

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE  
Revised

House Bill 1094 (Delegate Brinklev)  
Commerce and Government Matters

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**Procurement Contract Dispute Resolution - Construction Contracts - Notice of  
Claim and Limits on Recovery**

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This bill alters the time period within which a contractor shall submit a written explanation of a contract claim under a procurement contract for construction from 30 days to 90 days after the notice of the claim has been filed. The bill also alters certain time limits on recovery for construction contract claims.

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**Fiscal Summary**

**State Effect:** Indeterminate. Changing the length of time that a contractor has to file the written explanation of a claim may potentially increase the dollar value of the claim and litigation expenses in resolving the claim.

**Local Effect:** Indeterminate. To the extent that local governments follow State procurement law, changing the length of time that a contractor has to file the written explanation of a claim may increase the dollar value of the claim and litigation expenses.

**Small Business Effect:** Minimal.

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**Fiscal Analysis**

**State Effect:** Changing the time limitations for the submission of the written explanation from 30 days, as specified by current law, to 90 days increases the State's exposure to increased contract claim costs and could disrupt the timeliness of dispute resolution. Claims that are not raised and promptly resolved often lead to greater costs to the State and its contractors. This is because claims may be aggregated with other contract events and accumulate beyond their real value requiring additional time to mediate a dispute.

The cost of litigation could increase because previously disallowed items could be introduced in the dispute. Current law specifies that recovery under a contract claim is not allowed for any expense incurred more than 30 days before the required submission of a notice of claim, or more than 60 days before the required submission of the written explanation of the claim. The bill increases from 60 days to 120 days the time limit for claims submission if the unit has granted an extension beyond the 90 days discussed above. The fiscal effect of extending the time limits and its attendant potential for increased dispute costs and increased monetary settlements is difficult to quantify with existing information.

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**Information Source(s):** Department of Legislative Services, Department of Budget and Management, Department of General Services, Department of Health and Mental Hygiene, Department of Transportation, University System of Maryland

**Fiscal Note History:** First Reader - March 17, 1999  
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