

1.1 A bill for an act  
1.2 relating to public contracts; making the public body liable for unpaid costs when  
1.3 there is no performance or payment bond; amending Minnesota Statutes 2016,  
1.4 section 574.26, subdivision 2, by adding a subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2016, section 574.26, subdivision 2, is amended to read:

1.7 Subd. 2. **Terms.** Except as provided in subdivision 4 or sections 574.263 and 574.264  
1.8 ~~or if the amount of the contract is less than the amount in section 471.345, subdivision 3,~~ a  
1.9 contract with a public body for the doing of any public work is not valid unless the contractor  
1.10 gives (1) a performance bond to the public body with whom the contractor entered into the  
1.11 contract, for the use and benefit of the public body to complete the contract according to  
1.12 its terms, and conditioned on saving the public body harmless from all costs and charges  
1.13 that may accrue on account of completing the specified work, and (2) a payment bond for  
1.14 the use and benefit of all persons furnishing labor and materials engaged under, or to perform  
1.15 the contract, conditioned for the payment, as they become due, of all just claims for the  
1.16 labor and materials. Reasonable attorneys' fees, costs, and disbursements may be awarded  
1.17 in an action to enforce claims under the act if the action is successfully maintained or  
1.18 successfully appealed.

1.19 Sec. 2. Minnesota Statutes 2016, section 574.26, is amended by adding a subdivision to  
1.20 read:

1.21 Subd. 4. **Small contracts; bonds optional.** If the amount of the contract is less than the  
1.22 amount in section 471.345, subdivision 3, a public body may require the contractor to  
1.23 provide to the public body a performance bond and a payment bond as described in

- 2.1 subdivision 2. If a public body does not require a payment bond, the public body is liable
- 2.2 for all unpaid costs and charges that may accrue on account of completing the specified
- 2.3 work, and for all just claims by persons furnishing the labor and materials.