



TESTIMONY

COMMITTEE: Senate Budget and Taxation

DATE: February 25, 2026

POSITION: Unfavorable

BILL: SB 671

On behalf of the Maryland Municipal League (MML), representing 161 local governments and their nearly two million residents, we respectfully submit this testimony in opposition to Senate Bill 671.

While the League supports the principle of fair and timely payment for vendors, SB 671 imposes a rigid, statewide "one-size-fits-all" mandate that strips municipalities of local autonomy and creates fiscal risks. By removing the flexibility to manage complex construction projects at the local level, this bill threatens to delay essential infrastructure and place an undue burden on municipal taxpayers.

The League's concerns center on the bill's potential to disrupt public service delivery and create financial instability for cities and towns.

- **Disruption of Public Projects:** Perhaps most concerning is the broad right granted to contractors to stop work after just 14 days of notice. This gives vendors massive leverage to halt progress on vital projects—like water main repairs or road safety improvements—regardless of the public's immediate need or the good faith nature of a payment dispute.
- **Unreasonable Fiscal Penalties:** The bill mandates an interest rate of 2% per month on late payments—effectively a **24% annual rate**. This is an exorbitant penalty that far exceeds any reasonable market standard for public sector disputes, potentially draining limited municipal funds away from critical services.
- **Administrative Burden on Small Towns:** The 15-day window to provide detailed written notice for withholding payments is a "trap for the unwary," particularly for smaller municipalities with limited procurement staff. A simple administrative delay could lead to mandatory interest payments and costly litigation.

Local governments use retainage and progress payment reviews as essential risk-mitigation tools. Municipalities need the flexibility to negotiate payment schedules and dispute resolution mechanisms that reflect their specific budgetary cycles and the unique scale of local projects. SB 671's strict timelines may inadvertently force municipalities to issue payments before work is verified or punch-list items are completed, simply to avoid the threat of work stoppages or attorney-fee-shifting provisions.

We believe that issues regarding prompt payment are best addressed through collaboration and local policy rather than inflexible state mandates. SB 671 creates a lopsided legal environment that favors contractors at the expense of local taxpayers and the continuity of public services.

The Maryland Municipal League urges an unfavorable report on Senate Bill 671.

For more information relating to this piece of testimony, please contact:

Justin Fiore: Director, Advocacy and Public Policy, justinf@mdmunicipal.org