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March 27, 2024

The Honorable Ben Barnes  
Chair, House Appropriations Committee  
121 House Office Building  
Annapolis MD 21401

***RE: Letter of Support – Senate Bill 556 – Procurement – Construction Contingency Fund***

Dear Chair Barnes and Committee Members:

The Maryland Department of Transportation (MDOT) supports Senate Bill 556 as amended. MDOT worked with the bill sponsor and other State agencies in the interim to find a path forward in addressing material price fluctuations in construction contracts. Senate Bill 556, as amended, represents the solution that was crafted in collaboration with all the stakeholders.

Many of MDOT’s current construction contracts are fixed-price with price adjustments to provide for variations in pricing under special conditions defined in the contract. As reported as a requirement of Senate Bill 507 of 2022, MDOT executed 314 construction contracts during fiscal years 2019 – 2021. Of those contracts, 174 were fixed-price with price adjustments, and all 174 contracts have had price adjustments made for specific materials. A total of 731 adjustments were made, for a total amount of \$30,792,168.

The Maryland Port Administration has implemented “Standard Process-38 Adjustments for Material Price Fluctuations; Payment for Stored Materials,” which has proven to be an effective method to address material price fluctuations. The Maryland Aviation Administration implemented these same policies in December. The Maryland Transit Administration allows escalations for certain materials, in accordance with Federal Transit Administration policies. The Maryland Transportation Authority utilizes contract language that allows price adjustments for materials on certain fixed-price contracts. The State Highway Administration grants price adjustments in accordance with COMAR and Federal Highway Administration policies.

For these reasons, the Maryland Department of Transportation respectfully requests the Committee grant Senate Bill 556 a favorable report.

Respectfully submitted,

Pilar Helm  
Director of Government Affairs  
Maryland Department of Transportation  
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