

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS  
FISCAL IMPACT STATEMENT**

**LS 6197**  
**BILL NUMBER: HB 1033**

**NOTE PREPARED:** Jan 30, 2025  
**BILL AMENDED:** Jan 30, 2025

**SUBJECT:** Retainage Requirements.

**FIRST AUTHOR:** Rep. Pressel  
**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) The bill changes the maximum amount of retainage for certain state and local public works projects from: (1) 10% to 6% of the dollar value of all work satisfactorily completed until the public work is 50% complete; and (2) 5% to 3% of the dollar value of all work satisfactorily completed until the public work is substantially complete. It removes the requirement of a minimum amount of retainage for certain state and local public works projects.

**Effective Date:** July 1, 2025.

**Explanation of State Expenditures:** (Revised) *Summary*– The bill would essentially lower the maximum withholding percentages by 4% (for work satisfactorily completed 50%) and 2% (for substantially satisfactorily completed) respectfully. This could leave less retainage proceeds available to use to satisfy any claims subcontractors may file against a general contractor/project in certain future state public works contracts.

*Additional Information*– Under current law, a state agency may do either of the following with regard to retainage on a public works contract:

- A. Withhold no more than 10% nor less than 6% of the dollar value of all work satisfactorily completed until the public work is 50% complete, and nothing further after that.
- B. Withhold no more than 5% nor less than 3% of the dollar value of all work satisfactorily completed until the public work is substantially complete.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) *Summary*– Similar to the impact described under *Explanation of State Expenditures*, political subdivisions would be able to set the retainage percentage at either a no more than 6% (for work satisfactorily 50% completed) or 3% (for work substantially satisfactorily completed) for local public works contract in excess of \$200,000 for projects other than highways, roads, streets, alleys, bridges, and appurtenant structures situated on streets, alleys, and dedicated highway

rights-of-way. It would include a lessor corporation qualifying under current public education statute (in relation to school building projects) or any other lease-back arrangement containing an option to purchase, notwithstanding the statutory provisions governing those leases.

**Explanation of Local Revenues:**

**State Agencies Affected:** IDOA; other state agencies submitting a contract for a public works project.

**Local Agencies Affected:** Political subdivisions.

**Information Sources:** Molly Timperman, Communications and Legislative Director, Department of Administration.

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