

BILL ANALYSIS

H.B. 2670
By: Thibaut
State Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Historically, state agencies have interpreted the Prompt Payment Act to authorize agencies to dispute invoices without incurring interest when there is a bona fide dispute associated with submitted invoices. In a recent unpublished court decision, *State v. Mid-South Payers, Inc.* (2007), the courts interpreted that the exception to accrual of interest on delayed payments under the Prompt Payment Act only includes "political subdivisions," a term that does not include state agencies according to the court of appeals.

Under this decision, state agencies such as the Texas Parks and Wildlife Department are liable for interest payments to a vendor if the invoice payment is not made within 30 days after receipt, even if payment is delayed due to a bona fide dispute.

H.B. 2670 specifies that a governmental entity, rather than a political subdivision, is not liable for interest resulting from a claim for payment for goods or services if the governmental entity's invoice payment is late because of a bona fide dispute concerning the goods delivered or the services performed.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 2670 amends the Government Code to specify that a governmental entity, rather than a political subdivision, is not liable for interest resulting from a claim for payment for goods or services if the governmental entity's invoice payment is late because of a bona fide dispute between the governmental entity and a vendor, contractor, subcontractor, or supplier concerning the goods delivered or the services performed.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.