

SENATE BILL 250

P2, L6
SB 336/21 – EHE

2lr0715
CF HB 325

By: **Senator Hayes**

Introduced and read first time: January 14, 2022

Assigned to: Education, Health, and Environmental Affairs

Reassigned: Budget and Taxation, January 17, 2022

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 9, 2022

CHAPTER _____

1 AN ACT concerning

2 **State ~~and Local~~ Procurement – Payment Practices**

3 FOR the purpose of ~~requiring each county and municipality to adopt a certain policy;~~
4 ~~altering a State policy regarding the payment of certain funds after receipt of a~~
5 ~~proper invoice;~~ reducing the number of days following receipt of an invoice after
6 which ~~the State owes interest on unpaid amounts and~~ interest begins to accrue on
7 certain unpaid procurement contract amounts; ~~repealing a requirement that a~~
8 ~~contractor submit an invoice within a certain amount of time in order to receive~~
9 ~~interest payments;~~ requiring the Department of Legislative Services to submit a
10 certain report to the General Assembly on or before a certain date; and generally
11 relating to the payment practices of the State ~~and local governments~~ for amounts
12 owed under procurement contracts.

13 ~~BY adding to~~
14 ~~Article – Local Government~~
15 ~~Section 1–404~~
16 ~~Annotated Code of Maryland~~
17 ~~(2013 Volume and 2021 Supplement)~~

18 BY repealing and reenacting, with amendments,
19 Article – State Finance and Procurement
20 Section ~~15–103 through 15–105~~ 15–104
21 Annotated Code of Maryland
22 (2021 Replacement Volume)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
2 That the Laws of Maryland read as follows:

3 ~~Article - Local Government~~

4 ~~1-404.~~

5 ~~NOTWITHSTANDING ANY OTHER LAW, EACH COUNTY AND MUNICIPALITY~~
6 ~~SHALL ADOPT THE POLICY ESTABLISHED UNDER § 15-103 OF THE STATE FINANCE~~
7 ~~AND PROCUREMENT ARTICLE WITH REGARD TO PAYMENT FOR GOODS AND~~
8 ~~SERVICES PROCURED BY THE COUNTY OR MUNICIPALITY.~~

9 Article - State Finance and Procurement

10 ~~15-103.~~

11 ~~It is the policy of the State to make a payment under a procurement contract within~~
12 ~~[30] 15 days:~~

13 (1) ~~after the day on which the payment becomes due under the~~
14 ~~procurement contract; or~~

15 (2) ~~if later, after the day on which the unit receives an invoice.~~

16 15-104.

17 (a) Except as provided in § 15-105 of this subtitle, interest shall accrue at the
18 rate of 9% per annum on any amount that:

19 (1) is due and payable by law and under the written procurement contract;
20 and

21 (2) remains unpaid more than [45] ~~45~~ 30 days after a unit receives an
22 invoice.

23 (b) Interest shall accrue beginning on the ~~[31st] 16TH~~ day after:

24 (1) the day on which payment becomes due under a procurement contract;
25 or

26 (2) if later, the day on which the unit receives an invoice.

27 ~~15-105.~~

28 ~~A unit is not liable under § 15-104 of this subtitle for interest.~~

1 ~~(1) [unless within 30 days after the date on the State's check for the~~
2 ~~amount on which the interest accrued, the contractor submits an invoice for the interest;~~

3 ~~(2) if a contract claim has been filed under Subtitle 2 of this title;~~

4 ~~[(3)] (2) accruing more than 1 year after the [31st] 16TH day after the~~
5 ~~unit receives an invoice; or~~

6 ~~[(4)] (3) on an amount that represents unpaid interest.~~

7 SECTION 2. AND BE IT FURTHER ENACTED, That, on or before December 1,
8 2022, the Department of Legislative Services shall report to the General Assembly, in
9 accordance with § 2-1257 of the State Government Article, on:

10 (1) for each unit of State government:

11 (i) the number of unit staff whose work responsibilities involve
12 processing procurement contract payments;

13 (ii) the number of vacancies for positions that would be assigned to
14 process procurement contract payment; and

15 (iii) for at least the prior 3 fiscal years:

16 1. the average time for the unit to process a procurement
17 contract payment;

18 2. the percentage of procurement contract payments that
19 are:

20 A. paid within 30 days after the day on which the payment
21 becomes due under the procurement contract;

22 B. paid after 30 days but fewer than 37 days after the day on
23 which the payment becomes due under the procurement contract;

24 C. paid after 37 days but fewer than 45 days after the day on
25 which the payment becomes due under the procurement contract; and

26 D. paid 45 days or more after the day on which the payment
27 becomes due under the procurement contract; and

28 3. the amount of interest paid by the unit for late payments
29 made on procurement contract invoices;

1 (2) based on the information obtained under item (1) of this section, the
2 fiscal impact to the State of:

3 (i) reducing the number of days following receipt of an invoice after
4 which the State owes interest on unpaid amounts; and

5 (ii) reducing the number of days following receipt of an invoice after
6 which interest begins to accrue on unpaid amounts; and

7 (3) the status of the upgrade of the Comptroller's online payment
8 processing portal.

9 SECTION 3. AND BE IT FURTHER ENACTED, That:

10 (a) On or before December 1, 2022, the Department of Information Technology, in
11 consultation with the Comptroller, the Department of Budget and Management, the
12 Department of Transportation, the Department of General Services, and the State
13 Treasurer, shall report on:

14 (1) the status of the upgrade of the Comptroller's online payment
15 processing portal;

16 (2) the status of plans to upgrade the State's Financial Management
17 Information System, including target dates for critical project milestones;

18 (3) the status of plans to ensure all units of government engaging in
19 procurement utilize electronic systems for the processing of payments; and

20 (4) the extent to which all electronic payment processing systems used by
21 units of State government can be integrated into one central electronic system.

22 (b) The report required under subsection (a) of this section shall be submitted to
23 the General Assembly, in accordance with § 2-1257 of the State Government Article, on or
24 before November 1, 2022.

25 (c) It is the intent of the General Assembly that any plans for the upgrade of the
26 State's Financial Management Information System include goals to significantly reduce the
27 amount of time in which payments are processed.

28 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect~~
29 ~~October 1, 2022.~~

30 SECTION 4. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall take
31 effect June 1, 2023.

32 SECTION 5. AND BE IT FURTHER ENACTED, That, except as provided in Section
33 4 of this Act, this Act shall take effect July 1, 2022.