



MARYLAND STATE TREASURER

Nancy K. Kopp

Written Testimony of State Treasurer Nancy K. Kopp

HB 454 – State and Local Procurement – Payment Practices

Before the Health and Government Operations Committee

February 17, 2021

As a member of the Board of Public Works, I recognize the impact of the problem which House Bill 454 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.

HB 454 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 HB 454. I recognize however that implementation of HB 454 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 HB 454.