

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB724

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|------------------------|--|-------------------------------------|------------------------------------|
| House of Origin | <input checked="" type="checkbox"/> Introduced | <input type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| Second House | <input type="checkbox"/> In Committee | <input type="checkbox"/> Substitute | <input type="checkbox"/> Enrolled |

2. Patron: Plum

3. Committee: General Laws

4. Title: Virginia Public Procurement Act; prompt payment; payment date.

5. Summary: Amends the prompt payment provisions of the Virginia Public Procurement Act by changing the definition of "payment date" from 30 days to 15 days after receipt of a proper invoice by the state agency, where a contract does not specify the payment date.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Indeterminate – see Item 8.

8. Fiscal Implications: Under current law, state agencies must pay vendors 30 days after receipt of a proper invoice or 30 days after receipt of goods or services, whichever is later, unless a different payment date is stipulated by a contract. This legislation would reduce the payment period from 30 days to 15 days.

The Department of Accounts (DOA) notes that the Cardinal financial system, the Commonwealth's general ledger system of record, would have to undergo several programming and configuration modifications, which would total an estimated \$100,000.

DOA also indicates that finance departments at other state agencies will likely need to add additional voucher processing staff. Agencies that interface their financial systems into Cardinal will also need to make modifications to their interfaces. The total number and cost of additional staff at agencies and the cost of modifications to agencies' interfaces is currently unknown.

DOA also notes that depending on when an invoice or good is received, 15 calendars days could be reduced to between 11 and 13 businesses days after factoring in weekends and holidays. The time for an agency to process the payment internally, along with two business days for the ACH payment process would further reduce the time agencies have to make the payment. Late payments by agencies may result in interest due to vendors.

According to DOA, the disbursement of cash two weeks prior to the current timetable will also reduce the Commonwealth's investment earnings. The amount of lost investment earnings is indeterminate.

9. Specific Agency or Political Subdivisions Affected: Department of Accounts, all state agencies

10. Technical Amendment Necessary: No.

11. Other Comments: This revised fiscal impact statement includes additional comments provided by the Department of Accounts in regards to the potential for lost investment earnings.

Date: February 6, 2018

File: HB724