6) (5) No public work, as defined in this chapter, 233 involving a sum in excess of fifty thousand dollars (\$50,000) one hundred thousand dollars (\$100,000) shall be split into 234 235 parts involving sums of fifty thousand dollars (\$50,000) one hundred thousand dollars (\$100,000) or less for the purpose of 236 237 evading the requirements of this section.

(b) (1) An awarding authority may let contracts for public works involving <u>fifty thousand dollars (\$50,000)</u> one <u>hundred thousand dollars (\$100,000)</u> or less with or without advertising or sealed bids.

242 (2) An awarding authority may enter into a contract for 243 public works if an advertisement for sealed bids for the 244 contract was submitted by the awarding authority to a 245 newspaper and the newspaper only published the advertisement 246 for two weeks if the authority can provide proof that it, in 247 good faith, submitted the advertisement to the newspaper with 248 instructions to publish the notice in accordance with the 249 provisions of this section.

(c) All contracts for public works entered into in
violation of this title shall be void and violative of public
policy. Anyone who willfully violates this article concerning



253 public works shall be guilty of a Class C felony.

254 (d) (1) Excluded from the operation of this title shall 255 be contracts with persons who shall perform only 256 architectural, engineering, construction management, program 257 management, or project management services in support of the 258 public works and who shall not engage in actual construction, repair, renovation, or maintenance of the public works with 259 260 their own forces, by contract, subcontract, purchase order, 261 lease, or otherwise.

(2) Excluded from operation of the bidding requirements 262 263 in this title are contracts for the purchase of any heating or 264 air conditioning units or systems by any awarding authority 265 subject to Chapter 13B of Title 16, or Article 3, commencing 266 with Section 41-16-50, of Chapter 16 of Title 41, or Article 267 5, commencing with Section 41-4-110, of Chapter 4 of Title 41, provided the contract is entered into with an Alabama vendor 268 269 who has been granted approved vendor status for the sale of 270 heating or air conditioning units or systems as a part of a 271 purchasing cooperative, and each of the following occur:

a. The heating or air conditioning unit or system being purchased is available as a result of a competitive bid process conducted by a governmental entity which has been approved by the Department of Examiners of Public Accounts.

276 b. The purchase of the heating or air conditioning unit 277 or system is not available on the state purchasing program at 278 the time or the purchase under the purchasing cooperative is 279 available at a price that is equal to or less than that 280 available through the state purchasing program.



c. The entity entering into the contract for the purchase of the heating or air conditioning unit or system has been notified by the Department of Examiners of Public Accounts that the competitive bid process utilized by the cooperative program offering the goods complies with this subdivision.

d. Upon request, the vendor has provided the purchasing entity with a report of sales made under this subdivision during the previous 12-month period, to include a general description of the heating or air conditioning units and systems sold, the number of units sold per entity, and the purchase price of the units.

293 e. The exemption from the requirement to utilize sealed 294 bids for the purchase of heating or air conditioning units or 295 systems authorized by this section shall not serve to exempt any public works project from the remaining provisions of this 296 297 article, including, but not limited to, design, installation, 298 and review requirements, compliance with all applicable codes, 299 laws, specifications, and standards, and the compensation of 300 engineers, architects, or others as mandated by state law or 301 rule.

(e) (1) In case of an emergency affecting public health, safety, or convenience, as declared in writing by the awarding authority, setting forth the nature of the danger to the public health, safety, or convenience which would result from delay, contracts may be let to the extent necessary to meet the emergency without public advertisement. The action and the reasons for the action taken shall immediately be made public



309 by the awarding authority upon request. In case of an 310 emergency for which a delay in remedying would cause immediate 311 harm to a person or public property, contracts may be let to 312 the extent necessary to meet the emergency without public 313 advertisement or bidding. 314 (2) In case of an emergency affecting public health, 315 safety, or convenience, as declared in writing by the awarding 316 authority, setting forth the nature of the danger to the 317 public health, safety, or convenience which would result from delay, contracts may be let to the extent necessary to meet 318 319 the emergency without public advertisement. (3) Any action taken under subdivision (1) or (2), and 320 321 the reasons for the action taken, shall immediately be made public by the awarding authority and published in writing. 322 323 (f) No awarding authority may specify in the plans and 324 specifications for the improvement the use of materials, 325 products, systems, or services by a sole source unless all of 326 the following requirements are met: 327 (1) Except for contracts involving the construction, 328 reconstruction, renovation, or replacement of public roads, 329 bridges, and water and sewer facilities, the awarding 330 authority can document to the satisfaction of the Division of 331 Construction Management Division of Real Property Management 332 of the Department of Finance, or in the case of an educational 333 institution or state educational institution as provided 334 pursuant to Sections 41-4-353 and 41-4-400, to the satisfaction of its governing board, that the sole source 335 336 product, material, system, or service is of an indispensable



337 nature for the improvement, that there are no other viable 338 alternatives, and that only this particular product, material, 339 system, or service fulfills the function for which it is 340 needed.

341 (2) The sole source specification has been recommended
342 by the architect or engineer of record as an indispensable
343 item for which there is no other viable alternative.

344 (3) All information substantiating the use of a sole
345 source specification, including the recommendation of the
346 architect or engineer of record, shall be documented and made
347 available for examination in the office of the awarding
348 authority at the time of advertisement for sealed bids.

349 (q) In the event of a proposed public works project, 350 acknowledged in writing by the Alabama Homeland Security 351 Department as: (1) having a direct impact on the security or 352 safety of persons or facilities; and (2) requiring 353 confidential handling for the protection of such persons or 354 facilities, contracts may be let without public advertisement 355 but with the taking of informal bids otherwise consistent with 356 the requirements of this title and the requirements of 357 maintaining confidentiality. Records of bidding and award 358 shall not be disclosed to the public and shall remain 359 confidential.

(h) If a pre-bid meeting is held, the pre-bid meeting shall be held at least seven days prior to the bid opening except when the project has been declared an emergency in accordance with subsection (e).

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(i) The awarding authority may not offer a contract for



365 bidding unless confirmation of any applicable grant has been 366 received and any required matching funds have been secured by 367 or are available to the awarding authority.

368 (j) Notwithstanding subsection (a), the Department of 369 Transportation may enter into contracts for road construction 370 or road maintenance projects that do not involve more than two 371 hundred fifty thousand dollars (\$250,000) without advertising 372 for sealed bids, provided the project is listed on the 373 department website for at least seven calendar days before entering into the contract. The total cost of all projects not 374 375 subject to advertising and sealed bids pursuant to this subsection may not exceed one million dollars (\$1,000,000) in 376 377 the aggregate per year.

378 (k) For the purposes of this chapter, sealed bids may 379 also be solicited and submitted through electronic means including, but not limited to, electrical, digital, magnetic, 380 381 optical, electromagnetic, or any other similar technology, 382 provided that the awarding authority adopts rules and policies 383 to ensure that all electronic submissions are transmitted 384 securely and bids remained sealed until bid opening. 385 (1) (1) Notwithstanding any other provision of law, any 386 entity subject to this chapter that is an awarding authority 387 of a contract for public works, by resolution or board action, 388 may purchase materials or equipment pursuant to subdivisions 389 (14), (16), 17), (18), or (19) of Section 41-16-51(a), even 390 when those materials or equipment are otherwise part of the contract for public works subject to the requirements of this 391 392 title.



393	(2) Except for those materials or equipment described
394	in subdivision (1), the remaining portion of the public works
395	project shall be subject to the requirements of this title,
396	even if the remaining portion would involve an amount less
397	than one hundred thousand dollars (\$100,000) as a result of
398	the exclusion of the purchase of the materials or equipment as
399	described in subdivision (1)."

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"\$39-2-6

401 (a) The contract shall be awarded to the lowest responsible and responsive bidder, unless the awarding 402 403 authority finds that all the bids are unreasonable or that it is not to interest of the awarding authority to accept 404 405 any of the bids. A responsible bidder is one who, among other 406 qualities determined necessary for performance, is competent, 407 experienced, and financially able to perform the contract. A 408 responsive bidder is one who submits a bid that complies with 409 the terms and conditions of the invitation for bids. Minor 410 irregularities in the bid shall not defeat responsiveness. The 411 bidder to whom the award is made shall be notified by 412 telegram, confirmed facsimile, electronic mail, or letter at 413 the earliest possible date. If the successful bidder fails or 414 refuses to sign the contract, to make bond as provided in this 415 chapter, or to provide evidence of insurance as required by 416 the bid documents, the awarding authority may award the 417 contract to the second lowest responsible and responsive 418 bidder. If the second lowest bidder fails or refuses to sign the contract, make bond as provided in this chapter, or to 419 420 provide evidence of insurance as required by the bid



421 documents, the awarding authority may award the contract to 422 the third lowest responsible and responsive bidder.

423 (b) If no bids or only one bid is received at the time 424 stated in the advertisement for bids, the awarding authority 425 may advertise for and seek other competitive bids, or the 426 awarding authority may direct that the work shall be done by 427 force account under its direction and control or, with the 428 exception of the Department of Transportation, the awarding 429 authority may negotiate for the work through the receipt of informal bids not subject to the requirements of this section. 430 431 Where only one responsible and responsive bid has been received, any negotiation for the work shall be for a price 432 433 lower than that bid.

434 (c) When With the exception of the Department of 435 Transportation, when two or more bids are received, and all 436 bids exceed available funding for the contract, a local board 437 of education or a public two-year or four-year institution of 438 higher education the awarding authority may negotiate for the 439 work with the lowest responsible and responsive bidder, 440 provided that the local board of education or public two-year 441 or four-year institution of higher education awarding 442 authority can document the shortage of funding, that time is 443 of the essence, and that the negotiated changes are in the 444 public interest and do not materially alter the scope and 445 nature of the project.

(d) If the awarding authority finds that all bids
received are unreasonable or that it is not to the interest of
the awarding authority to accept any of the bids, the awarding



449 authority may direct that the work shall be done by force 450 account under its direction and control.

451 (e) On any construction project on which the awarding 452 authority has prepared plans and specifications, has received 453 bids, and has determined to do by force account or by 454 negotiation, the awarding authority shall make available the 455 plans and specifications, an itemized estimate of cost, and 456 any informal bids for review by the Department of Examiners of 457 Public Accounts and, upon completion of the project by an awarding authority, the final total costs together with an 458 459 itemized list of cost of any and all changes made in the original plans and specifications shall also be made available 460 461 for review by the Department of Examiners of Public Accounts. 462 Furthermore, the above described information shall be made 463 public by the awarding authority upon request. Upon the approval of the awarding authority, its duly authorized 464 465 officer or officers, when proceeding upon the basis of force 466 account, may let any subdivision or unit of work by contract 467 on informal bids.

(f) No provision of this section shall be interpreted as precluding the use of convict labor by the awarding authority. This section shall not apply to routine maintenance and repair jobs done by maintenance personnel who are regular employees of the awarding authority, nor shall it apply to road or bridge construction work performed by an awarding authority's regular employees and own equipment.

475 (g) No contract awarded to the lowest responsible and 476 responsive bidder shall be assignable by the successful bidder



477 without written consent of the awarding authority, and in no 478 event shall a contract be assigned to an unsuccessful bidder 479 whose bid was rejected because he or she was not a responsible 480 or responsive bidder.

481 (h) Any agreement or collusion among bidders or 482 prospective bidders in restraint of freedom of competition to 483 bid at a fixed price or to refrain from bidding or otherwise 484 shall render the bids void and shall cause the bidders or 485 prospective bidders to be disgualified from submitting further bids to the awarding authority on future lettings. Any bidder 486 487 or prospective bidder who willfully participates in any agreement or collusion in restraint of freedom of competition 488 489 shall be quilty of a felony and, on conviction thereof, shall 490 be fined not less than five thousand dollars (\$5,000) nor more 491 than fifty thousand dollars (\$50,000) or, at the discretion of 492 the jury, shall be imprisoned in the penitentiary for not less 493 than one nor more than three years.

(i) Any disclosure in advance of the terms of a bid submitted in response to an advertisement for bids shall render the proceedings void and require advertisement and award anew.

(j) The lowest responsible and responsive bidder on a public works project may be determined to be the bidder offering the lowest life cycle costs. The lowest responsible and responsive bidder shall otherwise meet all of the conditions and specifications contained in the invitation to bid, except that a bidder may still be considered responsive if he or she responds with a bid using different construction

Page 18



505 materials than those specified in the invitation to bid if the 506 materials' use would result in lower life cycle costs for the 507 public works project. To utilize this provision to determine 508 the lowest responsible and responsive bidder, the awarding 509 authority must include a notice in the invitation to bid that 510 the lowest responsible and responsive bidder may be determined 511 by using life cycle costs, and must also include in the 512 invitation to bid the criteria under which it shall evaluate 513 the life cycle costs."

514 Section 2. Although this bill would have as its purpose 515 or effect the requirement of a new or increased expenditure of 516 local funds, the bill is excluded from further requirements 517 and application under Section 111.05 of the Constitution of 518 Alabama of 2022, because the bill defines a new crime or 519 amends the definition of an existing crime.

520 Section 3. This act shall become effective on the first 521 day of the third month following its passage and approval by 522 the Governor, or its otherwise becoming law.



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530		Speaker of the House of Re	presentatives			
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535		President and Presiding Offic	er of the Senate			
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540		I hereby certify that the within Act originated in and				
541	was pas	sed by the House 23-May-23, as	amended.			
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