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Ways and Means Committee

Chair  
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THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

March 3, 2020

**FAVORABLE SUPPORT of SB 933/HB 747:  
State and Local Procurement- Payment Practices**

Dear Chairwoman Pendergrass and the Health & Government Operations Committee:

I urge you to vote a favorable report on HB 747/SB 933: State and Local Procurement- Payment Practices. HB 747/SB 933 improves expansion and competitiveness for Minority Business Enterprises (MBE) and Small Business Enterprises (SBE) in the state of Maryland. If passed, this legislation reflects a similar procurement policy (Net 15) which expedites payments for businesses in contract with the Federal Government.

**What the Bill Does**

The bill proposes to alter the current procurement payment policy from 30 days to 15 days.

The accelerated "Net 15" payment provision would also:

- Enable each county and municipality to adopt a certain policy
- Reduce the number of days from 45 to 15 before interest begins to accrue on the unpaid amount
- Repeal a requirement that a vendor submit an invoice within a certain amount of time in order to receive interest payments

**How Will It Work:**

- 1) The vendor must fulfill the service in accordance with the signed contract.
- 2) An invoice is submitted to the state or agency, requiring 15 days to submit payment to the contractor.
- 3) If the invoice is not paid in full by day 15, interest begins to accrue.

**Why Support the Bill**

By current law, the state is required to make a payment under a procurement contract or after receipt of a proper invoice within 30 days. Receiving a payment in 30 days, often times longer, after a service is performed, causes several adverse effects for small businesses in the state of

Maryland. Delayed payments create a domino effect for our economic ecosystem which fiscally disrupt prime contractors and subcontractors who also perform service on the project. As a result, failure to receive timely payments to trickle down to:

- Difficulties in meeting payroll
- Failure for vendors to make on-time payments to subcontractors
- Inability to sustain other business operating expenses

### **Background**

Net 15 derives from the Federal 'Prompt Payment' Law that sets a goal for small businesses to receive payment within 15 days.

Under state procurement law, the Small Business Reserve Program directs 66 participating agencies/departments to spend at least 15% of its fiscal year procurement expenditures with qualified small businesses. By accelerating payments to vendors in the state, small businesses will indubitably be the most impacted – allowing them to grow and expand in Maryland's vibrant small business and MBE community.

### **Leveraging MBEs**

**Opportunities for Expanded Workforce:** Expediting payments to contractors would also expand employment opportunities across the state. In perspective, the Maryland Department of Transportation pays approximately 125,000 invoices each year and processes about 180,000 payments.

The Department of General Services advises that its fiscal services office employs only one supervisor and two clerks to process all of the agency's payments. Hiring additional accounting staff would also help state agencies and local governments comply within the 15-day deadline. As MBEs and SBEs continue to surge and expand, it is essential that we prioritize policy that will help strengthen our diverse economy in the state of Maryland.

**I strongly urge you to support HB 747/SB 933: State and Local Procurement- Payment Practices.**

Sincerely,

*Darryl Barnes*

Darryl Barnes  
Chairman, Legislative Black Caucus of Maryland, Inc.