

SENATE BILL 77

P2

(PRE-FILED)

6lr0257

CF 6lr0258

By: Chair, Budget and Taxation Committee (By Request – Departmental – Commerce)

Requested: September 30, 2025

Introduced and read first time: January 14, 2026

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 State Contracts – Prohibited Provisions – Exemptions

3 FOR the purpose of exempting certain contracts entered into by the Office of International
4 Trade from certain prohibitions on the provisions that may be included in State
5 contracts; and generally relating to State contracts.

6 BY repealing and reenacting, with amendments,

7 Article – State Finance and Procurement

8 Section 2-901

9 Annotated Code of Maryland

10 (2021 Replacement Volume and 2025 Supplement)

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

13 Article – State Finance and Procurement

14 2-901.

15 (a) In this section, “State contract” means any agreement entered into by the
16 State.

17 (a-1) This section does not apply to:

18 (1) a State contract relating to the purchase, redevelopment, or operation
19 of a racing facility or training facility site as those terms are defined under § 10-601 of the
20 Economic Development Article; OR

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



5 (b) Except as required by State or federal law, a State contract may not include:

(1) a provision that requires the State to indemnify, defend, or hold harmless another person without an appropriation of State funds for that purpose;

(2) a provision by which the State agrees to binding arbitration or any other binding extrajudicial dispute resolution process;

(3) a provision that names a jurisdiction or venue for any action or dispute against the State other than a court of proper jurisdiction in the State;

18 (5) a provision that requires the State to be bound by a term or condition
19 that:

20 (i) is unknown to the State at the time of signing a contract;

21 (ii) may be unilaterally changed by the other party; or

22 (iii) is electronically accepted by a State employee without authority;

(7) a provision that is inconsistent with the State's obligations under Title 3 or 4 of the General Provisions Article;

28 (8) a provision prohibited under § 7-237 of this article;

29 (9) a provision for automatic renewal that obligates the State to allocate
30 funding in subsequent fiscal years; or

31 (10) a provision that limits the State's ability to recover the difference in the
32 cost of a replacement contractor to perform the services not performed by the original
33 contractor, to the extent that the sum of the amount paid to the replacement contractor and

1 the amount paid to the original contractor exceed the costs provided for in the contract with
2 the original contractor.

3 (c) If a State contract contains a provision listed under subsection (b) of this
4 section, the provision is void ab initio and the contract containing that provision shall be
5 enforceable as if it did not contain the provision.

6 (d) A State contract that contains a provision listed under subsection (b) of this
7 section shall be governed by and construed in accordance with State law, notwithstanding
8 any term or condition to the contrary in the contract.

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
10 1, 2026.