

# **Testimony, Net 15 SB 336.pdf**

Uploaded by: Barnes, Darryl

Position: FAV

**DELEGATE DR. DARRYL BARNES**  
*Legislative District 25*  
Prince George's County

DEPUTY MAJORITY WHIP

Ways and Means Committee

Finance Resources Subcommittee  
Revenues Subcommittee

*Chair*

Legislative Black Caucus of Maryland



The Maryland House of Delegates  
6 Bladen Street, Room 207  
Annapolis, Maryland 21401  
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Darryl.Barnes@house.state.md.us

**THE MARYLAND HOUSE OF DELEGATES**  
ANNAPOLIS, MARYLAND 21401

**February 3, 2021**

**Testimony of Delegate Darryl Barnes**

**RE: In Support of SB 336 - State and Local Procurement  
Payment Practices**

Dear Chairman Pinsky and Members of the Education, Health and Environmental Affairs Committee,

Each year, the State of Maryland hires contractors to complete projects that are funded by state dollars. Currently, state agencies have 30 days in which it will begin accruing interest on a unpaid contract.

**Senate Bill 336** shortens the time in which Maryland state agencies has to make a payment under a procurement contract (or after receipt of a proper invoice) from 30 days to 15 days, in which it will accrue interest on unpaid amounts. It also repeals the requirement that a contractor must submit an invoice within a specific timeframe to receive such interest payments. Unpaid amounts owed by the State affect small businesses' ability to make payroll, and prompt interest payments incentivize and encourage the state to pay businesses within a timely manner (15 days).

It is reasonable that contractors are to be paid for completed work in a timely manner, and therefore this bill protects and supports the financial interests of small businesses so they can thrive in Maryland, even more so as we still navigate through the challenges of the pandemic.

In addition to this, this bill also eliminates the requirement for contractors to submit an invoice in a certain time frame in order to receive payment from the state. The State can use this invoice deadline as an excuse to avoid paying contractors in a timely manner, which discourages small businesses in Maryland from working with the state.

This is particularly of significance to small businesses who may not have a large line of credit and depend on timely payment for invoices to stay afloat. This bill will offer that opportunity to streamline and expedite the invoice payments to small businesses.

We have seen the importance of our small businesses and how greatly our constituents have been impacted by the pandemic. This is merely a proactive step in helping to meet the needs of our small businesses and assist them in building positive relationships with the State of Maryland. It is my aim to continue to do what we can to support the financial stability of our small businesses that need legislative intervention during these unprecedented times.

Passing this legislation would allow the business community to be compensated for state projects they complete in a timely manner. This bill would improve the integrity of contract relationships across State of Maryland and supports the financial interests of our small business community.

For all these reasons, **I urge a favorable report on Senate Bill 336.**

In Solidarity,

*Darryl Barnes*

Delegate Darryl Barnes  
Delegate, District 25  
Chairman, Legislative Black Caucus of Maryland

**SB 336.pdf**

Uploaded by: Brill, Bernard

Position: FAV

**Maryland—Senate Bill #0336**  
**House Bill #0454**  
**State and Local Payment Practices**  
**Bernard Brill**  
**Alliance for Construction Excellence**  
**Sheet Metal and Air Conditioning Contractors' Mid -Atlantic Chapter**  
**February 3, 2021**  
**Senate Education, Health, and Environmental Affairs**

As the executive director for the Sheet Metal and Air Conditioning Contractors' Mid-Atlantic Chapter and a member of The Alliance for Construction Excellence (ACE) our industry group is in strong support of Senate Bill #0336 and corresponding House Bill #0454.

Our national organization, the Sheet Metal and Air Conditioning Contractors' Association (SMACNA) is supported by more than 4,500 construction firms engaged in industrial, commercial, residential, architectural and specialty sheet metal construction throughout the United States.

ACE is a local coalition of the premier construction specialty contractors' associations, allied to create awareness of quality construction. ACE represents some 1,200 subcontracting firms that employ highly skilled technicians for field construction work, and provide those employees with high value wages, family medical care, retirement plans and continuing education through education, workforce development, and apprenticeship training programs.

General contractors manage construction projects and have the ability to directly hire employees such as carpenters, laborers, and cement finishers. However, 80 to 90 percent of the work performed on the construction site is done by subcontractors, typically specialty trade contractors who employ tradesmen such as plumbers, electricians, ironworkers, fitters, and HVAC technicians. The majority of these subcontractor companies are considered small businesses by definition. The average size of a sheet metal company in the U.S. is 10 employees.

In Maryland, our local SMACNA Chapter, SMACNA Mid-Atlantic, represents more than 60 companies employing 2,000 workers in the Baltimore/Washington Metropolitan area. SMACNA members not only provide top level training for their employees, but also are known for providing excellent wages and benefits. These benefits include a defined benefit pension, health insurance, and 401(k).

If a subcontractor is successful in winner in the bidding process, they are REQUIRED to finance a portion of the construction. This is the result of the age-old practice of "Pay When Paid" that keeps new, often disadvantaged and minority subcontractors, from being successful. This unfair

practice is compounded when the owner, in this case a Maryland Public Entity, is slow to pay the general contractor. It is vitally important for all subcontractors that the State pays the general contractor as soon as possible for the subcontractors' work. The subcontractor has already expended funds in form of wages, benefits, materials, tools, and overhead to begin the job and cannot afford to wait for payment.

Maryland requires a General Contractor to pay a Subcontractor within ten days. If the general contractor waits 30 days for payment from the Maryland Public Entity and then waits 10 more days to pay its subcontractors, you can easily understand why the subcontractor is financing the construction.

SMACNA Mid-Atlantic Chapter as a member of the ACE Coalition supports SB #0336 because it reduces the number of days for payment to the General Contractor from 30 days to 15 days. Fifteen days could be the difference between the success or failure of a small, disadvantaged subcontractor.

*For more information or questions, please contact Bernard Brill, SMACNA Mid-Atlantic Chapter, 7833 Walker Dr., Suite 400, Greenbelt, MD. Ph: 301/446-0002 x 101 or email [Bernie@smacnaatl.org](mailto:Bernie@smacnaatl.org).*

**MTBMA & MAA Testimony\_SB 336\_FAV.pdf**

Uploaded by: Clark, Rachel

Position: FAV



February 3, 2021

Senator Paul G. Pinsky, Chair  
Education, Health, and Environmental Affairs Committee  
2 West, Miller Senate Office Building  
11 Bladen Street  
Annapolis, Maryland 21401

**FAVORABLE**

Re: **SENATE BILL 336 – STATE AND LOCAL PROCUREMENT – PAYMENT PRACTICES**


Dear Chairman Pinsky and Committee Members:


The Maryland Transportation Builders and Materials Association (“MTBMA”) and the Maryland Asphalt Association (“MAA”) collectively represent tens of thousands of Marylanders who operate in the areas of transportation construction, production and engineering. Together, for nearly 100 years, these organizations have served as the voice of the transportation construction industry. The mission of both MTBMA and MAA is to encourage, develop, and protect 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 also advocate for adequate state and federal funding for Maryland’s multimodal transportation system.

This bill would require State agencies to make payments under procurement contracts within 15 days after payment becomes due per the contract or after the invoice is received, and require interest accrual to start after the 15 days. We applaud the sponsor for introducing this legislation. We struggle with this frequently in our industry and hope codifying a more expedient payment schedule will ensure contractors are paid on time.

We appreciate you taking the time to address this issue and we respectfully urge a favorable report on Senate Bill 336.

Sincerely,

  
Michael Sakata  
President & CEO, MTBMA

  
Marshall Klinefelter  
President, MAA



# **SB 336\_State and Local Procurement\_Payment Practic**

Uploaded by: Griffin, Andrew

Position: FAV



**MARYLAND**  
Chamber of Commerce

**LEGISLATIVE POSITION:**

**Favorable**

**Senate Bill 336**

**State and Local Procurement - Payment Practices**

**Senate Education, Health and Environmental Affairs**

**Wednesday, February 3, 2021**

Dear Chairman Pinsky and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 5,000 members and federated partners, and we work to develop and promote strong public policy that ensures sustained economic growth for Maryland businesses, employees and families.

Timely payment and access to capital are critically important for Maryland's job creators as they look to maintain, grow and expand. In fact, unexpected delays in payments can have a significant impact on businesses that have little or no cash reserves. What is more, many small business owners have reported that late payments threaten the survival of their operations and, if they were paid faster, they would be able to hire more employees.

Senate Bill 336 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. This would ensure that companies doing business with the state receive timely payment and have the capital they need to maintain stable and predictable operations.

For these reasons, the Maryland Chamber of Commerce respectfully requests a **Favorable Report** on Senate Bill 336.

MDCHAMBER.ORG

60 West Street, Suite 100, Annapolis 21401 | 410-269-0642

# **2021 Testimony on SB 336.pdf**

Uploaded by: Hayes, Antonio

Position: FAV

ANTONIO HAYES  
Legislative District 40  
Baltimore City

Finance Committee



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James Senate Office Building  
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THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

February 3, 2021

**Testimony of Senator Antonio Hayes in Support of SB 336:  
State and Local Procurement Payment Practices**

Chairman Pinsky and Members of the Education, Health and Environmental Affairs Committee,

The state of Maryland hires many contractors each year to complete state funded projects. Millions of dollars are paid to small businesses and enterprises to build roads and schools, fund public transportation vehicles, and much more. However, payment can often be a lengthy process that can have a detrimental impact on fiscal stability of these small business enterprises.

**Senate Bill 336** shortens the time the State has to make a payment under a procurement contract or after receipt of a proper invoice from 30 days to 15 days, at which time it will owe interest on unpaid amounts. It also repeals the requirement that a contractor must submit an invoice within a certain amount of time to receive such interest payments. Unpaid amounts owed by the State affect small businesses' ability to make payroll, and hasty interest payments incentivize the state to pay businesses within a timely manner. It is only fair that contractors are paid for the work they complete, and therefore this bill supports the financial needs of small businesses so they can thrive in Maryland.

This bill also eliminates the requirement for contractors to submit an invoice in a certain time frame in order to receive payment from the state. The State can use this invoice deadline as an excuse to avoid paying contractors in a timely manner, which discourages small businesses in Maryland from working with the state.

Through the COVID-19 pandemic, we have seen the importance of our small businesses and how greatly they have been affected by the pandemic. We should be proactive in helping to meet the needs of our small businesses and assist them in building positive relationships with the State of Maryland. We should do what we can to support the fiscal stability of our small businesses who need an advocate in these unprecedented times.

Though the passage of this bill, the business community will be fairly compensated for state projects in a timely manner. The hard work of these men and women that we have entrusted to work on behalf of the State of Maryland should be rewarded in a timely manner.

**I urge a favorable report on Senate Bill 336.**

Respectfully,

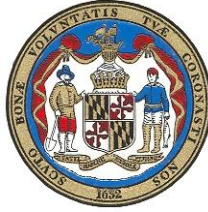


Senator Antonio L. Hayes  
40<sup>th</sup> Legislative District - MD

# **SB336 Kopp Testimony (FAV).pdf**

Uploaded by: Kopp, Nancy

Position: FAV



MARYLAND STATE TREASURER  
Nancy K. Kopp

**Written Testimony of State Treasurer Nancy K. Kopp**

**SB 336 – State and Local Procurement – Payment Practices**

**Before the  
Education, Health, and Environmental Affairs Committee**

**February 3, 2020**

Thank you for inviting me to comment on SB 336. As a member of the Board of Public Works, I recognize the impact of the problem which SB 336 addresses – the unfair and harmful impact of delayed payments on contractors who undertake in good faith to work as prime or subcontractors for the State and are forced to rely on their own limited resources or significant debt in order to start a project. I strongly believe that this inequitable situation is a significant disincentive for small companies who might seek to compete for public work. In this way, it injures both the company and the taxpayers.

SB 336 would require a state agency to process invoices within 15 days of receipt, rather than 30 days as is now allowed. Since an agency is required to send payment invoices to the Comptroller office's 5 days before the actual payment in order to allow for verification and to enter the payment into the State's accounting ledger, the operating agency has only 10 days to receive and process the invoices and authorize payment.

The State Treasurer's Office (STO) stands ready to fulfill the requirements of SB 336. I recognize however that implementation of SB 336 may require that some agencies hire new state employees to assure that procurements and payments are handled more promptly. While some of the smaller agencies, such as STO, which process relatively fewer invoices and payments at any one time, may be able to move more quickly without additional assistance, it seems reasonable to assume that increased personnel will, indeed, be required. This is especially so in light of the slow pace of filling what we all recognize as a large number of staff vacancies.

However, the additional assistance that may be required is a reflection of the cost that our contractors and small companies must now bear themselves. I cannot help but believe that

the State, as employer, is in a better and more appropriate position to bear this cost than the small vendor with whom we wish to do business and for whom the burden may be greater now more than ever. I therefore respectfully urge a favorable report on SB 336.



# **SB 336 State and Local Procurement - Payment Pract**

Uploaded by: McCulloch, Champe

Position: FAV



**SB 336**  
**State and Local Procurement - Payment Practices**  
**Education, Health, and Environmental Affairs Committee**  
**Position: Favorable**

Maryland AGC, the Maryland Chapter of the Associated General Contractors of America, provides professional education, business development, and advocacy for commercial construction companies and vendors, both open shop and union. AGC of America is the nation's largest and oldest trade association for the construction industry. AGC of America represents more than 26,000 firms, including over 6,500 of America's leading general contractors, and over 9,000 specialty-contracting firms, all through a nationwide network of chapters. Maryland AGC supports SB 336 and respectfully urges the bill be given a favorable report.

SB 336 would address one of the most challenging aspects of construction contracting with state and local governments – getting paid in a timely manner. Although current law requires the state to pay invoices within 30 days, this virtually never happens. There are two basic problems affecting timely payment: first, there are issues about whether the invoice submitted is correct in all respects, and second, at least in the instance of the State of Maryland, the state's financial accounting and payment systems are archaic, and it is virtually impossible to get a completely correct and agreed upon invoice paid in less than 60 days or longer. At the county and municipal level, there typically is no statutory requirement for prompt payment, so the urgency to pay vendors promptly is attenuated to say the least.

The first issue is one that occurs at all levels of government. In many cases, the disagreements about the adequacy or accuracy of the invoice are resolved after discussion and review of documentation. In other cases, the agency simply drags its feet in making payment in the interest of managing its own cash flow or, in some cases, uses slow payment as a lever to get contractors to take only a portion of what they are due just to get paid. This is especially a problem at the end of a job, where the contractor is anxious to move on. In some cases, Maryland AGC members have concluded work, turned over the project, the agency has taken possession and is using the completed work, but payment lags for a year or more even though there is no dispute. This happens at every level of government, but is more of a problem at the county and municipal level.

The second issue relates to inadequacies in the accounting processes and software being used. In some cases, this is compounded by employees who are inadequately trained or motivated. In the case of the State of Maryland, we have been told informally that the State's accounting software and processes are inadequate and a source of great frustration for the capable employees who are trying diligently to make the system work as intended. To the best of our knowledge, the same issue exists at the county and local levels in varying degrees.

Most construction contracts have a "pay when paid" provision, so that a general contractor is not obligated to pay a subcontractor until the GC is paid. Section 9-302 of the Real Property Article sets payment terms for private construction contracts and requires a GC to pay a subcontractor within 7 days of the GC's receipt of payment. As a result, once the GC is paid, subcontractors are paid promptly.

Delays in payment are a serious problem for all contractors. They are especially difficult for small contractors that typically do not have the reserves to endure prolonged late payments. One of the ways that M/WBE contractors build capability and a record of delivering good work is by filling the set-asides that are a part of government contracting. However, it makes delays in invoice payment that jeopardize their solvency ironically more painful, because it is the government client that is the cause of slow payment.

SB 336 is a beacon of hope to contractors, especially small contractors. Government at all levels should have a sense of urgency to pay promptly for work and goods received out of concern for the providers, who are most often their constituents. Maryland AGC respectfully urges the committee to give the bill a favorable report.

Champe C. McCulloch  
McCulloch Government Relations, Inc.  
Lobbyist for Maryland AGC

# **SB336 Support.pdf**

Uploaded by: McHale, Michael

Position: FAV

# INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS - LOCAL UNION No. 24

AFFILIATED WITH:

Baltimore-D.C. Metro Building Trades Council — AFL-CIO  
Baltimore Port Council  
Baltimore Metro Council — AFL-CIO  
Central MD Labor Council — AFL-CIO  
Del-Mar-Va Labor Council — AFL-CIO  
Maryland State - D.C. — AFL-CIO  
National Safety Council



AFL-CIO-CLC

BALTIMORE, MARYLAND 21230

JOHN L. RANKIN, President  
DAVID W. SPRINGHAM, JR., Recording Secretary  
MICHAEL J. McHALE, Financial Secretary  
PETER P. DEMCHUK, Business Manager

OFFICE:  
2701 W. PATAPSCO AVE  
SUITE 200

Phone: 410-247-5511

FAX: 410-536-4338

## Written Testimony of

Michael J. McHale, Financial Secretary, IBEW LOCAL 24

Before the

Education, Health, and Environmental Affairs Committee On  
SB 336 – State and Local Procurement - Payment Practices

## SUPPORT

February 1, 2021

Chairman Pinsky and Committee Members,

Thank you for the opportunity to submit our written testimony in favor of SB 336.

My name is Mike McHale; I have been a member of the International Brotherhood of Electrical Workers, Local 24 for thirty-five years. I currently serve as the Local Union's Financial Secretary. A lifelong resident of Maryland, I was born and raised in the South Baltimore neighborhood of Brooklyn, and now live in District 5, Westminster MD. I am writing on behalf of the approximately 2,000 members of IBEW Local 24.

Many times, contractors are floating payroll and various other bills while waiting for payment on their completed work. This affects their ability to bid upcoming projects and continue to grow their business. This measure, shortening the time spent waiting for payment, will help smaller businesses especially. I know how dedicated the State is to fueling small business growth and moving our economy forward. This is why I'm asking you to give HB 336 a favorable report.

Thank you,

Michael J. McHale

PPD:clr  
AFL-CIO  
OPEIU # 2

**SB336\_MCRC\_FAV.pdf**

Uploaded by: Stern, Isadora

Position: FAV



Maryland Consumer Rights Coalition

**Testimony to the Senate Education, Health, & Environmental Affairs Committee  
SB336: State and Local Procurement - Payment Practices  
Position: Favorable**

February 3, 2021

The Honorable Paul Pinsky, Chair  
Senate Education, Health, & Environmental Affairs Committee  
2 West, Miller Senate Office Building  
Annapolis, MD 21401  
cc: Members, Education, Health, & Environmental Affairs Committee

Chair Pinsky and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances economic rights and financial inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are writing today in support of SB336.

This bill is designed to address an ongoing problem for nonprofit organizations -- long delays in funding from government sources. The majority of government contracts are reimbursable -- meaning nonprofits must perform the work prior to payment. Government bureaucracy further extends the timeline on reimbursements -- a recent RFP that MCRC received stated that applicants must be prepared to operate for up to six months before receiving reimbursement.

This lag-time between doing the work and receiving payment for work completed has very real implications on the work nonprofits perform. MCRC's fair housing and tenant rights program is funded almost exclusively through government contracts. Since MCRC's adoption of FHAC in 2019, we have executed contracts with multiple municipalities totalling \$585,000. To date, just \$35,744 has been received. This delay in reimbursement has made it financially infeasible to fully staff our programs, which forces our staff to do the work of multiple people in order to complete the deliverables. Shortening the timeframe within which State agencies must make payments under procurement contracts would allow us to hire the staff and purchase necessary supplies and equipment to execute these contracts.

For this reason, we support SB336 and urge a favorable report.

Best,

Isadora Stern  
Economic & Tenants' Rights Organizer

# **SB 0336 - Letter of Support.pdf**

Uploaded by: Walters, Keon

Position: FAV



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▪ (W) [definitivemechanical.com](http://definitivemechanical.com)

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**FAVORABLE Support of SB0336:  
State and Local Procurement – Payment Practices**

Dear Chairman and Members of the Education, Health and Environmental Affairs Committee:

**Senate Bill 0336** shortens the time the State has 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.

As a certified small business owner in Maryland, I first hand know the immediate impact, the monumental shift and the significance this change will make to validity of the small, minority and disadvantaged business community on a whole.

Altering the current payment schedule to 15 days rather than the current 30 days would obviously greatly impact and greatly benefit small businesses. SB 0336 completely changes the landscape and helps strengthened the infrastructure of all small businesses alike particularly a small minority business such as mines. SB 0336 also follows in the footsteps of the federal government in assuring our business community stays vital by paying its contractors in a timely manner for the goods and services they provide. This legislation will create a fair business practice for Small and Minority Enterprises engaged in procurement contracts with the State. By shortening the time period for payment, SBEs and MBEs will be able to ascertain necessary funds in a reasonable period and request interest on unpaid amounts when applicable. Minority Businesses, particularly micro disadvantaged businesses will receive a huge bump, better leverage and a heavy burden lifted with the passage of this bill. It just makes great business sense as Minority Businesses need the assurance that our state governing body and its governing agencies is committed to our participation, our inclusion and our success in growing, creating jobs and building our great State infrastructure and with that commitment takes the necessary steps and actions needed to restore confidence and be the driving force to many Minority Businesses success stories.

Senate Bill 0336 would create growth and expansion, enabling my Minority Business Enterprise to thrive in Maryland.

**Thus, I urge a favorable report on Senate Bill 0336.**

Respectfully,

Keon Walters, President



**SB336-SUPPORT W-AMEND-GREATER BETHESDA CHAMBER.pdf**

Uploaded by: Italiano, Ginanne

Position: FWA

February 3, 2021

Senator Paul G. Pinsky  
Chair, Senate Education, Health and Environmental Affairs Committee  
Maryland State Senate  
2 West, Miller Senate Office Building  
Annapolis, MD 21401

**RE: SB336 – State and Local Procurement -Payment Practices**  
Position: **SUPPORT with Amendments**

Dear Chairman Pinsky, Vice Chair Kagan, and Members of the Committee:

On behalf of our 500-member businesses and more than 45,000 employees in Montgomery County, The Greater Bethesda Chamber of Commerce is in **Support of SB336 – State and Local Procurement – Payment Practices**. This bill 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; and requiring each county and municipality to adopt a certain policy, reducing the number of days from 45 to 15 following receipt of an invoice after which the State owes interest on unpaid amounts and interest begins to accrue on unpaid amounts.

As many small businesses depend upon timely payments for services they have already provided and paid for, this bill provides great insurance for Maryland companies to know that governments – local and State – will be more responsible in their payment practices. Although we realize that the turnaround time of 15 days would be more costly and require more staff for some agencies, we believe that if governments truly sent payments out within 30 days of receipt of invoice, this would enable businesses to have the capital they need to maintain their businesses. **Therefore, we recommend that the best number of days for payment of invoices should be no later than 30 days (rather than 15).**

As Maryland State Treasurer Nancy Kopp testified last year, “the State, as employer, is in a better and more appropriate position to bear this cost than the small vendor with whom we wish to do business and whom we hope to see grow and increase in our new economy.”

Therefore, we ask you for a **FAVORABLE** report with the recommended amendments. Thank you for your consideration of our remarks.

Sincerely,



Allie Williams  
President & CEO

# **Grant reimbursement - days to payment - testimony**

Uploaded by: Jordan, Lisae C

Position: FWA



Working to end sexual violence in Maryland

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P.O. Box 8782  
Silver Spring, MD 20907  
Phone: 301-565-2277  
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For more information contact:  
Lisae C. Jordan, Counsel  
443-995-5544  
www.mcasa.org

**Testimony Supporting Senate Bill 336 with Amendments**  
**Lisae C. Jordan, Executive Director & Counsel**  
February 3, 2021

The Maryland Coalition Against Sexual Assault (MCASA) is a non-profit membership organization that includes the State's seventeen rape crisis centers, law enforcement, mental health and health care providers, attorneys, educators, survivors of sexual violence and other concerned individuals. MCASA includes the Sexual Assault Legal Institute (SALI), a statewide legal services provider for survivors of sexual assault. MCASA represents the unified voice and combined energy of all of its members working to eliminate sexual violence. We urge the Education, Health, and Environmental Affairs Committee to report favorably on Senate Bill 336 with Amendments.

**Senate Bill 336 – State and Local Procurement – Payment Practices**

This bill would require that state and local governments to make payments under procurement contracts within 15 days (instead of 30) and provide vendors with interest on payments that are not paid timely.

The Maryland Coalition Against Sexual Assault strongly urges the Committee to amend SB336 to apply to grant agreements with non-profit agencies.

Nonprofit rape crisis centers around the state report delays receiving reimbursement for services provided to survivors of sexual assault. Most grants for rape crisis services are reimbursed on a quarterly basis, meaning that community based non-profits are fronting funds for four or more months before being reimbursed. For example, reimbursement for salary paid the first week of January could not be requested until the close of the quarter, March 30<sup>th</sup>. It is not unusual for the State to take another 30-40 days to then provide the funds. Contrast this with the federal government, which not only provides reimbursement for funds expended within a matter of a 2 or 3 days, it also permits grantees to request funds that will be expended in the following 10 days. For example, a grantee with payroll on Friday could request needed funds today because the funds would be expended within 10 days. SB336 would not bring state agencies to the standard of federal reimbursement practices, but it would be an improvement.

It is important to remember that non-profits have many of the same responsibilities as other small businesses: payroll, rent, health insurance for employees, utility payments, etc. The failure to provide timely reimbursements to grantees creates serious cash-flow issues for smaller non-profits. One reports that they came close to missing payroll during the December holiday season in 2020 – during the pandemic – because grants funds were held over 50 days. This is simply not acceptable.

The state is not providing grant funds promptly. SB336, with the suggested amendment, would help non-profit organizations provide vital services that Marylanders need.

**The Maryland Coalition Against Sexual Assault**  
**urges the Education, Health, and Environmental Affairs Committee to**  
**report favorably on Senate Bill 336**

**SB0336-EHE\_MACo\_OPP.pdf**

Uploaded by: Butler, Alex

Position: UNF



**MARYLAND**  
*Association of*  
**COUNTIES**

## **Senate Bill 336**

### *State and Local Procurement - Payment Practices*

MACo Position: **OPPOSE**

To: Education, Health, and Environmental  
Affairs Committee

Date: February 3, 2021

From: Alex Butler

The Maryland Association of Counties (MACo) **OPPOSES** SB 336. The bill mandates a series of timing and procedural requirements onto both state and local procurement units – many of which are poor fits for local government practices and would result in additional and unnecessary expense at a time when local governments should not be forced to divert resources away from more immediate needs like public health and safety.

SB 336 would require that counties change their procurement policies to issue payment to vendors within 15 days. Current law allows counties up to 30 days, and many need that time to ensure all policies and procedures are met before an invoice is submitted for payment. As these laws require balancing between “get it done correctly” versus “get it done quickly,” counties fear that SB 336 would skew toward more errors.

Local government expenditures are likely to increase significantly to adapt to the new mandate. Counties have necessary controls in place to ensure verification is complete and the correct payment is remitted to vendors. Often, invoices are reviewed by several different departments within the county. Counties may not be able to achieve invoice payment under the reduced timeframe, and many would have to add significant resources to their procurement and finance divisions in the form of new employees to issue all payments within 15 days.

SB 336 would reduce the timeframe under which county procurement offices have to remit payment to vendors from 30 days to 15 days. This would have a considerable impact on county procurement operations and require significant expenditures, possibly diverting much needed resources away from other essential local government services. Accordingly, MACo urges the Committee to issue an **UNFAVORABLE** report on SB 336.

**SB 336\_UNF\_MML.pdf**

Uploaded by: Fiore, Justin

Position: UNF



## Maryland Municipal League

*The Association of Maryland's Cities and Towns*

# TESTIMONY

February 3, 2021

**Committee:** Senate Education Health and Environmental Affairs

**Bill:** SB 336– State and Local Procurement – Payment Practices

**Position:** Oppose

**Reason for Position:**

The Maryland Municipal League opposes SB 336 which would shorten the timeframe within which State agencies and local governments must make payments under procurement contracts from 30 days to 15 days after (1) the day on which the payment becomes due or (2) the day on which the agency receives an invoice.

Maryland cities and towns already work diligently to process payments to the awardee of procurement contracts. In most cases, this is a simple and quick endeavor. Our concerns lie with construction and other contracts where there is a substantial amount of detail in the invoice that needs to be reviewed and approved by personnel, often in different departments. With the complexities on these types of invoices – in addition to the many duties that personnel have and the possibility of leave time for the project manager – it is not reasonable to expect a 15-day turnaround on all procurement invoices.

The League therefore respectfully requests that this committee provide SB 336 with an unfavorable report.

**FOR MORE INFORMATION CONTACT:**

Scott A. Hancock	Executive Director
Angelica Bailey	Director, Government Relations
Bill Jorch	Manager, Government Relations & Research
Justin Fiore	Manager, Government Relations

1212 West Street, Annapolis, Maryland 21401

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**MCE\_LOI\_SB336.pdf**

Uploaded by: Kahl, Catherine

Position: INFO



## Department of Public Safety and Correctional Services

### Maryland Correctional Enterprises

7275 WATERLOO ROAD • JESSUP, MARYLAND 20794 • www.mce.md.gov  
(410) 540-5400 • FAX (410) 540-5570 • TTY USERS (800) 735-2258

STATE OF MARYLAND

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ASSISTANT SECRETARY

MARYLAND CORRECTIONAL  
ENTERPRISES

STEPHEN SANDERS  
CHIEF EXECUTIVE OFFICER

**BILLS:** Senate Bill 0336 – State and Local Procurement – Payment Practices

**DATE:** January 28, 2021

### **POSITION: Letter of Information**

The passage of Senate Bill 0336 will negatively affect fiscal expenditures for Maryland Correctional Enterprises (MCE) with the need to hire additional staff and provide the required workspace and equipment for those new hires.

Maryland Correctional Enterprises is the prison industry arm of the Department of Public Safety and Correctional Services (DPSCS). The mission of MCE focuses on providing structured employment and training activities to enhance offender rehabilitation.

Maryland Correctional Enterprises operates is much the same way as any other business not just within the prison business units, but also within the office. The current process of receiving and paying invoices can be done within the allotted 30 day time frame, or 20 working days with no Holidays. This is challenging, but currently possible with the two Fiscal Specialists within the Accounts Payable Department. Should the time frame for payment be reduced to 15 days, as SB 0336 proposes, it would reduce the actual time to pay bills to 10 working days, without Holidays.

For the process of bill payment by Accounts Payable, certain considerations must be taken when evaluating the processing time. Once an invoice is received, it must be reviewed to ensure:

- it's compliance with the referenced contract;
- payment amount is accurate as is the service listed on the invoice;
- payee information is complete and accurate;
- finally transmission to the Comptroller's Office for payment.

Once the payment request is sent to the Comptroller's Office in Annapolis, there is another set of reviews that take place to confirm information is accurate and proper payment is issued. Maryland Correctional Enterprises does not operate on the same system the state uses. There is no active link to the State's ADPICS and FMIS systems, making data transfer different than that of other state agencies.

The above oversight of payments would be required to be completed at the same volume, but in half the time currently allowed. The reduction in time, as proposed in

SB0336, without an increase in staffing at Maryland Correctional Enterprises would not only place an undue burden on the current staff to process faster but would ultimately lead to a risk of mistakes.

To ensure that staff can handle an increased pace of processing, there would need to be three Fiscal Technicians added to the Accounts Payable team. In addition to the increase in the expense by adding the salary of three PIN positions there would also be the immediate expenditure of adding space to the office to accommodate the increased staff, purchase of work areas and all office technology equipment. The total amount that this would increase expenses at Maryland Correctional Enterprises would be \$124,222 the first year and increase to \$175,625 by year three placing a financial burden on Maryland Correctional Enterprises. As a self-funded agency, this would create a significant financial burden.

If you have any questions or need additional information please do not hesitate to contact Catherine Kahl – (410)260-6070 [Catherine.Kahl@Maryland.gov](mailto:Catherine.Kahl@Maryland.gov).

**2021 SB 336 Payment Practices DGS LOI EHEA 2-3-21.**

Uploaded by: Robertson, Ellen

Position: INFO

Larry Hogan  
Governor

Boyd K. Rutherford  
Lt Governor



Ellington E. Churchill, Jr.  
Secretary

Nelson E. Reichart  
Deputy Secretary

OFFICE OF THE SECRETARY

**BILL:** **Senate Bill 336**  
State and Local Procurement – Payment Practices

**COMMITTEE:** Senate Education, Health and Environmental Affairs

**DATE:** February 3, 2021

**POSITION:** Letter of Information

Upon review of Senate Bill 336 – State and Local Procurement – Payment Practices, the Department of General Services (DGS) provides these comments for your consideration.

Under Senate Bill, the days that DGS must make a payment under a procurement contract is reduced from 30 days to 15 days. According to the State’s Accounting Manual, DGS currently has 25 days out of the 30 days to process an invoice. The five remaining days are for the Comptroller to process payment.

Reducing the time to pay invoices from 30 to 15 days would have a significant operational and fiscal impact on the DGS Office of Fiscal Services. DGS would require **five additional full-time positions** to fulfill the requirements of Senate Bill 336. DGS estimates that the cost of these additional positions to be **\$320,085 in FY22** and rise to **\$414,455 in FY26**.

Senate Bill 336 would have significant operational impact on the Office of State Procurement. Current contracts generally require payment within 30 days. As written, this bill would require DGS to modify each contract that contains these terms to reflect the changes under this bill. There are thousands of contracts within DGS’s custody. Additionally, procurement templates containing current payment terms would have to be modified.

For additional information, contact Ellen Robertson at 410-260-2908.



# **SB0336 - FIN - State and Local Procurement - LOI**

Uploaded by: Westervelt, Patricia

Position: INFO

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February 3, 2021

The Honorable Paul G. Pinsky  
Chair, Senate Education, Health, and Environmental Affairs Committee  
2 West Miller Senate Office Building  
Annapolis MD 21401

***Re: Letter of Information – Senate Bill 336 – State and Local Procurement – Payment Practices***

Dear Chairman Pinsky and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 336 but offers the following information for the Committee's consideration.

Senate Bill 336 reduces the amount of time from 30 to 15 days that State agencies have to pay invoices, reduces the amount of time from 45 to 15 days for which an invoice can be outstanding before interest is charged, and requires the State to proactively pay 9 percent interest on bills unpaid after 15 days, rather than requiring the contractor to bill for interest.

Together, MDOT and the Maryland Transportation Authority (MDTA) pay approximately 125,000 invoices each year (excluding more than 180,000 customer payments and refunds that the MDOT Motor Vehicle Administration processes each year). Each invoice requires two critical actions: review of the invoice for accuracy and legitimacy of amounts being charged and the actual payment processing.

Time needed to review each invoice can vary greatly depending on the complexity of the work being charged. Invoices can be as simple as a one-page monthly utility bill or can be as complex as consulting and construction contracts that are hundreds of pages long and are billing for tens of millions of dollars. Invoices require verification that billed amounts agree with work completed, that the rates charged on the invoice agree with the rates established in the contract, that all required supporting documentation is present and agrees to the invoice, and that there is sufficient funding remaining on the contract or purchase order. In addition, multiple project or task managers may need to review the invoice if the monthly billing includes multiple projects or tasks on the same invoice. Many of these project/task managers are often visiting job sites and may not be in the office for several days.

The payment processing portion takes at least seven days, although changes to vendor information (name, address, etc.) or banking information may take longer. Once invoices are approved and processed for payment by MDOT, they are transmitted to the Comptroller's General Accounting Division (GAD) for payment. The COVID-19 pandemic has also impacted invoice processing times, as invoices may not be processed five days a week in order to reduce staff time in the office and comply with the current mandatory teleworking environment for State employees.

The Honorable Paul Pinsky  
Page Two

A 30-day payment period is common in the payment industry. While MDOT strives to make payments on all invoices as quickly as possible, reducing invoice review time to 15 days is not achievable for more complex invoices. It also does not take into account State holidays or weekends, which further reduced the time available to pay invoices. Rushing through invoices to meet the 15-day deadline could lead to billing errors that are not identified and corrected, which may cost taxpayers millions of dollars. Alternatively, if the 15 day requirements is not met, the Senate Bill 336 increases the State's potential liability for interest costs.

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating Senate Bill 336.

Respectfully submitted,

Jaelyn Hartman  
Chief Financial Officer  
Maryland Department of Transportation  
410-865-1035

Pilar Helm  
Director of Government Affairs  
Maryland Department of Transportation  
410-865-1090