

HOUSE BILL 954

P2
HB 1166/25 – HGO

6lr2841
CF SB 609

By: **Delegates Adams, Cullison, and Kerr**
Introduced and read first time: February 5, 2026
Assigned to: Government, Labor, and Elections

A BILL ENTITLED

1 AN ACT concerning

2 **State Finance and Procurement – Retention Proceeds**

3 FOR the purpose of requiring that certain retention proceeds retained by a unit or a certain
4 contractor under a State procurement contract be paid within a certain period of time
5 after the date of substantial completion; and generally relating to the payment of
6 retention proceeds under a State procurement contract.

7 BY repealing and reenacting, with amendments,
8 Article – State Finance and Procurement
9 Section 13–225
10 Annotated Code of Maryland
11 (2021 Replacement Volume and 2025 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
13 That the Laws of Maryland read as follows:

14 **Article – State Finance and Procurement**

15 13–225.

16 (a) (1) In this section the following words have the meanings indicated.
17 (2) “Payment security” has the meaning stated in § 17–101 of this article.
18 (3) “Performance security” has the meaning stated in § 17–101 of this
19 article.

20 (b) (1) If a contractor has furnished 100% payment security and 100%
21 performance security in accordance with Title 17, Subtitle 1 of this article under a State
22 procurement contract for construction, the percentage specified in the contract for
23 retainage may not exceed 5% of the total amount.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2) In addition to retainage, a primary procurement unit and the Maryland Transportation Authority may withhold from payments otherwise due a contractor any amount that the unit reasonably believes necessary to protect the State's interest.

10 (2) Paragraph (1) of this subsection may not be construed to prohibit a
11 contractor from withholding any amount in addition to retainage if the contractor
12 determines that a subcontractor's performance under the subcontract provides reasonable
13 grounds for withholding the additional amount.

14 (d) (1) A subcontractor may not retain a percentage of payments due a lower
15 tier subcontractor that exceeds the percentage of payments retained from the
16 subcontractor.

21 (e) UNDISPUTED RETENTION PROCEEDS RETAINED BY A UNIT OR A
22 CONTRACTOR UNDER THIS SECTION SHALL BE PAID WITHIN 90 DAYS AFTER THE
23 DATE OF SUBSTANTIAL COMPLETION, AS DEFINED BY THE APPLICABLE CONTRACT
24 OR SUBCONTRACT.

25 (F) If retainage has been placed in escrow under § 15–108 of this article, each
26 payment of retainage shall include a pro rata portion of interest earned.

27 **(f) (G)** This section may not be construed to limit the application of the
28 provisions of Title 17, Subtitle 1 of this article.

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
30 October 1, 2026.