

# RETURN OF RETAINAGE

(FHWA's Recommendation - 2020 DBE Technical Assistance Memo )

Caltrans should require sub-recipients to follow the same option chosen by Caltrans.



## What is Retainage?

Is the payment amount withheld from contractors or subcontractors until the satisfactory completion of work.

# PROS and CONS of RETAINAGE?



## Pros

- Ensures satisfactory completion of a construction project.
- Protects subcontractor payments if the prime contractor defaults



## Cons

- Can be abused
- Causes financial hardships.

# PROS and CONS of RETAINAGE?



## Pros

### Optional Retainage

49 CFR 26.29(b) requires one of the following methods be used:

1. No retainage
2. Agencies are prohibited, but Primes and subcontractors are allowed
3. Agencies, Primes, and Subcontractors are allowed

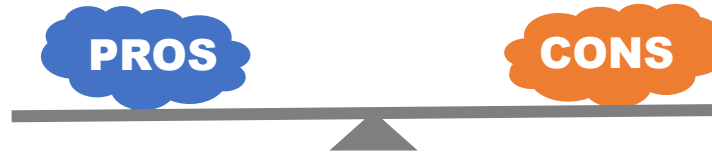
- 2016 Caltrans DBE Program Plan
- Local Assistance Procedures Manual



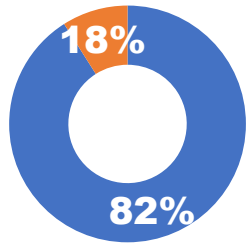
## Cons

### No Retainage

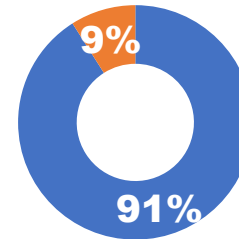
- Caltrans (Division of Construction)
- FHWA's recommendation



## OCR's Survey Result



Over 80% local agencies exercise a retainage option



Over 90% Local agencies do not support a proposal to go to a "No Retainage" policy

Local Assistance Procedures Manual will be updated to be consistent with 2022 Caltrans DBE Program Plan that is finalized by OCR in a short future.