



HOUSE BILL 740: Constituent Portal/Contractor Liability Limit.

2025-2026 General Assembly

Committee:	House State and Local Government. If favorable, re-refer to Appropriations. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	June 17, 2025
Introduced by:	Rep. Johnson	Prepared by:	Karyl Smith
Analysis of:	PCS to First Edition H740-CSCJf-16		Committee Co-Counsel

OVERVIEW: *House Bill 740 would direct and fund the issuance of a request for proposals for the development and creation of a disaster relief portal and limit contractor liability under certain State procurement contracts.*

The PCS would do the following:

- *Remove the disaster relief portal language from the bill.*
- *Allow the Secretary of the Department of Administration to impose a fee not to exceed \$250 to review a contractor's financial resources.*
- *Modify the effective date.*
- *Make technical corrections.*

CURRENT LAW: Articles 3 (Purchases and Contracts) and 8 (Public Contracts) of Chapter 143 of the General Statutes govern the procurement of non-IT goods and services in the State.

Part 4 of Article 15 (Department of Information Technology) of Chapter 143B of the General Statutes governs the procurement of IT goods and services in the State. Under G.S. 143B-1350, all contracts subject to the provisions of Part 4 must include a limitation on the contractor's liability for damages arising from any cause of action. The amount of liability is presumed to be no more than two times the value of the contract. The limitation must include the contractor's liability for damages and any other losses relating to the loss of, unauthorized access to, or unauthorized disclosure of data. The amount of liability for damages related to data breaches can be raised to no more than three times the value of the contract if the State Chief Information Officer does a risk assessment prior to the bid solicitation or request for proposal that determines that an increase in the liability amount is necessary to protect the State's best interests and indicates in the bid solicitation or request for proposal that increased liability will be required for the resulting contract. The liability limitation is not required to apply to liability of the contractor for intentional or willful misconduct, damage to tangible personal property, physical injuries to persons, or certain notification costs. Nothing in the statute limits liability to third parties or affects rights of contribution among joint tortfeasors.

BILL ANALYSIS: The PCS to House Bill 740 would do the following:

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- Require all contracts subject to Articles 3 and 8 of Chapter 143 of the General Statutes to include a limitation on the contractor's liability to the State for damages. Except as otherwise provided, the limitation of liability would be for damages arising from any cause of action. The amount of liability would be determined based on the nature of the goods, services, or construction work covered by the contract; however, there would be a presumptive limitation of no more than two times the value of the contract.
- Specify that limitation of liability would include the contractor's liability for damages.
- Allow the amount of liability for damages to be raised to no more than three times the value of the contract if (i) the Secretary or the Secretary's designee completes a risk assessment prior to the bid solicitation or request for proposals that determines an increase in the liability amount is necessary to protect the State's best interests and (ii) the bid solicitation or request for proposals indicates that increased liability will be required for the resulting contract.
- Require the Secretary or the Secretary's designee to reasonably determine that the contractor possesses sufficient financial resources, either independently or through third-party sources, to satisfy the agreed upon limitation of liability.
- Clarify that (i) the limitation of liability does not apply to liability of the contractor for intentional or willful misconduct, damage to tangible personal property, or physical injuries to persons and (ii) the contractor's liability is not limited directly to third parties and the rights and obligations related to contribution among joint tortfeasors is not affected.
- Allow the Secretary to impose a fee not to exceed \$250 to review a contractor's financial resources.
- Direct the Secretary, not later than March 1 of each year, to report annually to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on General Government regarding every contract containing liability amounts of more than two times the value of the contract.

EFFECTIVE DATE: The bill would become effective October 1, 2025, and would apply to contracts awarded, renewed, or amended on or after that date.