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Budget and Taxation Committee

Public Safety, Transportation,  
and Environment Subcommittee



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THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

February 8, 2022

Senate Budget and Taxation Committee

Re: SB507- Procurement – Construction Contracts- Contract Modification Clause

Position: Favorable

Dear Chair, Vice Chair, and Committee Members,

Thank you for accepting this letter of support for SB507. This bill would work to provide a mechanism to allow for contractors to petition to be reimbursed for the increased cost for materials when the prices dramatically rise such as in the case of COVID pandemic.

The past two years have had a dramatic impact on every area of our lives. One area that has been negatively impacted is the area relating to the cost of construction materials. Contractors who had agreements with our state have been put in very serious financial straits by having the cost of their materials skyrocket literally overnight. In some situations, contractors are doing the job for no profit because of the fact that they have had to cover the cost of the increase in material prices. And while we have seen some prices start to go back down, we are still in a pandemic, we continue to have supply chain issues, and there is no guarantee the prices will not skyrocket again.

This bill will work to allow construction contracts with the state to have a clause that provides for a way to work around the fact that there is a dramatic price increase due to events beyond a contractor's control. It allows for a request to be made to adjust the contract because of increased material cost. The definition of what is a substantial price increase is left up to the department to allow for flexibility. It is an emergency bill to allow for immediate help to our contractors, and this bill has precedence in that there are similar allowances at the federal level.

I think this bill will go a long way in helping our contractors get back on track and also to prevent future issues of unexpected price increases from adversely impacting our contractors. I ask for a favorable report on this bill.

Sincerely,  
Senator Johnny Ray Salling