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MAYOR

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HB 747

March 3, 2020

TO: Members of the Health & Government Operations Committee
FROM: Nicholas Blendy, Deputy Director of Government Relations
RE: House Bill 747 - State and Local Procurement - Payment Practices
POSITION: OPPOSE

Chairman Pendergrass, Vice-Chairman Pena-Melnyk and Members of the Committee, please be advised that the Baltimore City Administration (BCA) **opposes** House Bill 747.

HB 747 would alter a State policy to make a payment under a procurement contract or after receipt of a proper invoice in 15 days rather than the current policy of 30 days. The bill would require each county and municipality to adopt a policy for goods and services procured by the county or municipality under the provisions of the State Finance and Procurement Article.

Baltimore City's opposition is predicated on the issue of project invoices and the effectiveness of the City's review process. The Baltimore City Charter states that an invoice should be paid within 30 days after the invoice is considered proper. That means that the proper review has been performed on the invoice by the necessary parties. For example, the City's Department of Public Works invoices must be reviewed on a contractual level and verification of performance level (i.e. engineering) to validate the request. If a 15-day payment is required, that would mean that the agency would have to review and approve invoices within 10 days. We do not believe this is doable for any agency.

Depending on the size of the invoice, these checks and reviews cannot be completed or issued in the proposed time frame. This may force individuals to rubber

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stamp requested amounts in an effort to meet the proposed deadline and to avoid penalties.

Unlike invoices for goods (office supplies, safety shoes, computers, etc.) and even construction estimates, consultant invoices are not based on a quantity times fixed price computation. Consultants have many variables that must be verified such as calculating hours on timesheets, type of staff that is authorized to perform work, calculating other indirect costs, verifying escalating technical rates, profit and overhead rates and comparing that to approved documents. Because invoices are based on the supporting documents, the documents must be calculated first prior to the actual calculation of the invoice to ensure the numbers are consistent. If there is missing backup information or questionable fees on the invoice, the vendor is contacted to send the missing information or the project manager is contacted to answer the inquiry which may take a few days. By contacting either party, this may eliminate multiple reviews of the same invoice. It is more time consuming to calculate the new amount than to wait a few days for a needed or revised document to avoid mistakes in payment.

In addition, adding interest to late payments should not be an option on the current approval process for consultant invoices due to the detailed review and the number of approvers that are required. Considering received invoice requests can reach to approximately \$400,000 or more, it seems to be difficult for an agency to accept the provisions of HB 747 which may increase the risk of paying unauthorized items or work in order to prevent penalties on a late invoice.

For the above stated reasons, we respectfully request an **unfavorable** report on House Bill 747.