

# **TITLE 39**

## **PUBLIC WORKS**

### **Section 39-1-1**

#### **Performance Bond.**

(a) Any person entering into a contract with an awarding authority in this state for the prosecution of any public works shall, before commencing the work, execute a performance bond, with penalty equal to 100 percent of the amount of the contract price. In addition, another bond, payable to the awarding authority letting the contract, shall be executed in an amount not less than 50 percent of the contract price, with the obligation that the contractor or contractors shall promptly make payments to all persons supplying labor, materials, or supplies for or in the prosecution of the work provided in the contract and for the payment of reasonable attorneys' fees incurred by successful claimants or plaintiffs in civil actions on the 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 instituted on the bond until 45 days after written notice to the surety of the amount claimed to be due and the nature of the claim. The civil action shall be commenced not later than one year from the date of final settlement of the contract. The giving of notice by registered or certified mail, postage prepaid, addressed to the surety at any of its places of business or offices shall be deemed sufficient under this section. In the event the surety or contractor fails to pay the claim in full within 45 days from the mailing of the notice, then the person or persons may recover from the contractor and surety, in addition to the amount of the claim, a reasonable attorney's fee based on the result, together with interest on the claim from the date of the 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, foodstuffs, or supplies for the work have been supplied and that payment has not been made, be promptly furnished a certified copy of the additional bond and contract. The claimant may bring a civil action in the claimant's name on the bond against the contractor and the surety, or either of them, in the county in which the work is to be or has been performed or in any other county where venue is otherwise allowed by law.

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

offer made before trial if the offer is made no less than 10 days prior to the commencement of hearings to determine the amount or extent of liability.

(e) This section shall not require the taking of a bond to secure contracts in an amount less than fifty thousand dollars (\$50,000).

(f) The contractor shall, immediately after the completion of the contract, give notice of the completion by an advertisement in a newspaper of general circulation published within the city or county in which the work has been done, for a period of four successive weeks. A final settlement shall not be made upon the contract until the expiration of 30 days after the completion of the notice. Proof of publication of the notice shall be made by the contractor to the authority by whom the contract was made by affidavit of the publisher and a printed copy of the notice published. If no newspaper is published in the county in which the work is done, the notice may be given by posting at the courthouse for 30 days, and proof of same shall be made by the judge of probate, sheriff, and the contractor.

(g) Subsection (f) shall not apply to contractors performing contracts of less than fifty thousand dollars (\$50,000) in amount. In such cases, the governing body of the contracting agency, to expedite final payment, shall cause notice of final completion of the contract to be published one time in a newspaper of general circulation, published in the county of the contracting agency and shall post notice of final completion on the agency's bulletin board for one week, and shall require the contractor to certify under oath that all bills have been paid in full. Final settlement with the contractor may be made at any time after the notice has been posted for one entire week.

### **Section 39-1-2**

#### **Asphalt plants; inspection and certification.**

All persons, to be eligible to bid on asphalt plant mix to be sold to the State of Alabama, shall have the asphalt plants inspected and certified by the Department of Transportation. The certification shall be made by the Bureau of Materials and Tests and shall include a statement that the plant meets the requirements set forth in the current edition of the State of Alabama Department of Transportation standard specifications for highways and bridges.

### **Section 39-1-3**

#### **Taxation; reimbursement on severance, sales or use taxes.**

Any contractor performing a public works contract in which any state, county, or municipal funds are utilized shall be allowed reimbursement for any additional severance, sales, or use taxes incurred by the contractor as a result of an increase in the rate of severance, sales, or use taxes imposed during the time of performance of the contract. Time of performance shall be the time the contractor submits the bid until completion of the contract.

### **Section 39-1-4**

#### **Selection of surety company, etc.; approval of bonds, etc.**

(a) No officer or employee of an awarding authority and no person acting or purporting to act on behalf of such officer or employee of an awarding authority, except a public agency or authority created pursuant to agreement or compact with another state, shall, with respect to any public works contract, require the bidder to obtain or procure any surety bond or contract of insurance specified in connection with such contract or specified by any law, ordinance, or regulation from a particular surety company, insurance company, bonding company, agent, or broker. No officer, employee, person, firm, or

corporation acting or purporting to act on behalf of any officer or employee of an awarding authority shall negotiate, make application, obtain, or procure any surety bond or contract of insurance, except contracts of insurance for builder's risk or owner's protective liability, which shall be obtained or procured by the bidder, contractor, or subcontractor, with the following exceptions:

(1) Contracts of insurance for builder's risk, all risk, or owner's protective liability;

(2) Contracts of insurance of any kind for any public works project involving an amount in excess of forty million dollars (\$40,000,000);

(3) Contracts of insurance of any kind obtained or procured by a single awarding authority for a group of public works projects involving an aggregate amount in excess of ninety million dollars (\$90,000,000) which are financed substantially by bond issues by the awarding authority or part of a programmatically related group of public works projects, and meeting all of the following criteria:

a. All projects are located within the same county;

b. All projects are located within 10 miles of each other;

c. All projects are part of the same duly authorized annual capital development plan of the authority.

(b) The provisions of subsection (a) shall not prevent an officer or employee on behalf of an awarding authority from exercising the right to approve the form, sufficiency, or manner of execution of the surety bonds or contracts of insurance furnished by the surety company, insurance company, or bonding company selected by the bidder to underwrite surety bonds or contracts of insurance. The insurance company, bonding company, or surety company shall meet all requirements for such companies otherwise provided for by law.

(c) All provisions in any invitation for bids or in any of the contract documents in conflict with this section are declared to be void and unenforceable as contrary to the public policy of this state.

### **Section 39-1-5**

#### **Applicability.**

Notwithstanding any other laws to the contrary, Act 97-225 shall control all public works contracts on the state, county, and municipal levels of government in the State of Alabama.

### **Section 39-2-1**

#### **Definitions.**

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

(1) AWARDING AUTHORITY. Any governmental board, commission, agency, body, authority, instrumentality, department, or subdivision of the state, its counties and municipalities. This term includes, but shall not be limited to, the Department of Transportation, the State Building Commission, the State Board of Education, and any other entity contracting for public works. This term shall exclude the State Docks Department and any entity exempted from the competitive bid laws of the state by statute.

(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) PERSON. Natural persons, partnerships, limited liability companies, corporations, and other legal entities.

(4) 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.

(5) PUBLIC WORKS. The construction, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, repaired, renovated, or maintained on public property and to be paid, in whole or in part, with public funds or with financing to be retired with public funds in the form of lease payments or otherwise.

### **Section 39-2-2**

#### **Bids and bidding.**

(a) Before entering into any contract for a public works involving an amount in excess of fifty thousand dollars (\$50,000), the awarding authority shall advertise for sealed bids. If the awarding authority is the state or a county, or an instrumentality thereof, it shall advertise for sealed bids at least once each week for three consecutive weeks in a newspaper of general circulation in the county or counties in which the improvement or some part thereof, is to be made. If the awarding authority is a municipality, or an instrumentality thereof, it shall advertise for sealed bids at least once in a newspaper of general circulation published in the municipality where the awarding authority is located. If no newspaper is published in the municipality, the awarding authority shall advertise by posting notice thereof on a bulletin board maintained outside the purchasing office and in any other manner and for the length of time as may be determined. In addition to bulletin board notice, sealed bids shall also be solicited by sending notice by mail to all persons who have filed a request in writing with the official designated by the awarding authority that they be listed for solicitation on bids for the public works contracts indicated in the request. If any person whose name is listed fails to respond to any solicitation for bids after the receipt of three such solicitations, the listing may be canceled. With the exception of the Department of Transportation, for all public works contracts involving an estimated amount in excess of five hundred thousand dollars (\$500,000), awarding authorities shall also advertise for sealed bids at least once in three newspapers of general circulation throughout the state. The advertisements shall briefly describe the improvement, state that plans and specifications for the improvement are on file for examination in a designated office of the awarding authority, state the procedure for obtaining plans and specifications, state the time and place in which bids shall be received and opened, and identify whether prequalification is required and where all written prequalification information is available for review. All bids shall be opened publicly at the advertised time and place. No public work as defined in this chapter involving a sum in excess of fifty thousand dollars (\$50,000) shall be split into parts involving sums of fifty thousand dollars (\$50,000) or less for the purpose of evading the requirements of this section.

(b) An awarding authority may let contracts for public works involving fifty thousand dollars (\$50,000) or less with or without advertising or sealed bids.

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

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

(e) 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 by the awarding authority upon request.

(f) No awarding authority may specify in the plans and specifications for the improvement the use of materials, products, systems, or services by a sole source unless all of the following requirements are met:

(1) Except for contracts involving the construction, reconstruction, renovation, or replacement of public roads, bridges, and water and sewer facilities, the awarding authority can document to the satisfaction of the State Building Commission that the sole source product, material, system, or service is of an indispensable nature for the improvement, that there are no other viable alternatives, and that only this particular product, material, system, or service fulfills the function for which it is needed.

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

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

### **Section 39-2-3**

#### **Fees and deposits; proposals, plans, specifications, bid documents.**

(a) For contracts let by the Department of Transportation, proposals may be obtained only upon payment of a fee, to be determined by the Department of Transportation, not in excess of five dollars (\$5). Plans and specifications may be obtained only upon payment of a fee, to be determined by the Department of Transportation, not to exceed the actual cost of printing such plans and specifications.

(b) For all other awarding authorities, an adequate number of sets of bid documents, as determined by the awarding authority, may be obtained by prime contractor bidders upon payment of a deposit for each set, which deposit shall not exceed twice the cost of printing, reproduction, handling, and distribution of each set. The deposit shall be refunded in full to each prime contractor bidder upon return of the documents in reusable condition within 10 days after bid opening. Additional sets for prime contractor bidders, subcontractors, vendors, or dealers may be obtained upon payment of the same deposit. The deposit shall be refunded less the cost of printing, reproduction, handling, and distribution, upon return of the documents in reusable condition within 10 days after bid opening. All refunds are due from the awarding authority within 20 days after bid opening.

(c) Building exchanges and similar agencies may be furnished plans and specifications without charge.

### **Section 39-2-4**

#### **Bids and bidding; bid guaranties; prequalification.**

(a) The bidder shall be required to file with his or her bid either a cashier's check drawn on an Alabama bank or a bid bond executed by a surety company duly authorized and qualified to make such bonds in the State of Alabama, payable to the awarding authority for an amount not less than five percent of the awarding authority's estimated cost or of the contractor's bid, but in no event more than ten thousand dollars (\$10,000). The bid guaranties as provided in this section shall constitute all of the qualifications or guaranty to be required of contractors as prerequisites to bidding for public works, except as required

by the State Licensing Board for General Contractors and the prequalification as required by the Department of Transportation, the Building Commission, or any other awarding authority.

(b) With the exception of the Department of Transportation which has prequalification procedures and criteria set forth by statute, any awarding authority that proposes to prequalify bidders shall establish written prequalification procedures and criteria that (1) are published sufficiently in advance of any affected contract so that a bona fide bidder may seek and obtain prequalification prior to preparing a bid for that contract, such publication to be accomplished by the methods specified in subsection (a) of Section 39-2-2; (2) are related to the purpose of the contract or contracts affected; (3) are related to contract requirements or the quality of the product or service in question; (4) are related to the responsibility, including the competency, experience, and financial ability, of a bidder; and (5) will permit reasonable competition at a level that serves the public interest. The prequalification publication may run concurrently with the publication required under subsection (a) of Section 39-2-2, provided it produces the above required advance notice.

(c) Within the bounds of good faith, the awarding authority retains the right to determine whether a contractor has met prequalification procedures and criteria.

(d) Any bidder who has prequalified pursuant to the requirements in subsection (b) shall be deemed "responsible" for purposes of award unless the prequalification is revoked by the awarding authority under the following procedures: (1) No later than five working days or the next regular meeting after the opening of bids, the awarding authority issues written notice to the bidder of its intent to revoke prequalification and the grounds therefor; (2) the bidder is then provided an opportunity to be heard before the awarding authority on the intended revocation; (3) the awarding authority makes a good faith showing of a material inaccuracy in the prequalification application of a bidder or of a material change in the responsibility of the bidder since submitting its prequalification application; and (4) the revocation of prequalification is determined no later than 10 days after written notice of intent to revoke, unless the bidder whose qualification is in question agrees in writing to an extension in time.

(e) Nothing in this section shall preclude the rejection of a bidder determined not responsible nor the inclusion of criteria in the bid documents which would limit contract awards to responsible bidders where no prequalification procedure is employed by the awarding authority.

### **Section 39-2-5**

#### **Bids and bidding; bid guarantees; return.**

All bid guaranties, except those of the three lowest bona fide bidders, shall be returned immediately after bids have been checked, tabulated, and the relation of the bids established. The bid guaranties of the three lowest bidders shall be returned as soon as the contract bonds and the contract of the successful bidder have been properly executed and approved. When the award is deferred for a period of time longer than 15 days after the opening of the bids, all bid guaranties, except those of the potentially successful bidders, shall be returned. If no award is made within 30 days after the opening of the bids, or such other time as specified in the bid documents, all bids shall be rejected and all guaranties returned, except for any potentially successful bidder that agrees in writing to a stipulated extension in time for consideration of its bid, in which case the awarding authority may permit the potentially successful bidder to substitute a satisfactory bidder's bond for the cashier's check submitted with its bid as a bid guaranty.

## **Section 39-2-6**

### **Bids and bidding; award.**

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

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

(c) 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 authority may direct that the work shall be done by force account under its direction and control.

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

(e) 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.

(f) No contract awarded to the lowest responsible and responsive bidder shall be assignable by the successful bidder without written consent of the awarding authority, and in no event shall a contract be assigned to an unsuccessful bidder whose bid was rejected because he or she was not a responsible or responsive bidder.

(g) Any agreement or collusion among bidders or prospective bidders in restraint of freedom of competition to bid at a fixed price or to refrain from bidding or otherwise shall render the bids void and

shall cause the bidders or prospective bidders to be disqualified from submitting further bids to the awarding authority on future lettings. Any bidder or prospective bidder who willfully participates in any agreement or collusion in restraint of freedom of competition shall be guilty of a felony and, on conviction thereof, shall be fined not less than five thousand dollars (\$5,000) nor more than fifty thousand dollars (\$50,000) or, at the discretion of the jury, shall be imprisoned in the penitentiary for not less than one nor more than three years.

(h) 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.

### **Section 39-2-7**

#### **Effect of errors and discrepancies of prices in bids.**

In case of error in the extension of prices in bids, the unit price will govern. In case of discrepancy between the prices shown in the figures and in words, the words will govern.

### **Section 39-2-8**

#### **Contract, bonds, and insurance; required.**

The bidder to whom the award is made shall, when required, enter into a written contract on the form included in the proposal, plans, and specifications, furnish a performance bond and payment bond executed by a surety company duly authorized and qualified to make such bonds in the State of Alabama in the amount required by subsection (a) of Section 39-1-1 and provide evidence of insurance as required by the bid documents within the period specified or, if no period is specified, within 15 days after the prescribed forms have been presented to him or her for signature. If extenuating circumstances prevail, the awarding authority may grant an extension in time not exceeding five days for the return of the contract, required bonds and required evidence of insurance.

### **Section 39-2-9**

#### **Contracts, bonds, and insurance; approval and execution.**

The awarding authority shall approve the contractor's bonds meeting the requirements of Section 39-2-8 and the contractor's evidence of insurance meeting the requirements of the bid documents, as well as complete the execution of the contract, within 20 days after their presentation by the contractor unless the successful contractor agrees in writing to a longer period.

### **Section 39-2-10**

#### **Issuance of proceed orders by awarding authorities, etc.**

A proceed order shall be issued by the awarding authority within 15 days after final execution of the contract by the awarding authority, and execution by the Governor if his or her signature on the contract is required by law, unless both parties agree in writing to a stipulated extension in time for the issuance of a proceed order.



### **Section 39-2-11**

#### **Default or withdrawal of bid.**

(a) Should the successful bidder or bidders to whom a contract is awarded fail to execute a contract and furnish acceptable contract securities and evidence of insurance as required by law within the period as set forth in Section 39-2-8, the awarding authority shall retain from the proposal guaranty, if it is a cashier's check, or recover from the principal or the sureties, if the guaranty is a bid bond, the difference between the amount of the contract as awarded and the amount of the proposal of the next lowest bidder. If no other bids are received, the full amount of the proposal guaranty shall be so retained or recovered as liquidated damages for such default. Any sums so retained or recovered shall be the property of the awarding authority.

(b) In the event of the death of a low bidder between the date of the opening of bids and the 15 days following the date of award of contract as allowed in Section 39-2-8 for furnishing of contract securities and evidence of insurance, the awarding authority shall return the proposal guaranty intact to the estate of the deceased low bidder.

(c) Failure by the awarding authority to complete the execution of a contract and to issue a proceed order as required in Sections 39-2-9 and 39-2-10 shall be just cause, unless both parties agree in writing to a stipulated extension in time for issuance of a proceed order, for the withdrawal of the contractor's bid and contract without forfeiture of the certified check or bond.

(d) Except for contracts let by the Department of Transportation, if the low bidder discovers a mistake in its bid rendering a price substantially out of proportion to that of other bidders, the low bidder may seek withdrawal of its bid without forfeiture upon written notice to the awarding authority within three working days after the opening of bids whether or not award has been made. If the low bidder offers clear and convincing documentary evidence as soon as possible, but no later than three working days after the opening of bids, that it made such a mistake due to calculation or clerical error, an inadvertent omission, or a typographical error, the awarding authority shall permit withdrawal without forfeiture. The decision of the awarding authority shall be made within 10 days after receipt of the low bidder's evidence or by the next regular meeting of the awarding authority. In no event shall a mistake of law, judgment, or opinion constitute a valid ground for the withdrawal of a bid without forfeiture. Upon withdrawal of bid without forfeiture, the low bidder shall be prohibited from (1) doing any work on the contract, either as a subcontractor or in any other capacity, and (2) bidding on the same project if it is readvertised for letting.

### **Section 39-2-12**

#### **Partial and final payments of contractors by awarding authorities generally.**

(a) As used in this section the following words shall have the meanings ascribed to them as follows:

(1) CONTRACTOR. Any natural person, partnership, company, firm, corporation, association, limited liability company, cooperative, or other legal entity licensed by the Alabama State Licensing Board for General Contractors.

(2) NONRESIDENT CONTRACTOR. A contractor which is neither a. organized and existing under the laws of the State of Alabama, nor b. maintains its principal place of business in the State of Alabama. A nonresident contractor which has maintained a permanent branch office within the State of Alabama for at least five continuous years shall not thereafter be deemed to be a nonresident contractor so long as the contractor continues to maintain a branch office within Alabama.

(3) RETAINAGE. That money belonging to the contractor which has been retained by the awarding authority conditioned on final completion and acceptance of all work in connection with a project or projects by the contractor.

(b) Unless otherwise provided in the specifications, partial payments shall be made as the work progresses at the end of each calendar month, or as soon thereafter as practicable, on the estimates made and approved by the awarding authority. In preparing estimates, the material delivered on the site, materials suitably stored and insured off-site, and preparatory work done may be taken into consideration.

(c) In making the partial payments, there shall be retained not more than five percent of the estimated amount of work done and the value of materials stored on the site or suitably stored and insured off-site, and after 50 percent completion has been accomplished, no further retainage shall be withheld. The retainage as set out above shall be held until final completion and acceptance of all work covered by the contract unless the escrow or deposit arrangement described in subsections (f) and (g) is utilized. Provided, however, no retainage shall be withheld on contracts entered into by the Alabama Department of Transportation for the construction or maintenance of public highways, bridges, or roads.

(d) In addition to other requirements, a nonresident contractor shall satisfy the awarding authority that he or she has paid all taxes due and payable to the State of Alabama or any political subdivision thereof prior to receiving final payment for contract work. When maintenance periods are included in the contract covering highways and bridges or similar structures, the periods shall be considered a component part of the contract. On completion and acceptance of each separate building, public work, or other division of the contract on which a price is stated separately in the contract or can be separately ascertained, payment may be made in full, including the retained percentage thereof, less authorized deductions. Nothing in this section shall be interpreted to require the awarding authority to make full payment on an item of work when the item of work is an integral part of a complete improvement.

(e) In lieu of the retained amounts provided for in subsection (c) of this section, the awarding authority may provide in the specifications or contracts an alternate procedure for the maintenance of an escrow account as provided in subsection (f) or the depositing of security as provided in subsection (g).

(f) An escrow account, established pursuant to an escrow agreement, shall be entered into only on the following conditions:

(1) If the contractor shall have entered into more than one construction contract allowing for the maintenance of escrow accounts, the contractor may elect to combine the amounts held in lieu of retainage under each contract into one or more escrow accounts or may elect to establish a separate escrow account for each contract.

(2) Only state or national banks chartered within the State of Alabama or savings and loan associations domiciled in the State of Alabama may serve as an escrow agent.

(3) The escrow agent must limit the investment of funds held in escrow in lieu of retained amounts provided for in subsection (c) of this section to savings accounts, certificates of deposit or similar time deposit investments (which may, at the election of the contractor, be in an amount in excess of the maximum dollar amount of coverage by the Federal Deposit Insurance Corporation, the Federal Savings & Loan Insurance Corporation, or other similar agency), U.S. Treasury Bonds, U.S. Treasurer Notes, U.S. Treasurer Certificates of Indebtedness, U.S. Treasury Bills, bonds or notes of the State of Alabama or bonds of any political subdivision of the State of Alabama.

(4) As interest on all investments held in escrow becomes due, it shall be collected by the escrow agent and paid to the contractor.

- (5) The escrow agent shall periodically acknowledge to the awarding authority and contractor the amount and value of the escrow account held by the escrow agent, and any additions to the escrow account by the awarding authority shall be reported immediately to the contractor. Withdrawals from the escrow account shall only be made subject to the written approval of the awarding authority.
- (6) Upon default or overpayment, as determined by the awarding authority, of any contract or contracts subject to this procedure, and upon the written demand of the awarding authority, the escrow agent shall within 10 days deliver a cashier's check to the awarding authority in the amount of the escrow account balance (subject to the redemption value of such investments at the time of disbursement) relating to the contract or contracts in default.
- (7) The escrow account may be terminated upon completion and acceptance of the contract or contracts as provided in subsections (c) and (i) of this section.
- (8) All fees and expenses of the escrow agent shall be paid by the contractor to the escrow agent and if not paid shall constitute a lien on the interest accruing to the escrow account and shall be paid therefrom.
- (9) The escrow account shall constitute a specific pledge to the awarding authority, and the contractor shall not, except to his surety, otherwise assign, pledge, discount, sell or transfer his interest in said escrow account, the funds in which shall not be subject to levy, garnishment, attachment or any other process whatsoever.
- (10) The form of the escrow agreement and provisions thereof in compliance herewith, as well as such other provisions as the awarding authority shall from time to time prescribe, shall be subject to written approval of the awarding authority. The approval of the escrow agreement by the awarding authority shall authorize the escrow agent to accept appointment in such capacity.
- (11) The awarding authority shall not be liable to the contractor or his surety for the failure of the escrow agent to perform under the escrow agreement, or for the failure of any financial institution to honor investments issued by it which are held in the escrow account.
- (g) The contractor may withdraw the whole or any part of the retainage upon deposit of securities only in accordance with the following procedures:
- (1) The contractor shall deposit with the State Treasurer or the municipal or county official holding funds belonging to the contractor, the following readily negotiable security or any combination thereof in an amount at least equal to the amount withdrawn, the security shall be accepted at the time of deposit at market value but not in excess of par value:
- a. U.S. Treasury Bonds, U.S. Treasury Notes, U.S. Treasury Certificates of Indebtedness, or U.S. Treasury Bills.
  - b. Bonds or notes of the State of Alabama.
  - c. Bonds of any political subdivision of the State of Alabama.
  - d. Certificates of deposit issued by the Federal Deposit Insurance Corporation insured banks located in the State of Alabama. The certificates shall be negotiable and only in an amount not in excess of the maximum dollar amount of coverage by the Federal Deposit Insurance Corporation.
  - e. Certificates of deposit issued by savings and loan associations located in the State of Alabama, the accounts of which are insured by the Federal Deposit Insurance Corporation or the accounts of which are insured by a company approved by the state Savings and Loan Board and the certificates shall be made payable with accrued interest on demand. Any certificate from any of the savings and loan associations referred to in this paragraph shall not be for an amount in excess of the maximum dollar amount of coverage of the Federal Deposit Insurance Corporation.

(2) The agency or department of the state having jurisdiction over any public works contract shall notify the State Treasurer of the amount of the deposit required and shall also notify the State Treasurer when to release the deposit.

(3) The architect or engineer representing any municipality or county or the chair of any board, commission, or agency of any municipality or county shall notify the municipal or county official of the amount of deposit required and shall also notify the municipal or county official when to release the deposit.

(4) At the time of deposit of any security, the security may be endorsed and shall be accompanied by a conditional assignment to the public body designated as owner in the contract document, which assignment shall empower the State Treasurer, or the municipal or county official to negotiate the security at any time to the extent necessary to cause the fulfilling of the contract.

(5) Any interest or income due on any security deposited shall be paid to the contractor. If the deposit is in the form of coupon bonds, the coupons, as they respectively become due, shall be delivered to the contractor.

(6) In the event the contractor defaults in the performance of the contract or any portion of the contract, the securities deposited by the contractor in lieu of retainage and all interest, income, and coupons accruing on the securities, after default, may be sold by the state or any agency or department of the state, any municipality or county, or any board, commission, or agency of the municipality or county and the proceeds of the sale shall be used as if the proceeds represented the retainage provided for under the contract.

(h) All material and work covered by partial payments made shall become the sole property of the awarding authority, but the contractor shall not be relieved from the sole responsibility for the care and protection of materials and work upon which payments have been made, and for the restoration of any damaged work.

(i)(1) Upon the contractor's completion and the awarding authority's acceptance of all work required, the awarding authority shall pay the amount due the contractor upon the contractor's presentation of the following items:

a. A properly executed and duly certified voucher for payment.

b. A release, if required, of all claims and claims of lien against the awarding authority arising under and by virtue of the contract, other than such claims of the contractor, if any, as may be specifically excepted by the contractor from the operation of the release in stated amounts to be set forth therein.

c. Proof of advertisement as provided by law.

(2) Such payment shall become due and owing 40 days after all the requirements of subdivision (1) are fulfilled. If the awarding authority fails to make payment, as required, interest on the amount shall be due and owing to the contractor. The interest rate shall be the legal amount currently charged by the State of Alabama Department of Revenue. Interest shall accrue on the day following the later date described above and shall be paid from the same fund or source from which the contract principal is paid.

(j) If the Department of Transportation or a county awarding authority shall determine that there has been overpayment to a contractor on a contract award pursuant to this chapter, the Department of Transportation or the county awarding authority shall provide written notice of the overpayment to the contractor and the contractor shall remit the overpayment to the Department of Transportation or the county awarding authority within 120 days of receipt of the demand. If the contractor fails to remit payment in full of the overpayment within 120 days of receipt of demand, the contractor shall be disqualified from bidding as a prime contractor or from performing work as a subcontractor on any

future Department of Transportation contract or county contract for the construction or maintenance of public highways, bridges, or roads until the overpayment is made.

### **Section 39-2-13**

#### **Rules and regulations.**

For the purpose of carrying into effect the terms of this chapter and insuring to the state and its political subdivisions the award of all contracts to responsible and responsive bidders, the awarding authority may prepare and promulgate rules and regulations it deems proper, but not inconsistent with the terms of this chapter.

### **Section 39-2-14**

#### **Registration of out-of-state contractors required; deposit; surety bond.**

(a) Every nonresident contractor, as defined in Section 39-2-12 shall register with the Department of Revenue prior to engaging in the performance of a contract in this state. At the time of registration the contractor shall deposit with the Department of Revenue five per centum of the amount such contractor is to receive for the performance of the contract which shall be held within a "contractors use tax fund" pending the completion of the contract, the determination of the taxes due this state and other governmental bodies, and the payment of same. In lieu of such deposit the contractor may provide a corporate surety bond to be approved by the Commissioner of Revenue as to form, sufficiency, value, amount, stability, and other features necessary to provide a guarantee of payment of the taxes due this state and other governmental bodies.

(b) In addition, within 30 days after registration, the contractor shall file a statement with the Department of Revenue itemizing the machinery, materials, supplies, and equipment that he has or will have on hand at the time he begins the fulfillment of the contract where such tangible personal property has been brought, shipped, or transported from outside the State of Alabama upon which neither the use taxes or ad valorem taxes have been paid and shall pay the tax due thereon at the time of filing and thereafter shall report and pay the tax as required by the Commissioner of Revenue.

(c) Upon payment of the said taxes due, as required hereby, the deposit or the surety bond required herein shall be returned forthwith to the out-of-state contractor posting same.

(d) The Commissioner of Revenue shall have authority to promulgate rules and regulations to carry out the provisions of this section.

### **Section 39-3-1**

#### **Domestic products generally.**

(a) The awarding authority contracting for a public works project to be financed entirely by the State of Alabama or any political subdivision of the state, shall stipulate or cause to be stipulated in the contract a provision whereby the person, firm, or corporation undertaking the project agrees to use in the execution of the contract materials, supplies, and products manufactured, mined, processed, or otherwise produced in the United States or its territories, if the same are available at reasonable and competitive prices and are not contrary to any sole source specification implemented under subsection (f) of Section 39-2-2.

(b) In the event the contractor breaches the agreement to use domestic products, and domestic products are not used, there shall be a downward adjustment in the contract price equal to any realized savings or benefits to the contractor.

#### **Section 39-3-4**

##### **Domestic steel.**

(a) Any contractor for a public works project, financed entirely by the State of Alabama or any political subdivision thereof, within this state shall use steel produced within the United States when specifications in the construction contract require the use of steel and do not limit its supply to a sole source under subsection (f) of Section 39-2-2. If the awarding authority decides that the procurement of the above mentioned domestic steel products becomes impractical as a result of a national emergency, national strike, or other cause, the awarding authority shall waive the above restriction.

(b) In the event the contractor violates the domestic steel requirements of subsection (a), and domestic steel is not used, there shall be a downward adjustment in the contract price equal to any realized savings or benefits to the contractor.

#### **Section 39-3-5**

##### **Preference to resident contractors in letting of certain public contracts.**

(a) In the letting of public contracts in which any state, county, or municipal funds are utilized, except those contracts funded in whole or in part with funds received from a federal agency, preference shall be given to resident contractors, and a nonresident bidder domiciled in a state having laws granting preference to local contractors shall be awarded Alabama public contracts only on the same basis as the nonresident bidder's state awards contracts to Alabama contractors bidding under similar circumstances; and resident contractors in Alabama, as defined in Section 39-2-12, be they corporate, individuals, or partnerships, are to be granted preference over nonresidents in awarding of contracts in the same manner and to the same extent as provided by the laws of the state of domicile of the nonresident.

(b) A summary of this law shall be made a part of the advertised specifications of all projects affected by this law.

#### **Section 39-5-1**

##### **Contracts let in violation of law unenforceable; certificate of compliance; rebuttable presumption of compliance.**

(a) No civil action shall be brought or maintained by a contractor in any court in this state to require any awarding authority to pay out public funds for work and labor done, for materials supplied, or on any account connected with performance of a contract for public works, if the contract was let or executed in violation of or contrary to this title or any other provision of law.

(b) The awarding authority shall, prior to the execution of final contracts and bonds, certify that the contract to be awarded is let in compliance with this title and all other applicable provisions of law; and, only for purposes of a civil action as referenced in subsection (a), the issuance of the certificate by the awarding authority shall constitute a presumption that the contract was let in accordance with the laws. The presumption may be rebutted only by a showing with clear and convincing evidence that the certification is false or fraudulent and that the contractor knew that the certification was false or fraudulent before execution of the contract.

#### **Section 39-5-2**

##### **Issuance of false or fraudulent certificate of compliance.**

Any awarding authority or its agents issuing a willfully false or fraudulent certificate as required by Section 39-5-1 shall be guilty of a felony and, on conviction thereof, shall be fined not less than five thousand dollars (\$5,000) nor more than fifty thousand dollars (\$50,000) or, at the discretion of the jury, shall be imprisoned in the penitentiary for not less than one nor more than three years.

### **Section 39-5-3**

#### **Parties; actions to recover.**

An action shall be brought by the Attorney General or may be brought by any interested citizen, in the name and for the benefit of the awarding authority, to recover paid public funds from the contractor, its surety, or any person receiving funds under any public works contract let in violation of or contrary to this title or any other provision of law, if there is clear and convincing evidence that the contractor, its surety, or such person knew of the violation before execution of the contract. The action shall be commenced within three years of final settlement of the contract.

### **Section 39-5-4**

#### **Parties; injunctions.**

The Attorney General, a bona fide unsuccessful or disqualified bidder, or any interested citizen may maintain an action to enjoin the letting or execution of any public works contract in violation of or contrary to the provisions of this title or any other statute and may enjoin payment of any public funds under any such contract. In the case of a successful action brought by a bidder, reasonable bid preparation costs shall be recoverable by that bidder. The action shall be commenced within 45 days of the contract award.

### **Section 39-5-5**

#### **Notice of provisions.**

All persons or parties entering into contracts or agreements with an awarding authority for the construction of a public work shall be conclusively presumed to have notice of the provisions of this title.

### **Section 39-5-6**

#### **Provisions of title mandatory; construction and application of title.**

The provisions of this title are mandatory, and shall be construed to require strict competitive bidding on contracts for public works. The courts shall not invoke or apply any principle of quantum meruit, estoppel, or any other legal or equitable principle which would allow recovery for work and labor done or materials furnished under any contract let in violation of competitive bidding requirements as prescribed by law.