

# **SB 250 Testimony.pdf**

Uploaded by: Antonio Hayes

Position: FAV

ANTONIO HAYES  
Legislative District 40  
Baltimore City

Finance Committee



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THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

February 2, 2021

**Testimony of Senator Antonio Hayes in Support of SB 250:  
State and Local Procurement Payment Practices**

Chairman Guzzone and Members of the Budget and Taxation 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 250** 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.

Through 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 250.**

Respectfully,



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

**SB0250\_MarylandAGC\_McCulloch\_FAV.pdf**

Uploaded by: Champe McCulloch

Position: FAV



**SB 250**  
**State and Local Procurement - Payment Practices**  
**Budget and Taxation 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 250 and respectfully urges the bill be given a favorable report.

SB 250 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. SB 250 addresses two issues that affect all contractors, but especially small and MBE contractors and subcontractors.

The first issue is unreasonable delays in payment after invoices are submitted. In some cases, there are disagreements about the adequacy or accuracy of the invoice, which usually are resolved after discussion and review of documentation. In other cases, however, the contracting 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 MBE contractors build capability and a record of delivering good work is by filling the set-asides that are a part of government contracting. Slow payment by government agencies is painfully ironic, as it is government that mandates and espouses contracting with MBEs and then undermines that effort by failing to pay MBE contractors promptly.

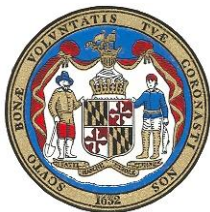
SB 250 is a beacon of hope to contractors, especially small contractors. Government at all levels should have a sense of urgency to pay promptly for work and goods received out of concern for the providers, who are most often their constituents. Maryland AGC respectfully urges the committee to give the bill a favorable report.

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

# **STO Final Testimony.pdf**

Uploaded by: Dereck Davis

Position: FAV



MARYLAND STATE TREASURER  
Dereck E. Davis

**Written Testimony of State Treasurer Dereck E. Davis**

**Senate Bill 250 – State and Local Procurement – Payment Practices**

**Position: Favorable**

**Before the Senate Budget and Taxation Committee**

**February 2, 2022**

Senate Bill 250, among other provisions, shortens from 30 days to 15 days the timeframe within which a State agency must make payments under procurement contracts. Agencies must make the payments within 15 days after the day payment becomes due or, if later, the day the agency receives the invoice.

As a member of the Board of Public Works, I recognize the problem that Senate Bill 250 addresses and appreciate the steps that the bill takes to mitigate it. For contractors who undertake in good faith to work as prime contractors or subcontractors for the State, delayed payments could force them to rely on their own limited resources or undertake significant debt in order to start a project. I strongly believe that this inequitable situation presents a disincentive for small companies who might otherwise seek to compete for public work. In this way, the longer timeframe negatively affects both contractors and taxpayers.

As a smaller agency, the State Treasurer's Office processes relatively fewer invoices and payments at any one time – factors that make it possible for us to meet the timeline proposed in the bill.

Accordingly, I respectfully urge a favorable report on Senate Bill 250.

# **SB 250\_MDCC\_State and Local Procurement\_Payment Pr**

Uploaded by: Maddy Voytek

Position: FAV





**MARYLAND**  
Chamber of Commerce

**LEGISLATIVE POSITION:**

**Favorable**  
**Senate Bill 250**  
**State and Local Procurement - Payment Practices**  
**Senate Budget and Taxation**

**Wednesday, February 2, 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.

Senate Bill 250 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 250.

MDCHAMBER.ORG

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

**SB 250\_MTBMA\_FAV.pdf**

Uploaded by: Michael Sakata

Position: FAV



February 2<sup>nd</sup>, 2022

Senator Guy Guzzone, Chair  
Senate Budget and Taxation Committee  
3 West, Miller Senate Office Building  
Annapolis, MD 21401

**RE: Senate Bill 250 – FAVORABLE – State and Local Procurement – Payment Practices**

Dear Chair Guzzone and Members of the Committee:

The Maryland Transportation Builders and Materials Association (“MTBMA”) has been and continues to serve as the voice for Maryland’s construction transportation industry since 1932. Our association is comprised of 200 members. MTBMA encourages, develops, and protects 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 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 again. 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 250.

Thank you,

Michael Sakata  
President and CEO  
Maryland Transportation Builders and Materials Association

**SB 250\_MAA\_FAV.pdf**

Uploaded by: Rachel Clark

Position: FAV

CHAIRMAN:  
Rob Scrivener  
VICE CHAIRMAN  
Brian Russell

**MARYLAND ASPHALT ASSOCIATION**



SECRETARY:  
David Slaughter  
TREASURER:  
Jeff Graf  
PRESIDENT:  
G. Marshall Klinefelter

February 2<sup>nd</sup>, 2022

Senator Guy Guzzone, Chair  
Senate Budget and Taxation Committee  
3 West, Miller Senate Office Building  
Annapolis, MD 21401

**RE: Senate Bill 250 – FAVORABLE – State and Local Procurement – Payment Practices**

Dear Chair Guzzone and Members of the Committee:

The Maryland Asphalt Association is comprised of 18 producer members representing more than 47 production facilities, 24 contractor members, 24 consulting engineer firms and 41 other associate members. We proactively work with regulatory agencies to represent the interests of the asphalt industry both in the writing and interpretation of state and federal regulations that may affect our members. We 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 again. 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 250.

Thank you,

A handwritten signature in cursive script that reads "Marshall Klinefelter". The signature is written in a dark ink and is positioned above the printed name of the signatory.

Marshall Klinefelter  
President  
Maryland Asphalt Association

**SB0250-BT\_MACo\_OPP.pdf**

Uploaded by: Brianna January

Position: UNF



## **Senate Bill 250**

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

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: February 2, 2022

From: Brianna January

The Maryland Association of Counties (MACo) **OPPOSES** SB 250. 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 250 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 250 would skew toward more error – a dangerous risk to take when dealing with taxpayer money.

Local government expenditures would 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. This would be an operational challenge in addition to a financial one, as counties face ongoing challenges around hiring and retaining qualified staff during the “Great Resignation.” Additionally, counties would incur unfair interest costs under SB 250 if they cannot meet the unreasonably shortened timeframe imposed by the bill.

SB 250 would reduce the timeframe 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 **OPPOSES** the bill and urges the Committee to issue an **UNFAVORABLE** report on SB 250.

**SB250\_UNF\_MML .pdf**

Uploaded by: Justin Fiore

Position: UNF





Maryland Municipal League  
*The Association of Maryland's Cities and Towns*

TESTIMONY

February 2, 2021

**Committee:** Senate Budget and Taxation Committee

**Bill:** SB 250 – State and Local Procurement – Payment Practices

**Position:** Oppose

**Reason for Position:**

The Maryland Municipal League opposes SB 250 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 – it is not reasonable to expect a 15-day turnaround on all procurement invoices.

The League therefore respectfully requests that this committee provide SB 250 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

410-268-5514 | 800-492-7121 | FAX: 410-268-7004 | [www.mdmunicipal.org](http://www.mdmunicipal.org)

**SB250\_USM\_Info\_Denson.pdf**

Uploaded by: Celeste Denson

Position: INFO



**SENATE BUDGET & TAXATION COMMITTEE**  
**Senate Bill 250**  
**State and Local Procurement – Payment Practices**  
**February 2, 2022**  
**Celeste Denson, Comptroller**  
**Information**

Chair Guzzone, Vice Chair Rosapepe, and members of the committee thank you for the opportunity to provide testimony on behalf of the University System of Maryland on Senate Bill 250. The proposed bill would significantly alter 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 also reduces 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.

The University System of Maryland shares the value behind the proposed legislation of ensuring that contractors and vendors receive payment promptly, but because of the additional costs and reduction of needed time to review and ensure payments should be approved, cannot support the proposed bill.

Over time, the state government has employed a range of practices and accountability measures to improve agency processing of payments and the System believes that improving internal processing throughout state government through technology enhancements and processing streamlining would improve payment processing within the current timeframe without sacrificing important review and approval time. We believe that these internal changes would be more effective, and balance payment processing against internal control concerns, in an appropriate fashion. Reducing the statutory timing of payment processing would subject the state to not only additional costs associated with the shorter time frame, but also weaken overall the review of vendor or contractor invoices that ensure each payment is appropriate and approved.

Senate Bill 250 will impact all of the USM Institutions, each of which have their own unique review and approval processes for processing payments. Were the legislation to be adopted, institutions would find it necessary to hire significant numbers of additional staff to process the same volume of transactions in half of the time, which will have a very costly impact, to say the least. USM institutions already lose processing days due to the cycle of setting up suppliers and the cycle of transmitting invoices. The work is often highly decentralized and the gathering of supporting documentation like receipting documents and appropriate approvals takes additional time. Prior to submitting invoices for payment, they are reviewed, receipt of goods and services is confirmed and subject to appropriate approval. Not only do the invoices need to go through a review at the institution but they are also subject to audit in the General Accounting Division (GAD) within the state comptroller's office. GAD generally requires a minimum 5-10 days for

their process. In any 15-day period there are at least 4 weekend days so now campus staff is down to 11 business days to get invoices processed. Paying invoices as expeditiously as possible cannot, and should not, sacrifice accuracy and accountability. These review and approval processes are critical and necessary to ensure that state dollars are not expended inappropriately, or without the proper approvals. An increase in the number of invoices that are late due to a 15-day requirement will increase interest payments, resulting in more additional cost to the System and its institutions.

In the decentralized environment of the university, the schools will have to employ additional staff beyond the institutions accounts payable function to make sure invoice receipts and approvals can be processed within the new statutory timeframe, with little or no time to consider the accuracy and appropriateness of the invoice, or obtain the departmental approvals necessary. Very few campus departments and smaller units have the luxury of multiple staff for each function.

USM institutions are in the midst of major information technology upgrades at the moment, which will enable improvements in processing time without sacrificing internal control objectives. It is unlikely, though, given the multiple units across state government involved in payment processing, that USM institutions use of technology alone could achieve the reduction in processing time contemplated by the proposed bill.

Lastly, the COVID pandemic has created additional delays in processing invoices due to US Postal Service, Fed Ex and UPS deliveries of invoices, as well as the public health driven need for staff to telework. For our larger research institutions, a large portion of payments are related complex equipment purchases and services provision to research funded by external sponsors who generally do not consider accrued interest an allowable cost. This cost would have to be recouped in the state general fund appropriation requiring campuses to increase state operating budget requests.

For the reasons laid out above, the University System of Maryland does not support Senate Bill 250, and respectfully asks the committee to provide an unfavorable report on the bill.

Thank you for allowing the USM to share these thoughts about Senate Bill 250.

# **MCE Impact Statement SB0250 - Payment Practices.pdf**

Uploaded by: Christine Cunningham

Position: INFO



## Department of Public Safety and Correctional Services

### Maryland Correctional Enterprises

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

STATE OF MARYLAND

LARRY HOGAN  
GOVERNOR

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ASSISTANT SECRETARY

GARY W. McLHINNEY  
ASSISTANT SECRETARY

MARYLAND CORRECTIONAL  
ENTERPRISES

STEPHEN SANDERS  
CHIEF EXECUTIVE OFFICER

**BILL(S):** Senate Bill 0250 – State and Local Procurement – Payment Practices

**DATE:** January 28, 2021

### IMPACT STATEMENT

The passage of Senate Bill 0250 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 in 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 has been challenging within the allotted 30-day time frame, or 20 working days with no Holidays. This has further been exacerbated with COVID 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 the time frame for payment be reduced to 15 days, as SB 0250 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 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 SB 0250, 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 seven Fiscal Technicians added to the Accounts Payable team. In addition to the increase in the expense by adding the salary of seven 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 \$289,851 the first year and increase to \$409,732 by year three placing a financial burden on Maryland Correctional Enterprises. In addition to the increased staffing and office space/equipment that would be required, there is the cost associated with late payment penalties. The time to hire and train new staff would not be able to take place immediately resulting in the likely delay of payments and the inability to meet the specified timeframe when implemented. Being charged a late payment penalty would result in a substantial amount very quickly. Further, any future issues related to staffing could very easily result in additional late payments and associated penalties. Again, late payment penalties would create an additional burden. As a self-funded agency, the addition of staff as well as the almost inevitable late payment penalties 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](mailto:jennifer.beskid@maryland.gov)) at (443)240-8696.

**'22 SB 250 Payment Practices DGS LOI B&T 2-2-22.pd**

Uploaded by: Devin Neil

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 250  
State and Local Procurement – Payment Practices

**COMMITTEE:** Senate Budget and Taxation

**DATE:** February 2, 2022

**POSITION:** Letter of Information

Upon review of Senate Bill 250 – State and Local Procurement – Payment Practices, the Department of General Services (DGS) provides these comments for your consideration.

Under Senate Bill 250, 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 250. DGS estimates that the cost of these additional positions to be **\$300,260 in FY 2023** and rise to **\$425,806 in FY 2027**.

Senate Bill 250 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.



# **SB0250 - TSO - Procurement Payment Practices - LOI**

Uploaded by: Patricia Westervelt

Position: INFO

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February 2, 2022

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

**Re: Letter of Information – Senate Bill 250 – State and Local Procurement – Payment Practices**

Dear Chairman Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 250 but offers the following information for the Committee's consideration.

Senate Bill 250 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, the MDOT and the Maryland Transportation Authority (MDTA) pay approximately 125,000 invoices each year, excluding the more than 180,000 customer payments and refunds the MDOT Motor Vehicle Administration processes each year. Each invoice requires two critical actions: (1) review of the invoice for accuracy and legitimacy of amounts being charged and (2) 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 monthly invoices that can be 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 and task managers spend much of their day on job sites and may not be at a computer to complete this detailed review for several days.

Upon approval of the invoice by the person overseeing the work, the invoice is submitted for payment process. 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 the MDOT, they are transmitted to the Comptroller's Office for payment. This transmittal utilizes overnight batch processing that adds two days to the processing time. Once transmitted successfully, additional days are required for processing by the Comptroller's Office.

The Honorable Guy Guzzone  
Page Two

A 30-day payment period is common in the payment industry. While the 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. Had Senate Bill 250 been in place at the start of the COVID-19 pandemic, when there were delays in invoice processing due to the time needed to adjust to mandatory teleworking and updating processes that still required the submission of original hard copy documents, the State would have incurred millions of dollars in interest charges due to late payments.

The expedited payment of invoices required by Senate Bill 250 may lead to billing errors or fraud that are not identified and corrected, which may cost taxpayers millions of dollars. Alternatively, if the 15-day requirement is not met, Senate Bill 250 may require the State to pay significantly higher interest costs.

The Maryland Department of Transportation respectfully requests the Committee consider this information when deliberating Senate Bill 250.

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