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Finance Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 25, 2026

The Honorable Senator Guy Guzzone, Chair
Senate Budget and Taxation Committee
Maryland State Senate
Annapolis, Maryland

Re: SB671– Procurement Contracts and Construction Contracts - Payments

Dear Chair Guzzone and Members of the Committee:

I respectfully submit this testimony in support of SB671, legislation that extends prompt payment requirements to government entities. This legislation is about cash flow fairness, transparency, and accountability in public construction and procurement.

Maryland's construction and procurement industry depends on a functioning payment system. When a government agency hires a general contractor for a public project, that contractor relies on a network of subcontractors who perform the actual work. These people often pre-finance labor and materials out of pocket. When payment is delayed or withheld without explanation, the disruption cascades downward: subcontractors cannot make payroll, purchase materials, or maintain the bonding capacity needed to bid on future work.

Despite some prompt payment provisions in Maryland law, significant gaps remain. Government entities are currently exempt from the rules that apply to private owners. Interest penalties are weak and easily avoided. As well as contractors who stop work due to non-payment risk being declared in default.

Government entities in Maryland are exempt from the prompt payment rules that apply to private owners, which leaves contractors and subcontractors with no enforceable options when payments are delayed. A 2024 Baltimore City Inspector General investigation found 16 city projects totaling over \$1 million in unpaid contractor invoices, some left unpaid for more than four and a half years after completion.

SB 671 closes these gaps. It extends prompt payment requirements to government entities, requires written notice and justification when payments are withheld, raises the interest penalty on late payments from 9% per year to 2% per month and makes it non-waivable, and protects contractors who stop work due to non-payment from being declared in default. The bill does not affect private contracts, disputed payments, or retainage, and creates no new criminal penalties or administrative bodies. It takes effect October 1, 2026.

This bill does not affect private construction contracts, nor does it require payment of disputed amounts. This bill also does not create criminal penalties or new administrative bodies, nor does it affect retainage provisions.

SB 671 is a targeted, measured fix to promote fairness and accountability. It brings government entities under the same basic payment accountability rules that apply to private owners, establishes clear deadlines, requires documentation of disputes, makes interest penalties enforceable and automatic, and gives contractors a practical solution when they are not paid.

For these reasons, I respectfully request a favorable report on SB671.

With Regards,

A handwritten signature in black ink, appearing to read 'Alonzo T. Washington', written in a cursive style.

Alonzo T. Washington
Maryland State Senate
District 22