



House Bill 1336

Procurement Contracts and Construction Contracts - Payments

MACo Position: **OPPOSE**

To: Government, Labor, and Elections
Committee

Date: March 6, 2026

From: Karrington Anderson

The Maryland Association of Counties (MACo) **OPPOSES** HB 1336. 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, HB 1336 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 HB 1336.