

# **SB609\_LOS\_State Finance and Procurement - Retentio**

Uploaded by: Kevin O'Keeffe

Position: FAV



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February 24, 2026

To: Members of the Senate Budget and Taxation Committee

From: Independent Electrical Contractors (IEC) Chesapeake

Re: Support Senate Bill (SB) 609 -State Finance and Procurement - Retention Proceeds

Independent Electrical Contractors (IEC) Chesapeake represents approximately 150 electrical contractors who employ approximately 9,000 workers in the mid-Atlantic region. In addition, IEC Chesapeake has approximately 1,300 registered apprentices in the electrical trade.

IEC Chesapeake supports SB609 and requests a favorable report. IEC Chesapeake supports SB609 which would require a unit of government or contractor to pay undisputed retention proceeds within 90 days after the substantial completion of a project. This legislation would benefit contractors with their cash flow by making monies owed to them available within 90 days.

Thank you for your consideration. If you have any questions, please contact Grant Shmelzer, Executive Director of IEC Chesapeake, at 301-646-0197 or at [gshmelzer@iecchesapeake.com](mailto:gshmelzer@iecchesapeake.com) or Kevin O’Keeffe at 410-382-7844 or at [kevin@kokeeffelaw.com](mailto:kevin@kokeeffelaw.com).

### **About Us**

Independent Electrical Contractors (IEC) Chesapeake represents members throughout Delaware, Maryland, Virginia, West Virginia, and Washington, D.C. Our headquarters are located in Laurel, Maryland. IEC Chesapeake has an extensive apprenticeship program for training electricians. In addition, IEC Chesapeake promotes green economic growth by providing education and working with contractor members, industry partners, government policy makers and inspectors to increase the use of renewable energy.

# **S.B. 609 – STATE FINANCE AND PROCUREMENT – RETENTI**

Uploaded by: Matthew Teffeu

Position: FWA



**Maryland Joint  
Legislative Committee**

February 24, 2026

*The Voice of Merit Construction*

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TO: BUDGET AND TAXATION COMMITTEE

FROM: ASSOCIATED BUILDERS AND CONTRACTORS

RE: S.B. 609 – STATE FINANCE AND PROCUREMENT – RETENTION PROCEEDS

POSITION: FAVORABLE WITH AMENDMENTS

The Associated Builders and Contractors of Maryland appreciates the opportunity to opine on S.B. 835 which is before you today for consideration. The members of ABC believe in the tenets of free enterprise, investing in their workforce and giving back to the communities in which they live, work and play.

S.B. 835 requires that undisputed retention proceeds on State construction contracts that are retained by a state agency, or a contractor be paid within 90 days after the substantial completion of a project, as defined by the applicable contract or subcontract.

We support the timely payment of retention proceeds as it is essential for the success of construction projects, as it allows contractors and subcontractors to meet their financial obligations, pay their employees promptly, and invest in future projects.

Unfortunately, delayed payment of retention proceeds can create significant hardships for construction firms. With that said, we would like to offer the following amendment(s):

AMENDMENT NO. 1: On page 1, in lines 3 and 4, strike “or a certain contractor”.

AMENDMENT NO. 2: On page 2, in lines 21 and 22, strike “OR A CONTRACTOR”; and in line 24, strike “OR SUBCONTRACT”.

ABC appreciates your consideration and, for these reasons, respectfully requests a favorable with amendments report on S.B. 609.

Matt Tefteau  
Director of Government Affairs



**SB 609\_MTBMA\_FWA.pdf**

Uploaded by: Michael Sakata

Position: FWA



Senator Guy Guzzone, Chair  
Senate Budget and Taxation Committee  
3 West Miller Office Building  
Annapolis, MD 21401

February 24, 2026

**RE: SB 609 – Favorable with Amendments – State Finance and Procurement – Retention Proceeds**

Dear Chair Wells and Members of the Committee:

The Maryland Transportation Builders and Materials Association (“MTBMA”) has been and continues to serve as the voice for Maryland’s construction transportation industry since 1932. Our association is comprised of 250 members. MTBMA encourages, develops, and protects the prestige of the transportation construction and materials industry in Maryland by establishing and maintaining respected relationships with federal, state, and local public officials. We proactively work with regulatory agencies and governing bodies to represent the interests of the transportation industry and advocate for adequate state and federal funding for Maryland’s multimodal transportation system.

Senate Bill 609 would require that undisputed retention proceeds retained under a State procurement contract by either a state unit or a contractor be paid within 90 days after the date of substantial completion.

While MTBMA supports the intent of SB 609 and believes it represents a positive step toward improving payment practices for contractors on state-funded construction projects, **we respectfully request that contractors be excluded from the bill’s applicability.** It is fundamentally unfair to impose payment obligations on a contractor who has not yet received payment for the work performed. Additionally, Maryland’s existing prompt payment laws already require contractors to remit payment to subcontractors and suppliers within a specified timeframe after receiving payment, making further requirements unnecessary and duplicative.

Thank you,

A handwritten signature in black ink, appearing to read "Michael Sakata", written in a cursive style.

Michael Sakata  
President and CEO  
Maryland Transportation Builders and Materials Association

**SB 609\_MAA\_FWA.pdf**

Uploaded by: Tim Smith

Position: FWA



Senator Guy Guzzone, Chair  
Senate Budget and Taxation Committee  
3 West Miller Office Building  
Annapolis, MD 21401

February 24, 2026

**RE: SB 609 – Favorable with Amendments – State Finance and Procurement – Retention Proceeds**

Dear Chair Wells and Members of the Committee:

The Maryland Asphalt Association (MAA) represents approximately 110+ members, including 20 material producers, contractors, engineering firms, and associate members, supporting a 7,000-person workforce. MAA actively collaborates with regulatory agencies to advocate for the asphalt industry, ensuring fair regulations at both the state and federal levels. Additionally, we support adequate funding for Maryland's multimodal transportation system.

Senate Bill 609 would require that undisputed retention proceeds retained under a State procurement contract be paid within 90 days after the date of substantial completion. This bill is a positive step toward improving payment practices for contractors engaged in state-funded construction projects.

While MAA supports the intent of SB 609, we respectfully request an **amendment to shorten the proposed payment window from 90 days to 60 days**. A 60-day timeframe better aligns with industry practice and the cash flow realities of contractors, particularly small and mid-sized firms that do not have extended capital reserves. A reduced payment window would:

- Improve cash flow for contractors and subcontractors once substantial completion is achieved;
- Reduce financing costs associated with retention holdbacks, which often must be funded through lines of credit;
- Encourage timely project close-out and final invoicing; and
- Provide consistency with other prompt payment standards in the construction industry.

Adopting a 60-day requirement strikes an appropriate balance between administrative review by the procurement unit and the contractor's need for timely access to earned funds.

Sincerely,

Tim E. Smith, P.E.  
President  
Maryland Asphalt Association

# **SB0609 - LOO - TSO - State Finance and Procurement**

Uploaded by: Patricia Westervelt

Position: UNF

February 24, 2026

The Honorable Guy Guzzone  
Chair, Budget and Taxation Committee  
3 West Miller Senate Office Building  
Annapolis, MD 21401

***Re: Letter of Opposition – Senate Bill 609 – State Finance and Procurement – Retention Proceeds***

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) respectfully offers the following letter of opposition on Senate Bill 609 for the Committee’s consideration.

SB 609 would require payment of undisputed retention proceeds within 90 days after the date of *substantial*, rather than *final*, completion of a project. This could lead to payment of the retainage prior to the completion of the “punch list” for a project, or the list of items the parties agree must be addressed by the contractor once the site is operational but before a project is considered complete. While the items on the punch list are often minor, they can include rework items.

Retainage provides an incentive for contractors to perform the items on the punch list quickly and entirely to bring a project to completion so they can receive their final payment. Payment of retainage prior to completion of the punch list means that contractors are not incentivized to complete the items on a timely basis, if at all. If contractors do not complete punch list items following payment of retainage, MDOT may need to contract with a third party to finish the work, resulting in double payments, increased expenditures for construction projects, and additional impacts to the public from delays in timely completion of work.

Further, MDOT must maintain the ability to keep retainage until contract closeout to guarantee environmental requirements of the contract are met, ADA compliance has been confirmed, contractor payrolls have been received and reviewed to ensure compliance, and project records have been audited. Finally, requiring payment of retainage within 90 days after substantial completion, rather than upon final completion, could result in disputes, claims, and potential litigation between the State and contractors around the ambiguous term substantial completion.

The Maryland Department of Transportation respectfully requests the Committee consider this information during its deliberations and grant Senate Bill 609 an unfavorable report.

Respectfully submitted,

Matthew Mickler  
Director of Government Affairs  
Maryland Department of Transportation  
410-865-1090

**SB 609 - DGS Letter of Information 2-24-26.pdf**

Uploaded by: John Woolums

Position: INFO



Wes Moore, Governor | Aruna Miller, Lt. Governor | Atif Chaudhry, Secretary

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***SB 609 - State Finance and Procurement - Retention Proceeds***

**Position:** Letter of Information

**Committee:** Budget and Taxation Committee

**Date:** February 24, 2026

**From:** John R. Woolums, Esq.

The Maryland Department of General Services (DGS) is providing this Letter of Information on SB 609 to explain the operational and fiscal effects of this proposed legislation on the Department.

This legislation would require undisputed retention proceeds on State construction contracts to be paid within 90 days after the substantial completion of a project. This bill has significant policy ramifications for DGS because the Department acts as the State's construction manager for a variety of State agencies, and each of these agencies has different operational needs that affect the construction timeline.

DGS utilizes the retention of funds on a State construction contract to provide the State with a means to ensure full completion of the project to State standards and contract specifications. At the time of substantial completion, a project site is operational; however, there are specific items remaining for final completion. Depending on the project, these items can vary from paint touch-up to more significant items such as landscaping. For example, if the project was substantially completed in the winter, but the seeding, planting, and landscaping must wait until the weather breaks, this work becomes a punch-list item to be completed at a future date, and that may not occur within 90 days of substantial completion.

The purpose of retainage is to provide an incentive for the contractor to complete all work for which they have been contracted. The law provides that the retainage amount may not exceed 5% of the total contract amount. DGS has the discretion to reduce retainage and regularly utilizes this discretion. DGS maintains a high level of communication with our contractors and the respective State agencies to ensure that work is completed and the contractors are paid in an appropriate and timely manner.

Again, DGS is providing this testimony for informational purposes, and the Department looks forward to being of further assistance as the Committee considers this bill.

Contact: John R. Woolums, Esq., Director of Government and Legislative Affairs  
(410) 260-2908 (O), (667) 434-0008 (M), [john.woolums@maryland.gov](mailto:john.woolums@maryland.gov)