TESTIMONY BY KALBERT K. YOUNG
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STATE OF HAWAII
TO THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS
ON
HOUSE BILL NO. 987

February 10, 2011

RELATING TO PAYMENT FOR GOODS AND SERVICES

House Bill No. 987 requires payments by governments for goods and services to be made within fifteen calendar days of receipt of the statement or satisfactory delivery of the goods or performance of the services; if mitigating circumstances, interest begins on the sixteenth day; and payment required no later than forty-five days from receipt of the statement or satisfactory delivery of the goods or performance of the services.

We support the intent of this bill to provide faster payments to providers of goods and services, but are concerned that it will not improve the time that it takes the State to process payments and will instead increase the State's costs for paying vendors through higher interest costs and/or increased staffing costs to implement.

Vendor statements often require review by three or more departments or agencies (e.g., the receiving program, the receiving program's administrative Department, and to the Department of Accounting and General Services) prior to payment processing. Some transactions are fairly simple to review, while other transactions may be complex and require varying degrees of research and follow up. The review process is extremely important to ensure the appropriateness and accuracy of the amount being billed to the State.

Many smaller agencies and departments do not have personnel dedicated for the sole purpose of processing vendor statements. The accounting and clerical staff in these agencies and departments may also be required to perform other high priority accounting functions such as payroll. Additionally, the reduction- in-force (RIF), unfilled vacancies, and furloughs have made it difficult to process <u>all</u> forms of fiscal matters in a timely manner.

Based on the fiscal deficits through the next biennium, the State is not in a position to add staffing to implement this bill. However, without additional staffing, it is unlikely that this bill will decrease the number of days needed to process vendor statements. As a result, interest penalties on statements not paid within fifteen days will require many programs to reallocate monies from their core services and programs to cover these payments to vendors.