

Reprinted 2/26

FILED FEB 11 1981

SENATE FILE 225

BY COMMITTEE ON STATE GOVERNMENT  
*approved 2/11/81 (p. 425)*

Passed Senate, Date 2-24-81 (p. 561) Passed House, Date 4-23-81 (p. 1356)  
Vote: Ayes 47 Nays 2 Vote: Ayes 82 Nays 13  
Approved May 14, 1981

### A BILL FOR

1 An Act relating to retainage withheld from payment to  
2 contractors under contracts for public improvements.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 384.57, Code 1981, is amended to read  
2 as follows:

3 384.57 MONTHLY PAYMENTS. The city may contract to pay  
4 not to exceed ~~ninety~~ ninety-five percent of the engineer's  
5 estimated value of the acceptable work completed during the  
6 month to the contractor at the end of each month. Payment  
7 may be made in warrants drawn on any ~~fund-~~or~~~~ funds from which  
8 payment for the work may be made. If such funds are depleted,  
9 anticipatory warrants may be issued bearing a rate of interest  
10 not exceeding that permitted by chapter 74A, which do not  
11 constitute a violation of section 384.10, even if the  
12 collection of taxes or special assessments or income from  
13 the sale of bonds applicable to the public improvement is  
14 after the end of the fiscal year in which the warrants are  
15 issued. If the city arranges for the private sale of  
16 anticipatory warrants, they may be sold and the proceeds used  
17 to pay the contractor. ~~Such~~ Anticipatory warrants may also  
18 be used to pay other persons furnishing services constituting  
19 a part of the cost of the public improvement.

20 Sec. 2. Section 384.58, subsection 4, Code 1981, is amended  
21 to read as follows:

22 4. Upon accepting the work, the council ~~may~~ shall order  
23 payment of any amount due the contractor, to be made by  
24 warrants issued in the manner provided by section 384.57.  
25 Within seventy days after the work under the contract has  
26 been completed and if the work has been accepted and all  
27 required material certifications and other documentations  
28 required to be submitted by the contractor and specified by  
29 the contract have been furnished the awarding public agency  
30 by the contractor, full payment shall be made to the party  
31 completing the public improvement. Failure to comply shall  
32 cause interest to accrue on the amount unpaid to the benefit  
33 of the unpaid party and shall be calculated at the current  
34 money market interest rates. The interest shall accrue  
35 commencing with the thirty-first day following the completion

1 of work and other requirements as specified.

2 Sec. 3. Section 573.12, Code 1981, is amended to read  
3 as follows:

4 573.12 RETENTION FROM PAYMENTS ON CONTRACTS. Payments  
5 made under contracts for the construction of public  
6 improvements, unless provided otherwise by law, shall be made  
7 on the basis of monthly estimates of labor performed and  
8 material delivered, as determined by the project architect  
9 or engineer. ~~In-making-said-payments,-there-shall-be-retained~~  
10 ~~ten-percent-of-each-said-monthly-estimate-by-the-public~~  
11 ~~corporation,-provided,-however,-that-if-the-contract-is-for~~  
12 ~~more-than-fifty-thousand-dollars,-and-if-the-public-corporation~~  
13 ~~at-any-time-after-fifty-percent-of-the-improvement-has-been~~  
14 ~~completed-finds-that-satisfactory-progress-is-being-made,~~  
15 ~~the-public-corporation-may-authorize-any-of-such-remaining~~  
16 ~~payments-to-be-made-in-full.~~ The public corporation shall  
17 retain from each monthly payment five percent of that amount  
18 which is determined to be due according to the estimate of  
19 the architect or engineer.

20 Sec. 4. Section 573.14, Code 1981, is amended by adding  
21 the following new unnumbered paragraph:

22 NEW UNNUMBERED PARAGRAPH. Within seventy days after the  
23 work under the contract has been completed and if the work  
24 has been accepted and all required material certifications  
25 and other documentations required to be submitted by the  
26 contractor and specified by the contract have been furnished  
27 the awarding public agency by the contractor, full payment  
28 shall be made to the party completing the public improvement.  
29 Failure to comply shall cause interest to accrue on the amount  
30 unpaid to the benefit of the unpaid party and shall be  
31 calculated at the current money market interest rates. The  
32 interest shall accrue commencing with the thirty-first day  
33 following the completion of work and other requirements as  
34 specified.

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EXPLANATION

1 This bill deals with the retainage withheld from progress  
2 payments to contractors on public improvements. Under existing  
3 law the public agency withholds ten percent until final ac-  
4 ceptance of the work, except that in certain contracts the  
5 public agency may authorize payment in full after the improve-  
6 ment is at least half finished.

7 This bill makes two changes in the retainage law. Sections  
8 1 and 3 reduce the amount retained from 10 percent to 5 per-  
9 cent, and eliminate the authority for a public agency to make  
10 full payment after the project is more than half done. Section  
11 3 also provides that monthly installments shall be made on  
12 the basis of estimates of completion submitted by the project  
13 architect or engineer. The existing law does not specify  
14 who actually estimates the degree of completion of the project.

15 Sections 2 and 4 require that payment be made within seventy  
16 days of completion of the work if the work is accepted and  
17 contractual requirements are met. If payment is not made  
18 within seventy days, interest accrues to the contractor for  
19 the payment at current money market rates beginning with the  
20 thirty-first day following completion of the work.

21 The bill takes effect July 1 following enactment.

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SENATE FILE 225

S-3073

1 Amend Senate File 225 as follows:

2 1. By striking page 1, line 33 through page 2,  
3 line 1, and inserting in lieu thereof the words "of  
4 the unpaid party. Interest shall accrue commencing  
5 the thirty-first day following the completion of work  
6 and satisfaction of the other requirements of this  
7 subsection. The rate of interest shall be the same  
8 as the rate of interest established by the board of  
9 governors of the federal reserve system for six-month  
10 money-market certificates of deposit sold by banks  
11 and in effect as of the day interest begins to accrue  
12 under this subsection."

13 2. Page 2, by striking lines 30 through 34 and  
14 inserting in lieu thereof the words "unpaid to the  
15 benefit of the unpaid party. Interest shall accrue  
16 commencing the thirty-first day following the  
17 completion of work and satisfaction of the other  
18 requirements of this subsection. The rate of interest  
19 shall be the same as the rate of interest established  
20 by the board of governors of the federal reserve  
21 system for six-month money-market certificates of  
22 deposit sold by banks and in effect as of the day  
23 interest begins to accrue under this subsection."

S-3073 FILED

BY RICHARD F. DRAKE

FEBRUARY 17, 1981

*11/15 2/24 (p. 560)*

SENATE FILE 225

S-3079

1 Amend Senate File 225 as follows:

2 1. Page 1, line 24, by inserting after the figure  
3 "384.57" the words "or by other means".  
4 2. Page 2, line 1, by inserting after the period  
5 the words "However, this subsection shall not apply  
6 if the city has entered into a contract with the  
7 federal government or accepted a federal grant which  
8 is governed by federal law or rules which are contrary  
9 to this section."  
10 3. Page 2, line 34, by inserting after the period  
11 the words "However, this unnumbered paragraph shall  
12 not apply if the public agency has entered into a  
13 contract with the federal government or accepted a  
14 federal grant which is governed by federal law or  
15 rules which are contrary to this unnumbered paragraph."

S-3079 FILED & ADOPTED (*p. 507*)  
FEBRUARY 18, 1981

BY RICHARD F. DRAKE

SENATE FILE 225

S-3093

1 Amend Senate File 225 as follows:

2 1. By striking page 1, line 25 through page 2,  
3 line 1 and inserting in lieu thereof the words "The  
4 city shall order payment of any amount due the  
5 contractor to be made in accordance with the terms  
6 of the contract. Failure to make payment within  
7 seventy days after the work under the contract has  
8 been completed and if the work has been accepted and  
9 all required materials, certifications, and other  
10 documentations required to be submitted by the  
11 contractor and specified by the contract have been  
12 furnished the awarding city by the contractor, shall  
13 cause interest to accrue on the amount unpaid to the  
14 benefit of the unpaid party. Interest shall accrue  
15 during the period commencing the thirty-first day  
16 following the completion of work and satisfaction  
17 of the other requirements of this subsection and  
18 ending on the date of payment. The rate of interest  
19 shall be determined, by the period of time during  
20 which interest accrues, and shall be the same as the  
21 rate of interest that is in effect under section  
22 453.6, as of the day interest begins to accrue, for  
23 a deposit of public funds for a comparable period  
24 of time. Nothing contained in this subsection shall  
25 abridge any of the rights set forth in section 573.16."

26 2. Page 2, by striking lines 22 through 34 and  
27 inserting in lieu thereof the following:

28 NEW UNNUMBERED PARAGRAPH. The public corporation  
29 shall order payment of any amount due the contractor  
30 to be made in accordance with the terms of the  
31 contract. Failure to make payment within seventy  
32 days after the work under the contract has been  
33 completed and if the work has been accepted and all  
34 required materials, certifications, and other  
35 documentations required to be submitted by the  
36 contractor and specified by the contract have been  
37 furnished the awarding public corporation by the  
38 contractor, shall cause interest to accrue on the  
39 amount unpaid to the benefit of the unpaid party.  
40 Interest shall accrue during the period commencing  
41 the thirty-first day following the completion of work  
42 and satisfaction of the other requirements of this  
43 subsection and ending on the date of payment. The  
44 rate of interest shall be determined by the period  
45 of time during which interest accrues, and shall be  
46 the same as the rate of interest that is in effect  
47 under section 453.6, as of the day interest begins  
48 to accrue, for a deposit of public funds for a  
49 comparable period of time. Nothing contained in this  
50 paragraph shall abridge any of the rights set forth

S-3093 PAGE 2

1 in section 573.16."

SENATE FILE 225

S-3083

1 Amend Senate File 225 as follows:

2 1. By striking page 1, line 33 through page 2,  
3 line 1, and inserting in lieu thereof the words "of  
4 the unpaid party. Interest shall accrue during the  
5 period commencing the thirty-first day following the  
6 completion of work and satisfaction of the other  
7 requirements of this subsection and ending on the  
8 date of payment. The rate of interest shall be  
9 determined, by the period of time during which interest  
10 accrues, and shall be the same as the rate of interest  
11 that is in effect under section 453.6, as of the day  
12 interest begins to accrue, for a deposit of public  
13 funds for a comparable period of time."

14 2. Page 2, by striking lines 30 through 34 and  
15 inserting in lieu thereof the words "unpaid to the  
16 benefit of the unpaid party. Interest shall accrue  
17 during the period commencing the thirty-first day  
18 following the completion of work and satisfaction  
19 of the other requirements of this subsection and  
20 ending on the date of payment. The rate of interest  
21 shall be determined by the period of time during which  
22 interest accrues, and shall be the same as the rate  
23 of interest that is in effect under section 453.6,  
24 as of the day interest begins to accrue, for a deposit  
25 of public funds for a comparable period of time."

S-3083 FILED  
FEBRUARY 19, 1981

BY RICHARD F. DRAKE

*W/D 2/24 (p. 560)*



1 Section 1. Section 384.57, Code 1981, is amended to read  
2 as follows:

3 384.57 MONTHLY PAYMENTS. The city may contract to pay  
4 not to exceed ~~ninety~~ ninety-five percent of the engineer's  
5 estimated value of the acceptable work completed during the  
6 month to the contractor at the end of each month. Payment  
7 may be made in warrants drawn on any ~~fund-or~~ funds from which  
8 payment for the work may be made. If such funds are depleted,  
9 anticipatory warrants may be issued bearing a rate of interest  
10 not exceeding that permitted by chapter 74A, which do not  
11 constitute a violation of section 384.10, even if the  
12 collection of taxes or special assessments or income from  
13 the sale of bonds applicable to the public improvement is  
14 after the end of the fiscal year in which the warrants are  
15 issued. If the city arranges for the private sale of  
16 anticipatory warrants, they may be sold and the proceeds used  
17 to pay the contractor. Such Anticipatory warrants may also  
18 be used to pay other persons furnishing services constituting  
19 a part of the cost of the public improvement.

20 Sec. 2. Section 384.58, subsection 4, Code 1981, is amended  
21 to read as follows:

22 4. Upon accepting the work, the council ~~may~~ shall order  
23 payment of any amount due the contractor, to be made by  
24 warrants issued in the manner provided by section 384.57 or  
25 by other means. The city shall order payment of any amount  
26 due the contractor to be made in accordance with the terms  
27 of the contract. Failure to make payment within seventy days  
28 after the work under the contract has been completed and if  
29 the work has been accepted and all required materials,  
30 certifications, and other documentations required to be  
31 submitted by the contractor and specified by the contract  
32 have been furnished the awarding city by the contractor, shall  
33 cause interest to accrue on the amount unpaid to the benefit  
34 of the unpaid party. Interest shall accrue during the period  
35 commencing the thirty-first day following the completion of

1 work and satisfaction of the other requirements of this  
 2 subsection and ending on the date of payment. The rate of  
 3 interest shall be determined, by the period of time during  
 4 which interest accrues, and shall be the same as the rate  
 5 of interest that is in effect under section 453.6, as of the  
 6 day interest begins to accrue, for a deposit of public funds  
 7 for a comparable period of time. Nothing contained in this  
 8 subsection shall abridge any of the rights set forth in section  
 9 573.16. However, this subsection shall not apply if the city  
 10 has entered into a contract with the federal government or  
 11 accepted a federal grant which is governed by federal law  
 12 or rules which are contrary to this section.

13 Sec. 3. Section 573.12, Code 1981, is amended to read  
 14 as follows:

3274-15 573.12 RETENTION FROM PAYMENTS ON CONTRACTS. Payments  
 16 made under contracts for the construction of public  
 17 improvements, unless provided otherwise by law, shall be made  
 18 on the basis of monthly estimates of labor performed and  
 3287-19 material delivered, as determined by the project architect  
 20 or engineer. ~~In-making-said-payments,-there-shall-be-retained~~  
 21 ~~ten-percent-of-each-said-monthly-estimate-by-the-public~~  
 22 ~~corporation,-provided,-however,-that-if-the-contract-is-for~~  
 23 ~~more-than-fifty-thousand-dollars,-and-if-the-public-corporation~~  
 24 ~~at-any-time-after-fifty-percent-of-the-improvement-has-been~~  
 25 ~~completed-finds-that-satisfactory-progress-is-being-made,~~  
 26 ~~the-public-corporation-may-authorize-any-of-such-remaining~~  
 27 ~~payments-to-be-made-in-full.~~ The public corporation shall  
 3285-28 retain from each monthly payment five percent of that amount  
 3286-29 which is determined to be due according to the estimate of  
 3287-30 the architect or engineer.

31 Sec. 4. Section 573.14, Code 1981, is amended by adding  
 32 the following new unnumbered paragraph:

33 NEW UNNUMBERED PARAGRAPH. The public corporation shall  
 34 order payment of any amount due the contractor to be made  
 35 in accordance with the terms of the contract. Failure to

1 make payment within seventy days after the work under the  
2 contract has been completed and if the work has been accepted  
3 and all required materials, certifications, and other  
4 documentations required to be submitted by the contractor  
5 and specified by the contract have been furnished the awarding  
6 public corporation by the contractor, shall cause interest  
7 to accrue on the amount unpaid to the benefit of the unpaid  
8 party. Interest shall accrue during the period commencing  
9 the thirty-first day following the completion of work and  
10 satisfaction of the other requirements of this subsection  
11 and ending on the date of payment. The rate of interest shall  
12 be determined by the period of time during which interest  
13 accrues, and shall be the same as the rate of interest that  
14 is in effect under section 453.6, as of the day interest  
15 begins to accrue, for a deposit of public funds for a  
16 comparable period of time. Nothing contained in this paragraph  
17 shall abridge any of the rights set forth in section 573.16.  
18 However, this unnumbered paragraph shall not apply if the  
19 public agency has entered into a contract with the federal  
20 government or accepted a federal grant which is governed by  
21 federal law or rules which are contrary to this unnumbered  
22 paragraph.

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SENATE FILE 225

H-3685

- 1 Amend Senate File 225 as amended, passed and
- 2 reprinted by the Senate as follows:
- 3 1. Page 2, line 28, by inserting after the word
- 4 "payment" the words "at least".

H-3685 FILED APRIL 16, 1981 BY O'KANE of Woodbury  
*H/O 4/23/81 (p. 1356)*

SENATE FILE 225

H-3686

- 1 Amend Senate File 225, as amended, passed and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 1, line 4, by striking the words "not to
- 4 exceed" and inserting in lieu thereof the words "not
- 5 to-exceed at least".
- 6 2. Page 2, line 28, by inserting after the word
- 7 "payment" the words "at least".

H-3686 FILED APRIL 16, 1981 BY O'KANE of Woodbury  
*Least 4/23/81 (p. 1355)*

SENATE FILE 225

H-3687

- 1 Amend Senate File 225, as amended, passed and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 1, line 4, by striking the words "ninety
- 4 ninety-five" and inserting in lieu thereof the word
- 5 "ninety".
- 6 2. Page 2, line 28, by striking the word "five"
- 7 and inserting in lieu thereof the word "ten".

H-3687 FILED APRIL 16, 1981 BY O'KANE of Woodbury  
*H/O 4/23/81 (p. 1355)*

SENATE FILE 225

H-3689

- 1 Amend Senate File 225, as amended, passed and reprinted
- 2 by the Senate, as follows:
- 3 1. Page 2, line 19, by inserting after the word "the"
- 4 the words "public corporation's designated".

H-3689 FILED APRIL 16, 1981 BY O'KANE of Woodbury  
*H/O 4/23/81 (p. 1355)*

SENATE FILE 225

H-3444

1 Amend Senate File 225 as amended, passed and  
2 reprinted by the Senate as follows:

3 1. Page 1, line 19, by inserting after the word  
4 "improvement." the words "The provisions of this  
5 section and section 384.58 shall not apply if the  
6 city has entered into a contract with the federal  
7 government or accepted a federal grant which is  
8 governed by federal laws or rules that are contrary  
9 to this section and section 384.58."

10 2. Page 1, line 34, by inserting after the word  
11 "party." the words "Interest shall not accrue on funds  
12 retained by a city to satisfy the provisions of section  
13 573.14 regarding claims on file."

14 3. Page 2, by striking lines 9 through 12 and  
15 inserting in lieu thereof the figure "573.16."

16 4. Page 3, by striking lines 18 through 22 and  
17 inserting in lieu thereof the following: "Interest  
18 shall not accrue on funds retained by the public  
19 corporation to satisfy the provisions of this section  
20 regarding claims on file. The provisions of this  
21 chapter shall not apply if the public corporation  
22 has entered into a contract with the federal government  
23 or accepted a federal grant which is governed by  
24 federal law or rules that are contrary to the  
25 provisions of this chapter."

H-3444 FILED

APRIL 2, 1981

*Adopted 4/23/81 (p 1355)*

BY COMMITTEE ON STATE GOVERNMENT  
CRAWFORD, Chair

SENATE FILE 225

H-3714

1 Amend Senate File 225 as amended, passed and  
2 reprinted by the Senate, as follows:

3 1. Page 1, by striking line 4 and inserting in  
4 lieu thereof the words "~~not-to-exceed~~ not less than  
5 ninety or more than ninety-five percent as determined  
6 by the city of the engineer's".

7 2. Page 2, line 28, by inserting after the word  
8 "five" the words "to ten".

9 3. Page 2, line 30, by inserting after the word  
10 "engineer." the words "The public corporation shall  
11 determine the percentage, between five and ten percent,  
12 to be retained."

H-3714 FILED APRIL 16, 1981

BY VAN MAANEN of Mahaska

*4/10 4/23/81 (p 1356)*

SENATE FILE 225

H-3684

1 Amend Senate File 225 as amended, passed and  
2 reprinted by the Senate as follows:

3 1. Page 1, line 35, by striking the word "thirty-first"  
4 and inserting in lieu thereof the word "seventy-first".

5 2. Page 3, line 9, by striking the word "thirty-first"  
6 and inserting in lieu thereof the word "seventy-first".

H-3684 FILED APRIL 16, 1981

BY O'KANE of Woodbury

*4/10 4/23/81 (p 1356)*

S-3567

1 Amend Senate File 225 as amended, passed and  
2 reprinted by the Senate as follows:

3 1. Page 1, line 19, by inserting after the word  
4 "improvement." the words "The provisions of this  
5 section and section 384.58 shall not apply if the  
6 city has entered into a contract with the federal  
7 government or accepted a federal grant which is  
8 governed by federal laws or rules that are contrary  
9 to this section and section 384.58."

10 2. Page 1, line 34, by inserting after the word  
11 "party." the words "Interest shall not accrue on funds  
12 retained by a city to satisfy the provisions of section  
13 573.14 regarding claims on file."

14 3. Page 2, by striking lines 9 through 12 and  
15 inserting in lieu thereof the figure "573.16."

16 4. Page 3, by striking lines 18 through 22 and  
17 inserting in lieu thereof the following: "Interest  
18 shall not accrue on funds retained by the public  
19 corporation to satisfy the provisions of this section  
20 regarding claims on file. The provisions of this  
21 chapter shall not apply if the public corporation  
22 has entered into a contract with the federal government  
23 or accepted a federal grant which is governed by  
24 federal law or rules that are contrary to the  
25 provisions of this chapter."

S-3567 FILED  
APRIL 27, 1981

RECEIVED FROM THE HOUSE

*Senate concurred 4/27/81 (p. 1473)*

#### FISCAL NOTE

Senate File 225 (As Reprinted)  
Requested by Representative Crawford  
April 6, 1981

In compliance with a written request there is hereby submitted a  
Fiscal Note for Senate File 225 pursuant to Joint Rule 16.

Senate File 225, An Act relating to retainage withheld from payment  
to contractors under contracts for public improvements.

It is not possible to state the fiscal impact of this bill. Retainage  
is protection against the situation where the contractor fails to  
adequately complete or clean up a project. Reducing the retainage  
from 10% to 5% eliminates half of this protection.

When a contractor fails to properly complete construction projects,  
hidden costs may result, i.e. expenditure of extra money for legal  
services in order to force the contractor to complete the job; wages  
for city employees to clean up the contractor's construction sites;  
possible overtime on the part of officials to straighten out the problem.

Sources: Dept. of Public Instruction  
League of Iowa Municipalities  
Iowa State Association of Counties  
FILED APRIL 15, 1981

BY GERRY D. RANKIN  
Legislative Fiscal Bureau

SENATE FILE 225

AN ACT

RELATING TO RETAINAGE WITHHELD FROM PAYMENT TO CONTRACTORS UNDER CONTRACTS FOR PUBLIC IMPROVEMENTS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 384.57, Code 1981, is amended to read as follows:

384.57 MONTHLY PAYMENTS. The city may contract to pay not to exceed ~~ninety~~ ninety-five percent of the engineer's estimated value of the acceptable work completed during the month to the contractor at the end of each month. Payment may be made in warrants drawn on any ~~fund-or~~ funds from which payment for the work may be made. If such funds are depleted, anticipatory warrants may be issued bearing a rate of interest not exceeding that permitted by chapter 79A, which do not constitute a violation of section 384.10, even if the collection of taxes or special assessments or income from the sale of bonds applicable to the public improvement is after the end of the fiscal year in which the warrants are issued. If the city arranges for the private sale of anticipatory warrants, they may be sold and the proceeds used to pay the contractor. ~~Such~~ Anticipatory warrants may also be used to pay other persons furnishing services constituting a part of the cost of the public improvement. The provisions of this section and section 384.58 shall not apply if the city has entered into a contract with the federal government or accepted a federal grant which is governed by federal laws or rules that are contrary to this section and section 384.58.

Sec. 2. Section 384.58, subsection 4, Code 1981, is amended to read as follows:

4. Upon accepting the work, the council ~~may~~ shall order payment of any amount due the contractor, to be made by warrants issued in the manner provided by section 384.57 or by other means. The city shall order payment of any amount due the contractor to be made in accordance with the terms of the contract. Failure to make payment within seventy days after the work under the contract has been completed and if the work has been accepted and all required materials, certifications, and other documentations required to be submitted by the contractor and specified by the contract have been furnished the awarding city by the contractor, shall cause interest to accrue on the amount unpaid to the benefit of the unpaid party. Interest shall not accrue on funds retained by a city to satisfy the provisions of section 573.14 regarding claims on file. Interest shall accrue during the period commencing the thirty-first day following the completion of work and satisfaction of the other requirements of this subsection and ending on the date of payment. The rate of interest shall be determined, by the period of time during which interest accrues, and shall be the same as the rate of interest that is in effect under section 453.6, as of the day interest begins to accrue, for a deposit of public funds for a comparable period of time. Nothing contained in this subsection shall abridge any of the rights set forth in section 573.16.

Sec. 3. Section 573.12, Code 1981, is amended to read as follows:

573.12 RETENTION FROM PAYMENTS ON CONTRACTS. Payments made under contracts for the construction of public improvements, unless provided otherwise by law, shall be made on the basis of monthly estimates of labor performed and material delivered, as determined by the project architect or engineer. ~~in-making-said-payments,-there-shall-be-retained ten-percent-of-each-said-monthly-estimate-by-the-public corporation,-provided,-however,-that-if-the-contract-is-for~~

~~more than fifty thousand dollars, and if the public corporation at any time after fifty percent of the improvement has been completed finds that satisfactory progress is being made, the public corporation may authorize any of such remaining payments to be made in full.~~ The public corporation shall retain from each monthly payment five percent of that amount which is determined to be due according to the estimate of the architect or engineer.

Sec. 4. Section 573.14, Code 1981, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The public corporation shall order payment of any amount due the contractor to be made in accordance with the terms of the contract. Failure to make payment within seventy days after the work under the contract has been completed and if the work has been accepted and all required materials, certifications, and other documentations required to be submitted by the contractor and specified by the contract have been furnished the awarding public corporation by the contractor, shall cause interest to accrue on the amount unpaid to the benefit of the unpaid party. Interest shall accrue during the period commencing the thirty-first day following the completion of work and satisfaction of the other requirements of this subsection and ending on the date of payment. The rate of interest shall be determined by the period of time during which interest accrues, and shall be the same as the rate of interest that is in effect under section 453.6, as of the day interest begins to accrue, for a deposit of public funds for a comparable period of time. Nothing contained in this paragraph shall abridge any of the rights set forth in section 573.16. Interest shall not accrue on funds retained by the public corporation to satisfy the provisions of this section regarding claims on file. The provisions of this chapter shall not apply if the public corporation has entered into a contract with the federal government or accepted a federal grant which

is governed by federal law or rules that are contrary to the provisions of this chapter.

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TERRY E. BRANSTAD  
President of the Senate

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DELWYN STROMER  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 225, Sixty-ninth General Assembly.

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LINDA HOWARTH MACKAY  
Secretary of the Senate

Approved May 14, 1981

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ROBERT D. RAY  
Governor