

HOUSE BILL 325

P2, L6
HB 454/21 – HGO

2lr0714
CF SB 250

By: Delegates D. Barnes, Attar, Charles, Feldmark, Fennell, Guyton, J. Lewis, Luedtke, Palakovich Carr, Patterson, Rose, and Washington Washington, Bhandari, Chisholm, Hill, Johnson, Kerr, Kipke, Landis, R. Lewis, Pena-Melnyk, Pendergrass, Saab, and K. Young

Introduced and read first time: January 19, 2022
Assigned to: Health and Government Operations

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 12, 2022

CHAPTER _____

1 AN ACT concerning

2 **State ~~and Local~~ Procurement – Payment Practices**

3 FOR the purpose of ~~requiring each county and municipality to adopt a certain policy;~~
4 ~~altering a State policy regarding the payment of certain funds after receipt of a~~
5 ~~proper invoice;~~ reducing the number of days following receipt of an invoice after
6 which ~~the State owes interest on unpaid amounts and~~ interest begins to accrue on
7 certain unpaid procurement contract amounts; ~~repealing a requirement that a~~
8 ~~contractor submit an invoice within a certain amount of time in order to receive~~
9 ~~interest payments;~~ requiring the Department of Legislative Services to submit a
10 certain report to the General Assembly on or before a certain date; and generally
11 relating to the payment practices of the State ~~and local governments~~ for amounts
12 owed under procurement contracts.

13 ~~BY adding to~~
14 ~~Article – Local Government~~
15 ~~Section 1–404~~
16 ~~Annotated Code of Maryland~~
17 ~~(2013 Volume and 2021 Supplement)~~

18 BY repealing and reenacting, with amendments,
19 Article – State Finance and Procurement
20 Section ~~15–103 through 15–105~~ 15–104

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Annotated Code of Maryland
2 (2021 Replacement Volume)

3 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
4 That the Laws of Maryland read as follows:

5 ~~Article – Local Government~~

6 ~~1-404.~~

7 ~~NOTWITHSTANDING ANY OTHER LAW, EACH COUNTY AND MUNICIPALITY~~
8 ~~SHALL ADOPT THE POLICY ESTABLISHED UNDER § 15-103 OF THE STATE FINANCE~~
9 ~~AND PROCUREMENT ARTICLE WITH REGARD TO PAYMENT FOR GOODS AND~~
10 ~~SERVICES PROCURED BY THE COUNTY OR MUNICIPALITY.~~

11 Article – State Finance and Procurement

12 ~~15-103.~~

13 ~~It is the policy of the State to make a payment under a procurement contract within~~
14 ~~[30] 15 days:~~

15 ~~(1) after the day on which the payment becomes due under the~~
16 ~~procurement contract; or~~

17 ~~(2) if later, after the day on which the unit receives an invoice.~~

18 15-104.

19 (a) Except as provided in § 15-105 of this subtitle, interest shall accrue at the
20 rate of 9% per annum on any amount that:

21 (1) is due and payable by law and under the written procurement contract;
22 and

23 (2) remains unpaid more than [45] ~~15~~ 37 days after a unit receives an
24 invoice.

25 (b) Interest shall accrue beginning on the ~~[31st]~~ 16TH day after:

26 (1) the day on which payment becomes due under a procurement contract;
27 or

28 (2) if later, the day on which the unit receives an invoice.

29 ~~15-105.~~

1 ~~A unit is not liable under § 15-104 of this subtitle for interest:~~

2 ~~(1) [unless within 30 days after the date on the State's check for the~~
3 ~~amount on which the interest accrued, the contractor submits an invoice for the interest;~~

4 ~~(2)] if a contract claim has been filed under Subtitle 2 of this title;~~

5 ~~[(3)] (2) accruing more than 1 year after the [31st] 16TH day after the~~
6 ~~unit receives an invoice; or~~

7 ~~[(4)] (3) on an amount that represents unpaid interest.~~

8 SECTION 2. AND BE IT FURTHER ENACTED, That, on or before December 1,
9 2022, the Department of Legislative Services shall report to the General Assembly, in
10 accordance with § 2-1257 of the State Government Article, on:

11 (1) for each unit of State government:

12 (i) the number of unit staff whose work responsibilities involve
13 processing procurement contract payments;

14 (ii) the number of vacancies for positions that would be assigned to
15 process procurement contract payment; and

16 (iii) for at least the prior 3 fiscal years:

17 1. the average time for the unit to process a procurement
18 contract payment;

19 2. the percentage of procurement contract payments that
20 are:

21 A. paid within 30 days after the day on which the payment
22 becomes due under the procurement contract;

23 B. paid after 30 days but less than 37 days after the day on
24 which the payment becomes due under the procurement contract;

25 C. paid after 37 days but less than 45 days after the day on
26 which the payment becomes due under the procurement contract; and

27 D. paid 45 days or more after the day on which the payment
28 becomes due under the procurement contract; and

29 3. the amount of interest paid by the unit for late payments
30 made on procurement contract invoices;

1 (2) based on the information obtained under item (1) of this section, the
2 fiscal impact to the State of:

3 (i) reducing the number of days following receipt of an invoice after
4 which the State owes interest on unpaid amounts; and

5 (ii) reducing the number of days following receipt of an invoice after
6 which interest begins to accrue on unpaid amounts; and

7 (3) the status of the upgrade of the Comptroller’s online payment
8 processing portal.

9 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect~~
10 ~~October 1, 2022.~~

11 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall take
12 effect June 1, 2023.

13 SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in Section
14 3 of this Act, this Act shall take effect July 1, 2022.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.