

First Regular Session
Sixty-eighth General Assembly
STATE OF COLORADO

REDRAFT

1.13.11

Double underlining
denotes changes from
prior draft

DRAFT

LLS NO. 11-0130.01 Jery Payne

HOUSE BILL

HOUSE SPONSORSHIP

Priola and Soper,

SENATE SPONSORSHIP

Tochtrop,

SHORT TITLE: "Public Entity Construction Retainage"

DEADLINES: Finalize by: 12 JAN 2011 File by: 17 JAN 2011

A BILL FOR AN ACT

101 CONCERNING THE PAYMENT OF RETAINAGE IN CONSTRUCTION
102 CONTRACTS INVOLVING PUBLIC ENTITIES.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

Currently, a public entity is allowed to withhold payment for up to 10% of the value of completed work on the first half of a construction project to ensure that the work meets specification. The bill changes that amount to 5% of the value of the entire project. A public entity must make a final settlement within 45 days after the contract is completed. If

*Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

a public entity occupies or begins to use all or a portion of the construction, the public entity must release the withheld percentage or portion within 45 days after occupancy or use. The entity may retain double the amount of money necessary to cover any work that is not up to contract specifications.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Legislative declaration. (1) The general assembly hereby finds and declares that:

(a) The construction industry is a significant component of the state's economy;

(b) Cash flow is vital to the stability of the construction industry and its ability to create new jobs; and

(c) Public entities must ensure construction projects are completed in a timely manner, while releasing retained progress payments expeditiously to sustain contractor cash flow.

SECTION 2. 24-91-103 (1) and (3), Colorado Revised Statutes, are amended to read:

24-91-103. Public entity - contracts - partial payments.

(1) (a) A public entity awarding a contract exceeding one hundred fifty thousand dollars for the construction, alteration, or repair of any highway, public building, public work, or public improvement, structure, or system shall authorize partial payments of the amount due under such contract at the end of each calendar month, or as soon thereafter as practicable, to the contractor, if the contractor is satisfactorily performing the contract. THE PUBLIC ENTITY SHALL PAY at least ~~ninety~~ NINETY-FIVE percent of the calculated value of ~~any~~ COMPLETED work. ~~completed shall be paid until fifty percent of the work required by the contract has been performed.~~ Thereafter, the public entity shall pay any of the remaining installments

1 ~~without retaining additional funds if, in the opinion of the public entity,~~
2 ~~satisfactory progress is being made in the work.~~ The withheld percentage
3 of the contract price of any ~~such~~ CONTRACTED work, improvement, or
4 construction ~~shall~~ MAY be retained until the contract is completed
5 satisfactorily and finally accepted by the public entity.

6 (b) EXCEPT AS PROVIDED IN PARAGRAPH (d) OR (e) OF THIS
7 SUBSECTION (1), THE PUBLIC ENTITY SHALL MAKE A FINAL SETTLEMENT IN
8 ACCORDANCE WITH SECTION 38-26-107, C.R.S., WITHIN FORTY-FIVE DAYS
9 AFTER THE CONTRACT IS COMPLETED SATISFACTORILY AND FINALLY
10 ACCEPTED BY THE PUBLIC ENTITY.

11 (c) IF THE PUBLIC ENTITY OCCUPIES OR BEGINS TO USE ALL OR A
12 DISCRETE PORTION OF THE WORK, IMPROVEMENT, OR CONSTRUCTION
13 BEFORE THE CONTRACT IS FINALLY ACCEPTED BY THE PUBLIC ENTITY, THE
14 PUBLIC ENTITY SHALL RELEASE THE WITHHELD PERCENTAGE OR DISCRETE
15 PORTION OF THE PERCENTAGE IN ACCORDANCE WITH SECTION 38-26-107,
16 C.R.S., WITHIN FORTY-FIVE DAYS AFTER OCCUPANCY OR USE, SUBJECT TO
17 PARAGRAPH (d) OF THIS SUBSECTION (1).

18 (d) THE PUBLIC ENTITY MAY RETAIN THE AMOUNT REQUIRED TO BE
19 PAID BY PARAGRAPH (c) OF THIS SUBSECTION (1) UNTIL THE
20 CONTRACTOR HAS SUBMITTED A COMPREHENSIVE LIST OF ITEMS TO BE
21 COMPLETED OR CORRECTED. A PUBLIC ENTITY MAY WITHHOLD TWICE THE
22 AMOUNT OF THE VALUE OF THE WORK TO BE COMPLETED OR CORRECTED
23 TO MEET THE TERMS OF THE CONTRACT UNTIL THIRTY DAYS AFTER THE
24 WORK IS COMPLETED OR CORRECTED.

25 (e) If the public entity finds that satisfactory progress is
26 being made in ~~all phases~~ ANY PHASE of the contract, it ~~may~~ SHALL, upon
27 written request by the contractor, authorize final payment from the

1 withheld percentage to the contractor or subcontractors who have
2 completed their work in a manner finally acceptable to the public entity.

3 Before ~~such~~ THE payment is made, the public entity shall determine that
4 satisfactory and substantial reasons exist for the payment and shall require
5 written approval from any surety furnishing bonds for the contract work.

6

7 (3) ~~The provisions of this section shall apply to contracts between~~
8 ~~contractors and subcontractors entered into on or after July 1, 1991.~~

9 **SECTION 3. Act subject to petition - effective date -**
10 **applicability.** (1) This act shall take effect at 12:01 a.m. on the day
11 following the expiration of the ninety-day period after final adjournment
12 of the general assembly (August 10, 2011, if adjournment sine die is on
13 May 11, 2011); except that, if a referendum petition is filed pursuant to
14 section 1 (3) of article V of the state constitution against this act or an
15 item, section, or part of this act within such period, then the act, item,
16 section, or part shall not take effect unless approved by the people at the
17 general election to be held in November 2012 and shall take effect on the
18 date of the official declaration of the vote thereon by the governor.

19 (2) The provisions of this act shall apply to contracts created on
20 or after the applicable effective date of this act.