

FAP 111-27-00

BONDING REQUIREMENTS FOR VENDORS

1. Pursuant to KRS 45A.190(2), payment and performance bonds shall be furnished to the Commonwealth for all construction contracts in excess of \$40,000.
 - a. A performance bond shall be executed by a surety company authorized to do business in the Commonwealth in amount equal to 100% of the contract price.
 - b. A payment bond shall be executed by a surety company authorized to do business in the Commonwealth to cover labor and supplies in an amount equal to 100% of the original contract price.
 - c. A contract shall not be awarded to a contractor who fails or refuses to furnish the bond of a construction project in excess of \$40,000. 200 KAR 5:305.

2. For the procurement of other goods and services and if it is in the best interest of the Commonwealth, OPS or another procuring agency may require a successful bidder to file a performance bond, an irrevocable letter of credit or mutually agreed upon surety in a designated amount with the requesting agency.
 - a. A performance bond, an irrevocable letter of credit or mutually agreed upon surety may be required in an amount up to 100% of the amount of the contract, depending upon the nature of the transaction.
 - b. A successful bidder shall have the bond, an irrevocable letter of credit or mutually agreed upon surety signed by a surety company authorized to do business in the Commonwealth. A list of surety companies may be obtained from the Kentucky Department of Insurance. If the surety's authority to do business in Kentucky is revoked, the bidder shall promptly obtain another surety on the bond or an irrevocable letter of credit.
 - c. A bond, an irrevocable letter of credit or mutually agreed upon surety shall be conditioned on the bidder's complete performance of all obligations imposed by the contract. A bond, an irrevocable letter of credit or mutually agreed upon surety shall provide that if the bidder fails to perform an obligation, the Commonwealth may hold the bidder and his surety jointly and severally liable for damages resulting from the breach of the contract.
 - d. If the bidder does not have stock of the commodity or equipment to be purchased in the amount sought, nor the facilities to produce the item in an amount to guarantee satisfactory service, the procuring agency may require the bidder's source of supply to file a performance bond, an irrevocable letter of credit or mutually agreed upon surety conditioned on the sources supplying the bidder as stated in the bid.
 - e. The vendor shall be liable for any damages caused the Commonwealth by failure to file a bond or irrevocable letter of credit. Failure to submit a bond or irrevocable letter of credit within the time frame specified by the buyer, if required, may be grounds for rejecting the bid.

Related to: KRS 45A.190; KRS 45A.195; 200 KAR 5:305