

OMB Urges Agencies to Pay Small Business Contracts Faster

By Caitlin Fairchild cfairchild@govexec.com September 15, 2011

Federal agencies must accelerate their payments to small business contractors, according to an Office of Management and Budget [memorandum](#) released Wednesday.

The new guideline cuts the recommended payment time in half. Previously, under the 1982 Prompt Payment Act, agencies had to make payments within 30 days from when an invoice was received. Now, agencies should make payments within 15 days, or as soon as practicable.

With the government spending nearly \$100 billion a year in small business contracts, OMB predicts this will boost cash-flow for small businesses and help create economic growth.

"This will benefit tens of thousands of small businesses by getting money into their hands faster," Jeff Zients, deputy director for management and chief performance officer, said in a blog post for OMB. The late payment interest penalty will not change, however. A provision in the Prompt Payment Act, the penalty is triggered when an agency does not pay within the 30-day mark.

Initial reaction from the National Small Business Association is positive.

"We're supportive of it conceptually. Expediting the payment time is a good thing," said Molly Brogan, vice president of public affairs for the group.

Agencies are expected to notify OMB by Nov. 1 when they can begin making accelerated payments.