

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 342

(Delegate Bagnall, *et al.*)

Health and Government Operations

Budget and Taxation

State Procurement - Prompt Payment of Suppliers

This bill requires contractors on State contracts to promptly pay “suppliers” any undisputed amount that is owed, and otherwise adds suppliers to the State’s statutory prompt payment requirements. A “supplier” is defined as a person that has supplied labor or materials to a contractor in the prosecution of work provided for in a State procurement contract.

Fiscal Summary

State Effect: None. State agencies can implement the bill’s requirements with existing budgeted resources. No effect on revenues.

Local Effect: None. The bill applies only to State procurement contracts.

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law: Under current law, it is the policy of the State that, for work under a State procurement contract, a contractor must promptly pay a subcontractor any undisputed amount to which the subcontractor is entitled. Likewise, subcontractors must promptly pay any undisputed amounts to lower tier subcontractors. Generally, undisputed amounts must be paid by contractors (or subcontractors to lower tier subcontractors) within 10 days of receiving a progress or final payment from the State. State law includes procedures for resolving disputes between subcontractors and contractors regarding a contractor’s or subcontractor’s failure to promptly pay undisputed amounts.

The bill adds “suppliers” to this payment and dispute resolution framework in the same manner as for contractor payments to subcontractors. The bill does not affect payments by subcontractors to suppliers.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 183 (Senator Bailey) - Budget and Taxation.

Information Source(s): State Board of Contract Appeals; Department of Commerce; Maryland Department of Aging; Maryland Department of Emergency Management; Comptroller’s Office; Maryland State Department of Education; University System of Maryland; Maryland Department of Agriculture; Department of Budget and Management; Maryland Department of the Environment; Department of General Services; Maryland Department of Health; Department of Housing and Community Development; Department of Human Services; Department of Juvenile Services; Maryland Department of Labor; Department of Natural Resources; Maryland Department of Planning; Department of Public Safety and Correctional Services; Board of Public Works; Department of State Police; Maryland Department of Transportation; Department of Veterans Affairs; Department of Legislative Services

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