

AUC of MD_SB 671_FWA.docx.pdf

Uploaded by: Andrew Griffin

Position: FAV



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February 25, 2026

Legislative Position: Favorable with Amendments **Senate Bill 671**

Procurement Contracts and Construction Contracts - Payments
Senate Budget & Taxation Committee

Dear Chair Guzzone and Members of the Committee:

Established in 1950, the Associated Utility Contractors of Maryland, Inc. (AUC) is dedicated to advancing the utility contracting industry across the state. Our mission is to foster strong relationships between utility contractors and their clients, uphold the highest professional standards within the industry, and elevate the reputation of utility professionals within the business community. We actively advocate for public policies that address industry challenges and contribute to improving Maryland's overall business environment.

AUC represents contractors across Maryland who build and maintain the critical utility infrastructure that supports our communities. Our membership includes both union and non-union firms performing highly specialized work in the public and private sectors. Regardless of labor affiliation, utility contractors operate in a capital-intensive environment, advancing payroll, equipment, and material costs long before payment is received. Predictable and timely payment is therefore essential to maintaining operations and workforce stability.

Senate Bill 671 makes meaningful improvements to Maryland's prompt payment laws. By requiring written notice when payment is withheld, including the specific amount and reason, the legislation promotes transparency and reduces avoidable disputes. Clear standards and communication help resolve issues more efficiently, minimize project disruptions, and ensure all parties understand their obligations.

The bill also reinforces timely payment by requiring interest on late payments that cannot be contractually waived. This provision creates a practical incentive for compliance and provides greater certainty for contractors managing tight margins. Reliable cash flow enables utility contractors to meet payroll obligations, pay suppliers, maintain bonding capacity, and invest in workforce development and equipment. Strengthening payment protections ultimately supports small and mid-sized businesses and helps sustain a skilled construction workforce throughout the State.

Importantly, SB 671 affirms a contractor's right to suspend work for nonpayment after proper notice and protects those exercising that right from being deemed in default. Under existing law, contractors often have limited recourse when payments are delayed, and statutory interest alone, while a great step, will not alleviate immediate financial strain.

However, AUC respectfully requests an amendment to extend this protection to contracts with the State by incorporating similar language into the State Finance and Procurement Article. Applying these provisions uniformly would create a balanced framework, preserving the ability to dispute legitimate claims while ensuring contractors are not required to finance public projects indefinitely. We understand this amendment is viewed as consistent with the bill's intent and acceptable to other supporters.

For Maryland's utility contractors, prompt payment is not simply a contractual matter; it is fundamental to business viability. Senate Bill 671 advances fairness, accountability, and financial stability in the construction industry.

For these reasons, the Associated Utility Contractors of Maryland respectfully urge a favorable report on Senate Bill 671 with the proposed amendment.

Sincerely,

The Associated Utility Contractors of Maryland (AUC)

SB671_LOS_Procurement Contracts and Construction C

Uploaded by: Kevin O'Keeffe

Position: FAV

February 25, 2026

To: Members of the Senate Budget and Taxation Committee

From: Independent Electrical Contractors (IEC) Chesapeake

Re: **Letter of Support Senate Bill (SB) 671 – Procurement Contracts and Construction Contracts - Payments**

IEC Chesapeake membership includes 150 contractors and 70 business partners. IEC Chesapeake members represent approximately 9,000 employees. In addition, it has approximately 1,300 electrical apprentices. IEC Chesapeake supports SB671 and requests a favorable report.

SB671 establishes a process to ensure that contractors are promptly paid for projects in which they have successfully completed the work. The entity ultimately responsible for ensuring that contractors and subcontractors are paid in a timely fashion is the owner which under SB671 includes local governmental agencies including school boards, municipalities, and counties, and does not permit a contractual waiver for timely payments. In addition, interest payments are mandated for failure to pay contractors and subcontractors in a timely manner. One of the biggest challenges facing contractors and subcontractors is getting paid on time and having adequate cash flow. Therefore, IEC Chesapeake requests a favorable report on SB671.

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 or Kevin O’Keeffe at 410-382-7844 or at 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.

SB671_Public testimony.pdf

Uploaded by: Lien Hoang

Position: FAV

ALONZO T. WASHINGTON
Legislative District 22
Prince George's County

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

MBIA Letter of FWA SB671.pdf

Uploaded by: Lori Graf

Position: FWA

February 25, 2026

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

RE: FWA SB 671 - Procurement Contracts and Construction Contracts - Payments

Dear Chairman Guzzone:

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **SB671**. MBIA is submitting Favorable with Amendments to this legislation, which would make certain provisions of law governing construction contracts applicable to certain local government owners.

Timely payment provisions and clear notice requirements benefit not only contractors and subcontractors, but also public owners. When expectations are clearly defined in statute, disputes are reduced, project delivery improves, and smaller firms are more willing to compete for public work. Strengthening payment transparency helps promote a stable construction market and ensures that subcontractors and suppliers are not unfairly burdened by delays outside their control. Contractors and subcontractors operate on tight margins and front significant costs, any delayed payments from public entities disrupt payroll, supplier payments, bonding capacity, and project timelines.

This bill promotes transparency and accountability in public construction contracting. By requiring notice when payments are withheld, it ensures that contractors understand the reason for the delay and can address issues promptly. Clear communication reduces disputes, prevents misunderstandings, and keeps projects moving forward.

The legislation also creates greater consistency across public owners. Uniform standards governing payment timelines and interest accrual provide predictability for the construction industry, making it easier for firms to bid confidently on public projects. Increased competition ultimately benefits taxpayers by driving better pricing and higher-quality work.

For these reasons, we respectfully urge an unfavorable report.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Senate Budget and Taxation Committee

S.B. 671-PROCUREMENT CONTRACTS AND CONSTRUCTION CO

Uploaded by: Matthew Teffeu

Position: FWA



**Maryland Joint
Legislative Committee**

February 25, 2026

The Voice of Merit Construction

Mike Henderson

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TO: BUDGET AND TAXATION COMMITTEE

FROM: ASSOCIATED BUILDERS AND CONTRACTORS

RE: S.B. 671-PROCUREMENT CONTRACTS AND CONSTRUCTION
CONTRACTS- PAYMENTS

POSITION: FAVORABLE WITH AMENDMENTS

Chair and Members of the Senate Budget and Taxation Committee,

The Associated Builders and Contractors of Maryland appreciates the opportunity to support **SB 671** 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

SB 671 represents an important and necessary step toward strengthening Maryland's procurement system and protecting contractors and subcontractors who perform work on public projects. Timely and predictable payment is not merely an administrative issue—it is essential to maintaining a healthy construction industry, supporting small and minority-owned businesses, and ensuring that public projects remain on schedule and within budget.

Too often, contractors and subcontractors—particularly small firms—face serious financial strain due to delayed payments or insufficient explanation when funds are withheld. **SB 671** provides clear standards by:

- Requiring timely payment of undisputed amounts
- Mandating written notice with reasonable specificity when payments are withheld
- Establishing meaningful interest penalties for late payments
- Extending these protections to projects involving local government owners

These provisions create fairness, transparency, and accountability in public contracting. The 2% monthly interest provision ensures that





payment obligations are taken seriously and discourages unnecessary delay, while the written notice requirement promotes communication and dispute resolution before problems escalate.

Prompt payment laws are especially critical for small businesses that operate with tight cash flow margins. When payments are delayed, it can jeopardize payroll, supplier relationships, bonding capacity, and future project participation. By strengthening enforcement mechanisms and clarifying rights and remedies, **SB 671** supports economic stability across Maryland's construction sector.

Public entities should model best practices in contracting. Ensuring that those who build and maintain our public infrastructure are paid fairly and on time is both fiscally responsible and ethically sound.

For these reasons, I respectfully urge the Committee to issue a favorable report on **SB 671**.

Thank you for your consideration.

Matt Teffeau
Director of Government Affairs



ASAB_SB 671_FWA (1).pdf

Uploaded by: Troy Brown

Position: FWA



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February 25, 2026

Legislative Position: Favorable with Amendments
Senate Bill 671
Procurement Contracts and Construction Contracts - Payments
Senate Budget & Taxation Committee

Dear Chair Guzzone and members of the committee:

Founded in 1967, the American Subcontractors Association of Baltimore (ASAB) promotes the rights and interests of subcontractors in the commercial construction industry. Through advocacy, education, networking, and professional development, ASAB works to advance fair construction practices and a balanced allocation of risk across the industry.

ASA Baltimore represents subcontractors throughout Maryland who perform the specialized work that brings construction projects to completion. Our membership includes both union and non-union contractors, and this initiative is supported across that spectrum. Regardless of labor affiliation, subcontractors operate on tight margins, front significant labor and material costs, and rely on timely payment to sustain their businesses.

SB 671 strengthens Maryland's prompt payment framework in ways that directly benefit subcontractors. By clarifying payment requirements, expanding protections, and requiring written notice when payment is withheld, including the specific reason and amount, the bill increases transparency and reduces unnecessary disputes. Clear communication allows issues to be addressed quickly and keeps projects on track.

The bill also improves cash flow certainty by mandating interest on late payments that cannot be waived by contract, creating a meaningful incentive for timely payment. Faster payment allows subcontractors to meet payroll, pay suppliers, preserve bonding capacity, and reinvest in workforce development and equipment. Reliable cash flow strengthens small businesses and supports a stable construction workforce across Maryland.

Finally, SB 671 protects a contractor's right to suspend performance for nonpayment after proper notice. Under current law, subcontractors often have little practical leverage when payment is delayed, and interest alone cannot immediately resolve the immediate financial strain. The bill ensures that subcontractors who suspend work in accordance with the statute are not declared in default. **However, we would like to see SB 671 amended to reflect this important protection extended to contracts with the State, not just in private contracts.** Adding these protections to the State Finance and Procurement article presents a balanced approach that preserves the ability to dispute legitimate issues while preventing subcontractors from financing projects indefinitely at their own expense. This amendment is also seen as friendly by other supporters of the bill.

President
Casie Pellegrini
Clearsite Industrial

Vice President
Justin Hedding
Diversified Safety Services

Secretary
Sean Kirwan
Bonding Advisory



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For subcontractors, union and non-union alike, timely payment is essential. SB 671 promotes transparency, fairness, and financial stability in Maryland's construction industry. ASA Baltimore respectfully urges a favorable report with the suggested amendments.

Sincerely,

Warren Quinn
Executive Director
American Subcontractors Association of Baltimore

President
Casie Pellegrini
Clearsite Industrial

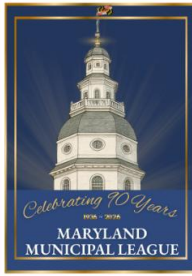
Vice President
Justin Hedding
Diversified Safety Services

Secretary
Sean Kirwan
Bonding Advisory

MML - SB671 - UNF.pdf

Uploaded by: Justin Fiore

Position: UNF



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

SB0671-BT_MACo_OPP.pdf

Uploaded by: Karrington Anderson

Position: UNF



Senate Bill 671

Procurement Contracts and Construction Contracts - Payments

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: February 25, 2026

From: Karrington Anderson

The Maryland Association of Counties (MACo) **OPPOSES** SB 671. This bill subjects counties to significantly expanded prompt payment mandates, heightened penalties, and restricted contract administration flexibility. As with prior procurement mandates considered by this Committee, rigid statewide requirements often fail to reflect local operational realities and can result in unnecessary and costly administrative burdens.

Counties already work closely with vendors to ensure timely payment and routinely strive to remit payment well within that timeframe. This bill requires a local government to provide written notice within 15 days if it withholds payment, explaining with reasonable specificity, the work in dispute and the amount withheld. However, the bill does not clearly require that the contractor resolve the identified deficiencies before triggering the severe remedies. As drafted, a contractor who has not been paid and provides 14 days' written notice may stop work, may not be replaced, and may not be deemed in default, even where the county has identified legitimate performance deficiencies. This imbalance weakens standard dispute resolution processes and exposes critical infrastructure projects to delay and disruption.

Also disconcerting, SB 671 increases the interest penalty for unpaid amounts to 2% per month, effectively 24% annually. This is an extraordinarily punitive rate for commercial accounts and far exceeds the current 9% per annum rate. Interest would begin accruing automatically on the 61st day, must be paid with the invoice, may not be withheld, waived, or altered by contract, and cannot be modified through negotiation. Even routine administrative invoice disputes could trigger substantial penalty interest.

By prohibiting negotiated payment terms and eliminating existing protections limiting governmental liability for interest, the bill dramatically expands county fiscal exposure. Administrative invoice review often requires coordination across multiple departments to verify that work was completed properly and that taxpayer funds are accurately disbursed. Shortened procedural windows combined with mandatory, high-rate penalties will require additional procurement and finance staff to audit deliveries and reconcile invoices under compressed timelines. This creates both operational strain and increased costs. For these reasons, MACo respectfully requests an **UNFAVORABLE** report on SB 671.

SB671_USM_INFO.pdf

Uploaded by: Andy Clark

Position: INFO



SENATE BUDGET AND TAXATION COMMITTEE
Senate Bill 671
Procurement Contracts and Construction Contracts: Payments
February 25, 2026
Information

Chair Guzzone, Vice Chair Rosapepe and members of the committee, thank you for the opportunity to offer testimony on Senate Bill 671. Senate Bill 671 proposes to extend Maryland's existing prompt payment requirements to local government owners and further revises the timelines, notifications, and interest provisions that govern payments to contractors and subcontractors. As introduced, the bill would require payment within 30 days of receiving a proper invoice – 15 days for Small Business Reserve contracts – and mandates that if any portion of a payment is withheld, the procuring entity must provide written notice within a set timeframe explaining the reasons for the withholding. It also establishes an interest rate of 2% per month on unpaid amounts and authorizes contractors to suspend work if payment has not been made after proper notice.

The University System of Maryland (USM) is comprised of twelve distinguished institutions, and three regional centers. These institutions are located throughout the state, from western Maryland to the Eastern Shore, with the flagship campus in the Washington suburbs. The USM includes three Historically Black Universities, comprehensive institutions and research universities, and the country's largest public online institution.

Efforts to improve the construction payment process are appreciated, but Senate Bill 671 presents several practical concerns regarding how its structure may unintentionally impose operational strain on public entities – especially the institutions that comprise the USM. In addition, the bill could have an impact on complex non-construction projects such as large IT implementations that can include milestone payments and result in a dispute over the quality of work that was completed (or not) as the case may be.

First, the bill compresses payment timelines without offering relief for the structural complexities that state and local agencies face in disbursing funds. A mandatory 30-day window – and for some contracts, just 15 days – does not account for the layers of review, verification, and processing that must occur to ensure fiscal accuracy and compliance. These shortened deadlines could place agencies in a position where meeting the statutory requirement is extremely difficult. 15 days is generally reasonable time to notify the vendor of improper invoicing or any other reason payment /partial payment would be withheld or delayed with respect to general goods and services contracts.

Second, granting contractors the ability to stop work after 14 days of nonpayment introduces a significant project-delivery risk. Even with the best intentions, delays can occur for reasons outside an agency's control, and the possibility of work stoppage after such a short interval could disrupt essential operations and increase project costs. Other states also have a carve out where the penalty does not apply for payments that are being disputed. The biggest risk is the threat to suspend work which contractually may also be a trigger for mobilization fees and cause for project delays which has a cascading impact on completion and ultimately liquidated damages for missing key milestone dates.

Third, the bill's "2% per month interest rate" – effectively 24% annually – is unusually high for public-sector procurement and could have unintended fiscal consequences. Because even conscientious delays would trigger steep interest charges, agencies may be forced to factor potential penalties into contract pricing, ultimately increasing overall project costs.

Finally, the USM is concerned about the potential for misuse. The bill's framework, although well-intentioned, may inadvertently encourage some actors to dispute charges or leverage the threat of interest accrual and work suspension to their advantage, placing public agencies at a disadvantage even when acting in good faith.

The USM supports more balanced changes to improve predictability for contractors while also recognizing the operational realities and fiduciary responsibilities of USM institutions.

Thank you for the opportunity to provide this information regarding Senate Bill 671.



SB 671 - DGS Letter of Concern 2-25-26 final.pdf

Uploaded by: John Woolums

Position: INFO

SB 671 - Procurement Contracts and Construction Contracts - Payments

Position: Letter of Concern

Committee: Budget and Taxation Committee

Date: February 25, 2026

From: John R. Woolums, Esq.

The Department of General Services (DGS) is providing this Letter of Concern for the Committee's consideration.

Senate Bill 671 would have a significant and indeterminate operational and fiscal impact on DGS, as well as all State agencies and vendors that engage in State procurement. The bill would alter numerous provisions throughout Division II (General Procurement Law) of the State Finance and Procurement Article (SFP), reduce the timeline for the State to review contract invoices, more than double the interest the State pays on late payments, and otherwise increase liability for the State.

This legislation would define the terms "construction contract," "contractor," "lower-tier subcontractor," and "subcontractor" in a significantly more restrictive way than those terms are currently used in law and practice. These new definitions would be applied to more than 100 existing sections of statute throughout SFP Division II (General Procurement Law), having wide-ranging and possibly unintended consequences.

For example, "construction contract" would be defined as a contract between either a contractor and a subcontractor, or a subcontractor and a lower-tier subcontractor, and would not include a contract between a unit of State government and a contractor. This seeks to shift the focus of contractual relations from those between the State and a vendor (prime contractor) to relations between the prime contractor and subcontractors, for which the State does not have privity of relations and which are currently not considered in SFP Division II.

DGS is concerned that the bill shifts regulatory attention into private contractual relationships where the State has no direct contractual rights, increasing uncertainty and, potentially, administrative burden. The State's authority in procurement is based on its contract with the prime contractor. As a result, the State cannot directly enforce requirements against subcontractors. The shift proposed by SB 671, therefore, raises questions about who is responsible for compliance, who defends decisions, and how disputes are handled.

Another concern with the definition of “construction contract” is that it would be defined only as “a contract to perform construction-related services,” which is a distinct type of work that does not include construction work (see existing definitions in SFP §11-101(g)(1) for “construction-related services” and SFP §11-101(f)(1) for “construction”). The proposed definitions of “lower-tier subcontractor” and “subcontractor” would similarly be defined only to apply to construction-related services contracts. Therefore, the bill would exclude the applicability of those terms to construction, information, or commodity procurements. Further, the proposed definition of subcontractor would exclude suppliers of materials.

These proposed definitions would substantially alter dozens of statutory provisions. For example, any statute that requires or prohibits payment or performance security on “construction contracts” (e.g. SFP §17-103) would no longer be applicable to contracts between the State and a contractor, nor to contracts for construction work. Another example is any statute that requires prompt payment to or from a “subcontractor” (e.g., SFP §15-226) would only be applicable to vendors working on construction-related services contracts and exclude suppliers of materials from these protections.

In addition, the bill’s proposed revisions to SFP §15-103 through §15-105 would create unreasonable timelines and expectations for the State, resulting in increased operational burden and expenditures for all State agencies. Specifically, the bill would permit the State 30 days to make payments on invoices, but also require the State to provide notification of withholding within 15 days after the date of the invoice. This would reduce the amount of time agencies have to review invoices for all procurement contracts, substantially increasing the burden on State agencies.

The bill would also more than double the rate of interest paid by the State on late payments, resulting in a potentially significant increase in expenditures for State agencies. Adjusting the timeline for when interest begins accruing from 37 to 60 days may not mitigate these additional costs.

Lastly, Senate Bill 671 would eliminate exceptions under current law for when the State agencies are not liable for interest, including interest accruing while a contract claim is pending and interest paid on unpaid interest. Removing these existing exceptions would significantly increase the State’s potential liability and expenditures.

DGS respectfully requests the Committee’s consideration of these concerns when deliberating on Senate Bill 671.

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

SB0671 - TSO - LOC - Procurement Contracts and Con

Uploaded by: Patricia Westervelt

Position: INFO

February 25, 2026

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

Re: Letter of Concern – Senate Bill 671 - Procurement Contracts and Construction Contracts – Payments

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 671 but respectfully offers the following concerns for the Committee's consideration. The bill would have a significant impact on MDOT finances and operations, as MDOT anticipates greater interest payments to contractors and a higher likelihood of litigation in those instances where the department must withhold payments.

As it relates to MDOT's operations, SB 671 requires certain payment provisions within procurement contracts concerning timing and interest; adds a number of requirements around withholding payments; makes attorney fees available if the contractor prevails in enforcing violations of the payment provisions; greatly increases the interest rate on overdue payments, which may not be waived or altered; and eliminates existing exceptions to the State liability for interest payments.

Sometimes, it is necessary for MDOT to withhold payment from a contractor when there are deficiencies, damages, or delays in project delivery. The bill requires notice when withholding payment, which must include the reason for the withholding and identify the work for which payment is not being made. MDOT expects increased claims or litigation over these requirements, specifically with regard to whether notice was properly given.

Additionally, MDOT would be responsible for costs and attorney's fees as determined by the court. Shifting of the responsibility to pay costs and attorney's fees that result from the contractor's decision to pursue legal action will likely increase the chance the State will be subject to litigation as the result of a decision to withhold payments on a project, particularly in uncertain cases.

The bill also mandates a new, significantly higher interest rate for overdue payments - 2% per month, as compared to the current 9% per year. Lastly, because SB 671 repeals § 15-105 of the State Finance and Procurement article, the contractor does not need to submit an invoice for the interest first, and MDOT is still liable if a contract claim has been filed. MDOT may be liable for unpaid interest, and interest no longer stops accruing after one year.

The Honorable Guy Guzzone
Page Two

Contractors often send invoices prior to work being completed. 15 days is not enough time for the state to inspect and determine if it is acceptable, especially if it is large job. If kept at 15 days, the state is at risk of paying for work that was not appropriately reviewed or inspected. Once paid, recourse for unacceptable work is difficult and costly.

The provision requiring that any payment withheld may not exceed twice the amount in dispute is problematic since the impact of the unacceptable work may be significantly more than twice the disputed amount. A disputed amount may cause significant delays in current or next stage of work and put an entire project behind schedule. Stopping work before the dispute is settled would have an immense negative impact on project schedules.

SB 671 would have an immense impact on MDOT due to the number of construction contracts we hold. In FY25 alone, we awarded 152 construction and construction-related services contracts, with a total amount of \$876,618,171.

The Maryland Department of Transportation respectfully requests the Committee to consider these concerns during its deliberations of Senate Bill 609.

Respectfully submitted,

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