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STATE CAPITOL
 P.O. BOX 942849
 SACRAMENTO, CA 94248-0001
 PHONE: (916) 445-7587
 FAX: (916) 324-4657

DISTRICT OFFICE:
 110 NORTH AVENUE 56
 LOS ANGELES, CA 90042
 PHONE: (213) 255-7111

RICHARD POLANCO
 ASSISTANT SPEAKER PRO TEMPORE
 45TH ASSEMBLY DISTRICT

February 15, 1993

To Whom it May Concern:

This letter is to inform you of new legislation which was recently signed into law, Assembly Bill 2872 (Polanco), Chapter 997, Statutes of 1992, on the subject of small business surety bonds. It has come to my attention that many local jurisdictions are unfamiliar with this new law which became effective January 1, 1993.

This legislation is in response to a February 11, 1992 hearing of my Select Committee on State Public Procurement Practices. That hearing addressed the subject of "Bonding, Insurance and Investment Opportunities for Minority, Woman and Disabled Veteran-Owned Businesses." In drafting AB 2872, my goal was to allow greater opportunities to the above mentioned businesses by changing provisions relating to surety bonding requirements, limitations and discriminatory practices.

AB 2872 makes clear that surety carriers may not discriminate in issuing a bond on the basis of race, color, gender, religion, national origin, ancestry or geographical area. In addition, local jurisdictions may not indirectly discriminate against small businesses, including minority and women-owned firms, by establishing unrealistic surety carrier bond rating requirements. Such requirements disproportionately affect small and emerging businesses and it is for this reason the new law requires that "No state or local public entity shall require an admitted surety insurer to comply with any requirements other than those in Section 995.660 . . ." In other words, our intent was to prohibit state and local jurisdictions from imposing surety carrier bond rating requirements to be any higher than being "admitted" to transact such business in California.

If you have questions concerning the new law, please contact me or my staff, Diana Rude, by calling (916) 445-7587.

Sincerely,

RICHARD G. POLANCO
 Assistant Speaker pro Tempore
 45th Assembly District

RGP/dr