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Legislative Fly-In

For the first time ever, NASBP and SFAA will host a joint fly-in on June 5-6, 2019 at the Hyatt Regency on Capitol Hill.

Please join us for a two-day event filled with networking and advocacy opportunities. Your participation as a surety advocate is critically important towards helping policymakers understand the significant role bonds play on federal construction projects.

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ERISA Advisory Council Seeks Updated Bonding Guidance

The U.S. Department of Labor (DOL) received a report from the ERISA Advisory Council examining the effectiveness of Labor’s regulations under Section 412, which requires employee benefits plans to carry a fidelity bond in case of losses caused by dishonesty or fraud. Among the questions they evaluated, the Council explored:

- to what extent current fidelity bonds are covering losses; to what extent are all plan officials covered; and
- should Labor’s current requirements be changed to help plan officials understand the difference between fidelity and other forms of coverage.

The council did not find evidence of uninsured fidelity losses but did find greater noncompliance with more plans failing to secure fidelity bonds than what should be expected with current pricing and availability. Noncompliance seemed to be greatest among small plans due to lack of awareness and not understanding the rules for fidelity bonds.

The Advisory Council recommends that Labor issue a new Interpretive Bulletin, publish a summary of fidelity bond requirements that comply with DOL rules, and give guidance on the difference between fidelity bonds and other insurance coverage that is often packaged with fidelity bonds but not mandated by the Department.

The Council did not recommend an increase in the required value of a fidelity bond since losses are not being found to exceed coverage, nor did they recommend requiring coverage for dishonesty or failure to deposit participant contributions, since it is unclear if the surety industry could handle this efficiently or if the benefit is worth the increased cost.

Louisiana Considers Tax Credit Program for P3 Investments
The State of Louisiana considers a tax credit program to encourage investment in P3s for infrastructure projects. HB 607 creates a Designated Special Purpose Entity (DSPE) as a quasi-public entity to sell or transfer tax credits. The total aggregate amount of tax credits from this program would be $55 million. The tax credits could be used to offset income and corporate franchise taxes, individual income taxes, insurance premium taxes, and bank taxes. Tax credits can be used at the rate of one-sixth of the value every year between 2025 and 2030. The bill provides for the creation of the P3 Board and a P3 Project Office to prepare five infrastructure projects in Louisiana with the funds generated from these tax credits.

**Contractors Impacted by Maryland Wage Law**

Maryland Governor Larry Hogan signed a law allowing an employee under a public work contract who is paid less than the prevailing wage rate to sue their employer to recover. Under existing law, employees are required to file wage complaints with the Labor Commissioner, who investigates and issues an order of restitution due to the employee. The employee can only go to court if the employer does not respond to the order. Under the new law, if the wage claimant is an employee of a subcontractor, the general contractor and the subcontractor can be held jointly liable for the subcontractor’s failure to pay the prevailing wage. The new law provides that if the Commissioner makes a determination that a contractor is required to make restitution to an employee, it will not preclude an employee from filing a suit in court. Under existing law, the payment bond form is statutory, and it guarantees the payment of the prevailing wages.