HB325 Celeste Denson, C omptroller, USM

Uploaded by: Celeste Denson

Position: FAV

SENATE BUDGET AND TAXATION COMMITTEE
House Bill 325
State and Local Procurement – Payment Practices
March 29, 2022
Celeste Denson, Comptroller
Information

Chair Guzzone, Vice Chair Rosapepe, and members of the committee thank you for the opportunity to comment on House Bill 325. The bill makes interest on unpaid invoices under State procurement contracts payable after 37 days (instead of 45 days) from when the agency receives an invoice.

The University of System is supportive of implementing processes that will pay vendors in a timely manner while ensuring the appropriate approval process is maintained. It will take additional staff and IT Investment to make the required improvements to decrease the payment time. USM is requesting the grace period be reduced as little as possible as the study is performed on how best to improve the process.

In addition, currently vendors are required to submit a late payment invoice in order to be paid interest. It will take time and resources to implement a process to pay vendors without an invoice. The University System of Maryland is requesting vendors be required to continue to bill for late payments.

Thank you for allowing the USM to share these thoughts about House Bill 325.

HB 325_MDCC_State and Local Procurement_Payment Pr
Uploaded by: Maddy Voytek
Position: FAV

MARYLAND
Chamber of Commerce

LEGISLATIVE POSITION:
Favorable
House bill 325
State and Local Procurement - Payment Practices
Senate Budget & Taxation Committee

Tuesday, March 29, 2022

Dear Chairman Guzzone 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 5,500 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and 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. Additionally, 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.

House Bill 325 would alter the state's policy to make a payment under a procurement contract or after receipt of a proper invoice in 30 days, rather than the current policy of 45 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 House Bill 325.

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

110 HB 325.pdf
Uploaded by: Randy Guy
Position: UNF

ST. MARY'S COUNTY GOVERNMENT
COMMISSIONERS OF ST. MARY'S COUNTY

James R. Guy, President
Eric Colvin, Commissioner
Michael L. Hewitt, Commissioner
Todd B. Morgan, Commissioner
John E. O'Connor, Commissioner

House Bill 325
State Procurement - Payment Practices

OPPOSE

March 24, 2022

The Honorable Guy Guzzone, Chairman
Budget and Taxation Committee
Miller Senate Office Building, 3 West
11 Bladen Street
Annapolis, MD 21401

Dear Chairman Guzzone:

The Commissioners of St. Mary's County **OPPOSE** HB 325 - State Procurement - Payment Practices which will be heard in the Budget and Taxation Committee.

We oppose HB 325 and urge an unfavorable report. We do not believe this legislation will benefit the citizens of St. Mary's County. We look forward to working with you on this and other initiatives throughout the session.

Sincerely,
COMMISSIONERS OF ST. MARY'S COUNTY

James Randy Guy, President

CSMC/AB/sf
T:/Consent/2022/110

Cc: Senator Jack Bailey
Delegate Matthew Morgan
Delegate Gerald Clark
Delegate Brian Crosby
Commissioner Eric Colvin
Commissioner Michael Hewitt
Commissioner Todd Morgan
Commissioner John O'Connor
David Weiskopf, Interim County Administrator
John S. Houser, Assistant County Attorney

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ST. MARY'S COUNTY GOVERNMENT

COMMISSIONERS OF ST. MARY'S COUNTY

James R. Guy, President
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House Bill 325
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HB0325 - TSO - Procurement Payment Practices - Cro
Uploaded by: Patricia Westervelt
Position: INFO

MARYLAND DEPARTMENT OF TRANSPORTATION

Larry Hogan
Governor
Boyd K. Rutherford
Lt. Governor
James F. Ports, Jr.
Secretary

March 29, 2022

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

Re: Letter of Information – House Bill 325 – State and Local Procurement – Payment Practices

Dear Chairman Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on House Bill 325 but offers the following information for the Committee's consideration.

House Bill 325, as amended, requires the State to pay 9% interest on any invoices not paid within 37 days and requires a report from the Department of Legislative Services on certain invoice payment-related statistics.

The bill retains the current invoice payment period of 30 days but continues to mandate payment of interest on late invoices after a 7-day grace period. The bill self-imposes a higher standard on the State than exists in the market and will result in increased costs to the State for interest payments. It is unclear why the State would require itself to pay interest on late invoices if that is not required by the vendor's normal billing practices.

For example, the billing practice of many companies is to provide a grace period after a bill due date and then a late payment fee will be applied. That fee is typically a fixed dollar amount or an interest charge of 5% or less. An alternative solution may be for State law to permit businesses to charge the State a late fee in accordance with the contract terms and/or the company's standard billing practices if payment time exceeds 30 days. **To require the payment of 9% interest if the invoice is unpaid after 37 days is not in the best interest of the State if, for example, the business provides its customers a 15-day grace period and charges only 3% interest.**

Additionally, the bill states that the 30-day payment clock begins upon receipt of an invoice; however, there are no requirements for that invoice to meet all submission requirements or to address amounts in dispute. Amounts in dispute may include goods or services that were not received or did not meet specifications. House Bill 325 reduces the State's ability to ensure that the goods and services meet all contractual requirements.

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating House Bill 325.

Respectfully submitted,

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

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

Position Paper HB0325 - Payment Practices.03.25.2

Uploaded by: Stephen Sanders

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

BILL(S): House Bill 325 – State Procurement – Payment Practices

DATE: March 25, 2022

POSITION: LETTER OF INFORMATION

Maryland Correctional Enterprises (MCE) is the prison industry arm of the Department of Public Safety and Correctional Services (DPSCS). The mission of MCE focuses on providing structured programming for participants by improving interpersonal skills and employability upon release, enhancing safety and security by reducing prison idleness, and producing quality goods and services while remaining a financially self-supporting State agency.

As introduced, House Bill 325 altered the time-frame for a payment to be made prior to accruing from 45 days to 15. The House amended House Bill 325 by changing the time for a payment to be made from 45 days to 37 days. The bill as amended also requires the Department of Legislative Services (DLS) to submit an annual report regarding the number of staff whose work responsibilities involve processing procurement contract payments, the number of vacancies for these positions, and number of days for procurement payments to be made.

MCE opposed House Bill 325 as introduced as it would require MCE to hire additional staff, provide the workspace and equipment for those new hires, and pay interest on any inevitable late payments until staff can be on-boarded.

However, the amendments adopted by the House make the bill more palatable. The Senate adopted amendments on the crossfile to House Bill 325 (Senate Bill 250) altering the time-frame for payment to be made from 45 days to 30 days. While any reduction in the period of time for payment to be made could negatively affect fiscal expenditures, MCE urges the Committee to adopt the House posture of altering the time-frame for payment to 37 days rather than 30 days.

MCE operates in much the same way as any other business - not just within the State correctional facilities' business units but also in accordance with office procedures. The current process of receiving and paying invoices has been challenging within the currently allotted time frame of 45 days. This has further been exacerbated with COVID-19 increasing telework as well as recent retirements. The present reduction in staffing makes it especially challenging to meet the current payment requirements with the Fiscal Specialists within the Accounts Payable Department. Should interest begin accruing on the 37th day at a rate of 9% per annum, as HB 325 proposes, it would still create a financial burden on MCE based on the current staffing.

The Accounts Payable bill process requires certain considerations be taken when processing a payment. Once an invoice is received, it must be reviewed to ensure:

- it's compliance with the referenced contract;
- the payment amount is accurate as is the service listed on the invoice;
- the payee information is complete and accurate;
- the final 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. MCE does not operate on the same system the State uses. There is no direct link between MCE and the State's ADPICS and FMIS systems, making data transfer different from that of other State agencies.
The above oversight of payments would be required to be completed within the 37-day time frame or interest would begin accruing on the 38th day.

In order to be able to process payments in the time frame proposed in HB 325 six Fiscal Technicians would need to be added to MCE's Accounts Payable team. In addition MCE would also need to add additional work areas and all office technology equipment. MCE projects incurring additional costs of $248,444 the first year and increase to $351,199 by year three, placing a financial burden on MCE.

In addition to the increased staffing and office space/equipment that would be required, there is the cost associated with applied interest. The time to hire and train new staff would not be able to take place immediately resulting in the likely delay of payments and ultimately the inability to meet the specified timeframe resulting in accrual of required interest payments. Further, any future issues related to staffing could very easily result in additional late payments and associated interest payment requirements. As a self-funded agency, the addition of staff as well as the almost inevitable interest charges for late payments would create a significant financial burden.

If you have any questions or need additional information please do not hesitate to contact Jennifer Beskid (jennifer.beskid@maryland.gov) at (443) 240-8696.