



MARYLAND STATE TREASURER
Nancy K. Kopp

Written Testimony of State Treasurer Nancy K. Kopp

HB 747 – State and Local Procurement – Payment Practices

**Before the
Health and Government Operations Committee**

March 3, 2020

Thank you for inviting me to comment on HB 747. As a member of the Board of Public Works, I recognize the impact of the problem which HB 747 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 state contracts. In this way, it injures both the company and the taxpayers.

HB 747 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 stands ready to fulfill the requirements of HB 747. I recognize however, as the fiscal note points out, that implementation of HB 747 may require that some agencies hire new state employees to assure that procurements and payments are handled more promptly. While some of the smaller state 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, this fiscal note 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 whom we hope to see grow and increase in our new economy. I therefore respectfully urge a favorable report on HB 747.