15.73 ALTERNATIVE FORM OF RETAINAGE.

Subdivision 1. **Contractor's option.** At the option of the contractor, retainage shall be paid to the contractor in accordance with this section.

Subd. 2. **Security.** The contractor may deposit bonds or securities with the public contracting agency or in any bank or trust company to be held in lieu of cash retainage for the benefit of the public contracting agency. In that event the public agency shall reduce the retainage in an amount equal to the value of the bonds and securities and pay the amount of the reduction to the contractor. Interest on the bonds or securities shall be payable to the contractor as it accrues.

Subd. 3. **Approval required.** Bonds and securities deposited or acquired in lieu of retainage, as permitted by subdivision 2, shall be of a character approved by the commissioner of management and budget, including but not limited to:

(1) bills, certificates, notes or bonds of the United States;

(2) other obligations of the United States or its agencies;

(3) obligations of any corporation wholly owned by the federal government; or

(4) indebtedness of the Federal National Mortgage Association.

Subd. 4. **Recovery of additional costs.** If the public agency incurs additional costs as a result of the exercise of the option described in this section, the agency may recover the costs from the contractor by reducing the final payment due under the contract. As work on the contract progresses, the agency shall, upon demand, inform the contractor of all accrued costs.

History: *1980 c 464 s 3; 2003 c 112 art 2 s 50; 2009 c 101 art 2 s 109*