



State of New Mexico Construction Industries Bond Requirements

By Teala Kail, Public Information Officer, New Mexico Regulation and Licensing Department

In 2008, the New Mexico Legislature passed a new law requiring contractors to carry a \$10,000 Consumer Protection Code Bond to satisfy the financial responsibility requirement for licensure. This new bond replaces the three options that were previously authorized by statute to satisfy this requirement. These options included the Penalty Bond, the Cash Collateral Assignment, or the Audited Financial Statement. As of July 1, 2009, this different bond type is required for all new licenses and all renewals of a current Construction Industries Division- (CID) issued license.

The change in the bond requirement is not merely a change in form and cost. The state legislature amended the Construction Industries Licensing Act in the 2007 legislative session to change the type of bond required for licensure. Formerly, the bond could be attached only by the state to satisfy penalties assessed against a licensee by the state. Under the new law, a consumer is now able to attach the bond for assistance in correcting building code violations caused by a licensee.

This change provides the first true consumer protection under the Construction Industries Licensing Act, and while the cost of the new bond is somewhat higher, the new law was widely supported by the construction industries in New Mexico. The bonding industry worked closely with the state in developing the new forms, and notice of the change has been widely publicized.

Neither the state nor the state's licensing vendor, PSI, realizes any revenue from the sale of the bonds.

CID has responsibility for building code enforcement and licensure of contractors. In that capacity, CID issues permits and conducts building construction inspections. CID has this authority throughout the state except in local jurisdictions where a municipality or county may have its own building program. In such cases, those local programs are responsible for issuing and enforcing building permits and inspections in their respective jurisdictions.

The new bond responds to consumer harm only indirectly, such as when a contractor fails to correct code violations that are identified through an investigation process.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding resources for their business or idea. To learn more about resources available to New Mexicans, go to www.FinanceNewMexico.org.

