

SENATE BILL 671

P2, N1

6lr2881
CF 6lr2882

By: **Senator A. Washington**

Introduced and read first time: February 6, 2026

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Procurement Contracts and Construction Contracts – Payments**

3 FOR the purpose of making certain provisions of law governing construction contracts
4 applicable to certain local government owners; altering certain provisions of law
5 relating to the payment of contractors and subcontractors in procurement contracts
6 and construction contracts; requiring certain notification if all or part of a payment
7 is withheld; altering certain provisions of law relating to the accrual of interest for
8 unpaid amounts; and generally relating to payment in procurement and construction
9 contracts.

10 BY repealing and reenacting, without amendments,
11 Article – Real Property
12 Section 9–301(a) and 9–303
13 Annotated Code of Maryland
14 (2023 Replacement Volume and 2025 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article – Real Property
17 Section 9–301(d) and 9–302
18 Annotated Code of Maryland
19 (2023 Replacement Volume and 2025 Supplement)

20 BY repealing and reenacting, with amendments,
21 Article – State Finance and Procurement
22 Section 11–101, 15–103, and 15–104
23 Annotated Code of Maryland
24 (2021 Replacement Volume and 2025 Supplement)

25 BY repealing
26 Article – State Finance and Procurement
27 Section 15–105

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Annotated Code of Maryland
(2021 Replacement Volume and 2025 Supplement)

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

Article – Real Property

9–301.

(a) In this subtitle the following words have the meanings indicated.

(d) **(1)** “Owner” means:

[(1)] (I) The owner of the land; or

[(2)] (II) An owner’s tenant for life or for years, provided the tenant enters
into the contract with the contractor.

**(2) “OWNER” MAY INCLUDE A COUNTY, MUNICIPAL CORPORATION,
BOARD OF EDUCATION, OR PUBLIC AUTHORITY OR INSTRUMENTALITY.**

9–302.

(a) Except for work done or materials furnished under a contract enumerated in
§ 9–305 of this subtitle, a contractor or subcontractor who does work or furnishes material
under a contract shall be entitled to prompt payment under subsection (b) of this section.

(b) (1) If the contract is with an owner, the owner shall:

(i) If the contract does not provide for specific dates or times of
payment, pay to the contractor undisputed amounts owed under the terms of the written
contract, within the earlier of:

1. 30 days after the day on which the occupancy permit is
granted; or

2. 30 days after the day on which the owner or the owner’s
agent takes possession; or

(ii) If the contract provides for specific dates or times of payment,
pay to the contractor undisputed amounts owed within 7 days after the date or time
specified in the contract.

(2) Paragraph (1) of this subsection does not apply to any contract between
the contractor and[

- 1 (i) The] THE State[;
- 2 (ii) A county;
- 3 (iii) A municipal corporation;
- 4 (iv) A board of education; or
- 5 (v) A public authority or instrumentality].

6 (3) If the contract is not with an owner, the contractor or subcontractor
7 shall pay undisputed amounts owed to its subcontractors within 7 days after receipt by the
8 contractor or subcontractor of each payment received for its subcontractors' work or
9 materials.

10 (C) (1) IF A PARTY WITHHOLDS ALL OR PART OF AN AMOUNT INVOICED
11 BY A PERFORMING PARTY UNDER SUBSECTION (B) OF THIS SECTION, THE
12 WITHHOLDING PARTY SHALL NOTIFY THE PERFORMING PARTY IN WRITING AND
13 WITH REASONABLE SPECIFICITY WITHIN 15 DAYS AFTER THE RECEIPT OF THE
14 INVOICE OF THE INTENTION TO WITHHOLD ALL OR PART OF THE PAYMENT AND THE
15 REASON FOR WITHHOLDING, INCLUDING IDENTIFYING THE WORK FOR WHICH
16 PAYMENT IS NOT BEING MADE AND THE AMOUNT BEING WITHHELD FOR THAT WORK.

17 (2) ANY PAYMENT WITHHELD UNDER THIS SUBSECTION MAY NOT
18 EXCEED TWICE THE AMOUNT IN DISPUTE.

19 (D) (1) IF A PARTY FAILS TO MAKE PAYMENT IN ACCORDANCE WITH
20 SUBSECTION (B) OF THIS SECTION, INTEREST SHALL ACCRUE AT THE RATE OF 2%
21 PER MONTH ON ANY AMOUNT THAT REMAINS UNPAID.

22 (2) INTEREST UNDER PARAGRAPH (1) OF THIS SUBSECTION:

23 (I) SHALL ACCRUE BEGINNING ON THE 61ST DAY AFTER A
24 PARTY RECEIVES AN INVOICE SUBMITTED UNDER THE TERMS OF THE CONTRACT;

25 (II) SHALL BE PAID TO THE PERFORMING PARTY AT THE TIME
26 OF PAYMENT OF THE INVOICE; AND

27 (III) MAY NOT BE WITHHELD FROM A PERFORMING PARTY.

28 (3) THE REQUIREMENTS FOR THE ACCRUAL AND PAYMENT OF
29 INTEREST UNDER THIS SECTION:

(I) MAY NOT BE WAIVED BY ANY PARTY; AND

(II) MAY NOT BE ALTERED BY CONTRACT.

(E) NOTHING IN THIS SECTION MAY BE CONSTRUED TO APPLY TO OR PROHIBIT THE INCLUSION OF ANY RETAINAGE PROVISIONS IN A CONSTRUCTION CONTRACT.

(F) (1) THIS SUBSECTION DOES NOT APPLY TO AN EMERGENCY CONTRACT ENTERED INTO WITH A COUNTY, MUNICIPAL CORPORATION, BOARD OF EDUCATION, OR PUBLIC AUTHORITY OR INSTRUMENTALITY.

(2) A CONTRACTOR OR SUBCONTRACTOR WHO HAS NOT RECEIVED PAYMENT IN ACCORDANCE WITH SUBSECTION (B) OF THIS SECTION, AFTER PROVIDING 14 DAYS' WRITTEN NOTICE TO THE OWNER OR PARTY RESPONSIBLE FOR PAYMENT, MAY STOP WORK UNTIL PAYMENT IS RECEIVED.

(3) A CONTRACTOR OR SUBCONTRACTOR WHO STOPS WORK UNDER THIS SUBSECTION MAY NOT BE REPLACED BY THE OWNER OR GENERAL CONTRACTOR OR SUBCONTRACTOR OR DEEMED IN VIOLATION OR DEFAULT OF THE APPLICABLE CONTRACT.

9–303.

(a) In this section, “undisputed amounts” includes any retention proceeds that exceed the amount authorized to be retained under § 9–304 of this subtitle.

(b) In addition to any other remedy provided under any other provision of law, a court of competent jurisdiction, for good cause shown may:

(1) Award any equitable relief for prompt payment of undisputed amounts that it considers necessary, including the enjoining of further violations; and

(2) In any action, award to the prevailing party:

(i) Interest from the date the court determines that the amount owed was due; and

(ii) Any reasonable costs incurred.

(c) If a court determines that an owner, contractor, or subcontractor has acted in bad faith by failing to pay any undisputed amounts owed as required under § 9–302 of this subtitle, the court may award to the prevailing party reasonable attorney's fees.

1 11–101.

2 (a) In this Division II the following words have the meanings indicated unless:

3 (1) the context clearly requires a different meaning; or

4 (2) a different definition is provided for a particular title or provision.

5 (b) (1) “Architectural services” means professional or creative work that:

6 (i) is performed in connection with the design and supervision of
7 construction or landscaping; and

8 (ii) requires architectural education, training, and experience.

9 (2) “Architectural services” includes consultation, research, investigation,
10 evaluation, planning, architectural design and preparation of related documents, and
11 coordination of services that structural, civil, mechanical, and electrical engineers and
12 other consultants provide.

13 (3) “Architectural services” does not include construction inspection
14 services, services provided in connection with an energy performance contract, or
15 structural, mechanical, plumbing, or electrical engineering.

16 (c) “Bid” means a response to an invitation for bids under § 13–103 of this article.

17 (d) “Board” means the Board of Public Works.

18 (e) “Chief Procurement Officer” means an official of the Department of General
19 Services who:

20 (1) shall be appointed by the Governor with the advice and consent of the
21 Senate;

22 (2) except for procurement activity by a primary procurement unit other
23 than the Department of General Services, is the head of all procurement activity for the
24 Executive Branch of State government; and

25 (3) may engage in or control procurement for the Department of General
26 Services in accordance with § 12–107(b)(2) of this article.

27 (f) (1) “Construction” means the process of building, altering, improving, or
28 demolishing an improvement to real property.

29 (2) “Construction” includes any major work necessary to repair, prevent
30 damage to, or sustain existing components of an improvement to real property.

(3) “Construction” does not include the maintenance or routine operation of an existing improvement to real property, or activities related to an energy performance contract.

(F-1) (1) “CONSTRUCTION CONTRACT” MEANS A CONTRACT TO PERFORM CONSTRUCTION-RELATED SERVICES THAT IS BETWEEN:

(I) A CONTRACTOR AND A SUBCONTRACTOR; OR

(II) A SUBCONTRACTOR AND LOWER-TIER SUBCONTRACTOR.

(2) “CONSTRUCTION CONTRACT” DOES NOT INCLUDE A CONTRACT FOR SALE, HOUSING, OR HOME IMPROVEMENT, AS DEFINED IN § 8-101 OF THE BUSINESS REGULATION ARTICLE.

(g) (1) “Construction related services” means feasibility studies, surveys, construction management, construction inspection, and similar efforts associated with construction or the acquisition of public improvements as defined in § 4-401(d) of this article.

(2) “Construction related services” does not include services provided in connection with an energy performance contract.

(G-1) “CONTRACTOR” MEANS A PARTY TO A PROCUREMENT CONTRACT OTHER THAN A UNIT.

(h) “County” means a county of the State and, unless expressly provided otherwise, Baltimore City.

(i) “Energy performance contract” means an agreement for the provision of energy services, including electricity, heating, ventilation, cooling, steam, or hot water, in which a person agrees to design, install, finance, maintain, or manage energy systems or equipment to improve the energy efficiency of a building or facility in exchange for a portion of the energy savings.

(j) (1) “Engineering services” means professional or creative work that:

(i) is performed in connection with any utility, structure, building, machine, equipment, or process, including structural, mechanical, plumbing, electrical, geotechnical, and environmental engineering; and

(ii) requires engineering education, training, and experience in the application of special knowledge of the mathematical, physical, and engineering sciences.

(2) “Engineering services” includes consultation, investigation, evaluation, planning, design, and inspection of construction to interpret and ensure compliance with specifications and design within the scope of inspection services.

(3) “Engineering services” does not include services provided in connection with an energy performance contract.

(k) “Information technology” has the meaning stated in § 3.5–301 of this article.

(l) “Invitation for bids” means any document used for soliciting bids under § 13–103 of this article.

(L-1) “LOWER-TIER SUBCONTRACTOR” MEANS A PERSON WHO WILL PERFORM ALL OR PART OF THE CONSTRUCTION-RELATED SERVICES ON A CONSTRUCTION CONTRACT UNDER AN AGREEMENT WITH A SUBCONTRACTOR, REGARDLESS OF TIER.

(m) “Person” means an individual, receiver, trustee, guardian, personal representative, fiduciary, or representative of any kind and any partnership, firm, association, corporation, or other entity.

(n) “Primary procurement units” means:

- (1) the State Treasurer;
- (2) the Department of General Services;
- (3) the Department of Transportation;
- (4) the University System of Maryland;
- (5) the Maryland Port Commission;
- (6) the Morgan State University; and
- (7) the St. Mary’s College of Maryland.

(o) (1) “Procurement” means the process of:

- (i) leasing real or personal property as lessee; or
- (ii) buying or otherwise obtaining supplies, services, construction, construction related services, architectural services, engineering services, or services provided under an energy performance contract.

(2) “Procurement” includes the solicitation and award of procurement contracts and all phases of procurement contract administration.

(p) (1) “Procurement contract” means an agreement in any form entered into by a unit for procurement.

(2) “Procurement contract” does not include:

(i) a collective bargaining agreement with an employee organization;

(ii) an agreement with a contractual employee, as defined in § 1–101(d) of the State Personnel and Pensions Article;

(iii) a Medicaid, Judicare, or similar reimbursement contract for which law sets:

1. user or recipient eligibility; and

2. price payable by the State; or

(iv) a Medicaid contract with a managed care organization, as defined in § 15–101(e) of the Health – General Article as to which regulations adopted by the Department establish:

1. recipient eligibility;

2. minimum qualifications for managed care organizations;

and

3. criteria for enrolling recipients in managed care organizations.

(q) “Procurement officer” means an individual authorized by a unit to:

(1) enter into a procurement contract;

(2) administer a procurement contract; or

(3) make determinations and findings with respect to a procurement contract.

(r) “Proposal” means a response to any solicitation other than an invitation for bids.

(s) “Request for proposals” means any document used for soliciting proposals.

(t) “Responsible bidder or offeror” means a person who:

1 (1) has the capability in all respects to perform fully the requirements for
2 a procurement contract; and

3 (2) possesses the integrity and reliability that will ensure good faith
4 performance.

5 (u) “Responsive bid” means a bid that:

6 (1) is submitted under § 13–103 of this article; and

7 (2) conforms in all material respects to the invitation for bids.

8 (v) (1) Except as provided in paragraph (3) of this subsection, “services”
9 means:

10 (i) the labor, time, or effort of a contractor; and

11 (ii) any product or report necessarily associated with the rendering
12 of a service.

13 (2) “Services” includes:

14 (i) services provided by attorneys, accountants, physicians,
15 consultants, and other professionals who are independent contractors; and

16 (ii) information technology services and cybersecurity.

17 (3) “Services” does not include:

18 (i) construction related services;

19 (ii) architectural services;

20 (iii) engineering services; or

21 (iv) energy performance contract services.

22 (w) “State” means:

23 (1) a state, possession, territory, or commonwealth of the United States; or

24 (2) the District of Columbia.

25 (x) (1) “State correctional facilities” means correctional institutions, and all
26 places of correctional confinement, that are located within the State of Maryland and are
27 primarily operated by the Maryland State government.

(2) “State correctional facilities” includes Patuxent Institution.

(y) “Statewide contract” means a contract that has been procured by a primary procurement unit to be used by all units or any entity listed in § 4–316 of this article.

(Y–1) “SUBCONTRACTOR” MEANS A PERSON, OTHER THAN A LABORER OR SUPPLIER OF MATERIALS, THAT MAKES AN AGREEMENT WITH:

(1) A CONTRACTOR TO PERFORM ALL OR PART OF A CONSTRUCTION CONTRACT; OR

(2) A LOWER–TIER SUBCONTRACTOR TO PERFORM ALL OR PART OF A CONSTRUCTION CONTRACT WITH THE LOWER–TIER SUBCONTRACTOR.

(z) (1) “Supplies” means:

(i) insurance;

(ii) tangible personal property including information technology hardware and software;

(iii) printing; and

(iv) services necessarily associated with insurance or tangible personal property.

(2) “Supplies” does not include:

(i) an interest in real property; or

(ii) tangible personal property acquired or used in connection with an energy performance contract.

(aa) (1) “Unit” means an officer or other entity that is in the Executive Branch of the State government and is authorized by law to enter into a procurement contract.

(2) “Unit” does not include:

(i) a bistate, multistate, bicounty, or multicounty governmental agency; or

(ii) a special tax district, sanitary district, drainage district, soil conservation district, water supply district, or other political subdivision of the State.

1 (a) **(1) [It] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
2 **SUBSECTION, IT is the policy of the State to make a payment under a procurement contract**
3 **WITHIN 30 DAYS:**

4 **[(1)] (I) [within 30 days] after the day on which the payment becomes**
5 **due [and the unit receives a proper invoice] UNDER THE PROCUREMENT CONTRACT; or**

6 **(II) IF LATER, AFTER THE DAY ON WHICH THE UNIT RECEIVES A**
7 **PROPER INVOICE SUBMITTED UNDER THE TERMS OF THE PROCUREMENT**
8 **CONTRACT.**

9 (2) **[for] FOR a small business reserve contract, IT IS THE POLICY OF THE**
10 **STATE TO MAKE A PAYMENT within 15 days:**

11 **(I) after the day on which the payment becomes due [and the unit**
12 **receives a proper invoice] UNDER THE PROCUREMENT CONTRACT; OR**

13 **(II) IF LATER, AFTER THE DAY ON WHICH THE UNIT RECEIVES A**
14 **PROPER INVOICE SUBMITTED UNDER THE TERMS OF THE PROCUREMENT**
15 **CONTRACT.**

16 **[(b) Interest shall accrue in accordance with § 15–104 of this subtitle.]**

17 **(B) (1) A PROCUREMENT CONTRACT SHALL INCLUDE A PROVISION THAT**
18 **REQUIRES THE UNIT TO PAY THE CONTRACTOR:**

19 **(I) WITHIN 30 DAYS AFTER THE RECEIPT OF AN INVOICE**
20 **SUBMITTED UNDER THE TERMS OF THE PROCUREMENT CONTRACT FOLLOWING**
21 **SATISFACTORY COMPLETION OF THE PORTION OF THE WORK FOR WHICH THE**
22 **CONTRACTOR HAS PROPERLY INVOICED; AND**

23 **(II) INTEREST IN ACCORDANCE WITH § 15–104 OF THIS**
24 **SUBTITLE FOR ANY LATE PAYMENTS.**

25 **(2) PARAGRAPH (1) OF THIS SUBSECTION MAY NOT BE CONSTRUED**
26 **TO REQUIRE A UNIT TO PAY AMOUNTS INVOICED THAT ARE SUBJECT TO**
27 **WITHHOLDING AS A RESULT OF THE CONTRACTOR’S NONCOMPLIANCE WITH THE**
28 **PROCUREMENT CONTRACT.**

29 **(3) (I) IF A UNIT WITHHOLDS ALL OR PART OF AN AMOUNT**
30 **INVOICED BY A CONTRACTOR UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE**
31 **UNIT SHALL NOTIFY THE CONTRACTOR IN WRITING, WITHIN 15 DAYS AFTER THE**
32 **DATE OF THE RECEIPT OF THE INVOICE, OF:**

1 1. THE UNIT'S INTENT TO WITHHOLD ALL OR PART OF
2 THE PAYMENT; AND

3 2. THE REASON FOR THE WITHHOLDING, INCLUDING
4 IDENTIFICATION OF THE WORK FOR WHICH PAYMENT IS NOT BEING MADE.

5 (II) A PAYMENT WITHHELD UNDER THIS PARAGRAPH MAY NOT
6 EXCEED TWICE THE AMOUNT IN DISPUTE.

7 (c) (1) A CONSTRUCTION CONTRACT SHALL INCLUDE A PROVISION THAT
8 REQUIRES A CONTRACTOR OR SUBCONTRACTOR TO PAY A SUBCONTRACTOR OR
9 LOWER-TIER SUBCONTRACTOR:

10 (I) WITHIN 7 DAYS AFTER THE RECEIPT OF PAYMENT BY THE
11 UNIT TO THE CONTRACTOR OR BY THE CONTRACTOR TO THE SUBCONTRACTOR, FOR
12 THE SATISFACTORY COMPLETION OF THE PORTION OF THE WORK FOR WHICH THE
13 SUBCONTRACTOR OR LOWER-TIER SUBCONTRACTOR HAS PROPERLY INVOICED;
14 AND

15 (II) INTEREST IN ACCORDANCE WITH § 15-104 OF THIS
16 SUBTITLE FOR ANY LATE PAYMENTS.

17 (2) PARAGRAPH (1) OF THIS SUBSECTION MAY NOT BE CONSTRUED
18 TO REQUIRE A CONTRACTOR OR SUBCONTRACTOR TO PAY AMOUNTS INVOICED THAT
19 ARE SUBJECT TO WITHHOLDING AS A RESULT OF THE SUBCONTRACTOR'S OR
20 LOWER-TIER SUBCONTRACTOR'S NONCOMPLIANCE WITH THE CONSTRUCTION
21 CONTRACT.

22 (3) (I) IF A CONTRACTOR OR SUBCONTRACTOR WITHHOLDS ALL
23 OR PART OF AN AMOUNT INVOICED UNDER PARAGRAPH (1) OF THIS SUBSECTION,
24 THE CONTRACTOR OR SUBCONTRACTOR SHALL NOTIFY THE SUBCONTRACTOR OR
25 LOWER-TIER SUBCONTRACTOR IN WRITING, WITHIN 15 DAYS AFTER THE DATE OF
26 THE RECEIPT OF THE INVOICE, OF:

27 1. THE INTENT OF THE CONTRACTOR OR
28 SUBCONTRACTOR TO WITHHOLD ALL OR PART OF THE PAYMENT; AND

29 2. THE REASON FOR THE WITHHOLDING, INCLUDING
30 IDENTIFICATION OF THE WORK FOR WHICH PAYMENT IS NOT BEING MADE.

31 (II) A PAYMENT WITHHELD UNDER THIS PARAGRAPH MAY NOT
32 EXCEED TWICE THE AMOUNT IN DISPUTE.

(D) NOTHING IN THIS SECTION MAY BE CONSTRUED TO APPLY TO OR PROHIBIT THE INCLUSION OF ANY RETAINAGE PROVISIONS IN A PROCUREMENT CONTRACT OR CONSTRUCTION CONTRACT.

(E) IN THE CASE OF A SUCCESSFUL ACTION TO ENFORCE THE REQUIREMENTS OF THIS SECTION, A PERSON WHO VIOLATES THIS SECTION SHALL BE LIABLE FOR THE COSTS OF THE ACTION AND REASONABLE ATTORNEY'S FEES AS DETERMINED BY THE COURT.

15-104.

(a) [Except as provided in § 15-105 of this subtitle, interest] **INTEREST** shall accrue at the rate of [9% per annum] **2% PER MONTH** on any amount that:

(1) is due and payable by law and under the written procurement contract **OR CONSTRUCTION CONTRACT**; and

(2) remains unpaid more than [37] **60** days after a unit receives an invoice **SUBMITTED UNDER THE TERMS OF THE CONTRACT**.

(b) Interest shall accrue beginning on the [31st] **61ST** day after:

(1) the day on which payment becomes due under a procurement contract **OR CONSTRUCTION CONTRACT**; or

(2) if later, the day on which the unit receives an invoice **SUBMITTED UNDER THE TERMS OF THE CONTRACT**.

(C) (1) **INTEREST UNDER THIS SECTION:**

(I) **SHALL BE PAID TO THE PERFORMING PARTY AT THE TIME OF PAYMENT OF THE INVOICE; AND**

(II) **MAY NOT BE WITHHELD FROM A PERFORMING PARTY.**

(2) **THE REQUIREMENTS FOR THE ACCRUAL AND PAYMENT OF INTEREST UNDER THIS SECTION:**

(I) **MAY NOT BE WAIVED BY ANY PARTY; AND**

(II) **MAY NOT BE ALTERED BY CONTRACT.**

[15-105.

1 A unit is not liable under § 15–104 of this subtitle for interest:

2 (1) unless within 30 days after the date on the State’s check for the amount
3 on which the interest accrued, the contractor submits an invoice for the interest;

4 (2) if a contract claim has been filed under Subtitle 2 of this title;

5 (3) accruing more than 1 year after the 31st day after the unit receives an
6 invoice; or

7 (4) on an amount that represents unpaid interest.]

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