

Larry Hogan
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Ellington E. Churchill, Jr.
Secretary

MARYLAND DEPARTMENT OF GENERAL SERVICES
OFFICE OF THE SECRETARY

BILL: House Bill 747 – State and Local Procurement – Payment Practices

COMMITTEE: House Health and Government Operations

DATE: March 3, 2020

POSITION: Letter of Information

House Bill 747 – State and Local Procurement – Payment Practices would reduce the number of days that an agency has to make payment under a procurement contract from **30 days to 15 days**. The Department of General Services (DGS) would be required to **hire four (4) additional staff** in order to meet these requirements. According to the State's Accounting Manual, DGS has 25 days out of the 30 days identified to process an invoice. The five remaining days are for the Comptroller to process payments. Currently the DGS Fiscal Services division, account payable office, employs one supervisor and two clerks to process payments within 25 days. DGS would require four (4) additional staff to fulfill the requirements of House Bill 747; at a minimum, DGS would expect an increase in expenditures of **more than \$216,000 per year** for the cost to hire two additional accounts payable clerks and two supervisor accountants.

A significant impact would also occur within the DGS Office of State Procurement. Current contracts generally require payment within 30 days. As written, this bill requires DGS to modify each contract that contains a 30 days term to reflect the changes under this bill; there are thousands of contracts within DGS' custody. Procurement templates would also need to be modified in order to reflect payment terms.

For additional information, contact Ellen Robertson at 410-260-2908.

