



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1311: RETAINAGE SURETY BOND CONSTRUCTION CONTRACTS

Prime Sponsors:

Rep. Duran; Carter
Sen. Bright; Snyder

Fiscal Analyst:

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Published for: House Business Affairs & Labor**Drafting number:** LLS 26-0250**Version:** Initial Fiscal Note**Date:** March 16, 2026**Fiscal note status:** The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill allows construction contractors and subcontractors to submit bonds in lieu of retainage under certain conditions.

Types of impacts. The bill is projected to affect the following areas on beginning in FY 2026-27:

- Minimal State Revenue
- Minimal State Workload

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

In construction contracts, property owners may hold funds in retainage, an amount that acts as security against incomplete or defective works, and current law prohibits retainage of more than five percent for all contracts over \$150,000. The bill allows contractors to provide a bond issued by an insurer instead of retainage. The amount of the bond cannot exceed 5 percent of the contractor's compensation.

Contractors who provide bonds must faithfully perform the contract and pay all laborers, suppliers and subcontractors. If the bond meets certain requirements, the property owner must accept the bond in lieu of retainage. Property owners may require to bond to have a certain financial strength rating. The bill allows subcontractors to submit a bond for their portion of the work. If a subcontractor submits a bond, the contractor may require the subcontractor to submit an equivalent bond, or a "like bond".

Background

[House Bill 21-1167](#) created the current prohibition on retainage of more than 5 percent in construction contracts over \$150,000.

State Revenue and Expenditures

The bill may increase revenue and expenditures to the Judicial Department from an increase in civil case filings if disputes occur between property owners and contractors related to bonds. Any additional case filings are assumed to be minimal. Revenue from filing fees is subject to TABOR.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed and applies to construction contracts after this date.

State and Local Government Contacts

Judicial

Local Affairs

Law

Regulatory Agencies

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).