

TESTIMONY OF COMPTROLLER PETER FRANCHOT
House Bill 325 Comptroller – State and Local Procurement – Payment Practices
Health and Government Operations
February 15, 2022

Chairman Pendergrass, Vice Chairman Pena-Melnyk and members of the Committee, it is my pleasure to provide testimony in support of **House Bill 325 Comptroller – State and Local Procurement – Payment Practices**. I would like to thank Delegates D. Barnes, Attar, Charles, Feldmark, Fennell, Guyton, J. Lewis, Luedtke, Palakovich Carr, Patterson, Rose, and Washington for sponsoring this important legislation, and the Committee for providing the opportunity for my testimony to be heard.

This legislation provides a shorter, more consistent timeframe for small businesses that do business with the state and solves an issue my agency has heard about frequently: delays in payment from state agency accounts to vendors and contractors. I know these delays can range from frustrating to catastrophic, and range in dollar amounts from hundreds to millions of dollars. But most often, the impact of these delays is felt most by those who can afford it the least: small business owners and subcontractors who have to make payroll every month for their employees, and need reliable cashflow to sustain their operations.

While I am proud to report that the Comptroller's Office clears 92% of such payment requests within 5 days of receipt – other state agencies can certainly do better, and this bill will help bring their systems and practices up to the level of customer service and reliability as our agency.

For the reasons stated above, I respectfully request a favorable report for House Bill 325. Thank you for your time and consideration. Some functional considerations raised by my staff can be found below.

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- House Bill 325 would reduce payment terms for state units from 30 days to 15 days. While other agencies handle project reviews, the Maryland Comptroller's Office (COMP) is responsible for processing and remitting payment to vendors. Reducing the total timeline for payment would likely lead to agencies using the vast majority of the outlined 15 days, and submitting their requests to COMP with very little time for our own necessary processes.

- COMP has great success in processing payments within 5 days (92%), and respectfully requests that language be added that reserves 5 business days of processing time once the agency completes the review. Example follows –
 - Proper and Complete Invoice received: March 1 (Based on proposed legislation, it would be due March 15)
 - Agency reviews and keys into FMIS; transmittal sent to the Comptroller: March 10
 - Comptroller processes and releases to Treasury: March 15
 - Treasury processes warranted payment – Allow a calendar week to be received by vendor for mailed payment; allow at least 3 business days for vendor to receive payment if an electronic payment: March 18- March 22

As always, the Comptroller's Office is willing and available to discuss these concerns or any questions you may have at your convenience. Please contact Justin Hayes, Legislative Director at jhayes@marylandtaxes.gov or 410-260-7696.

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