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**DATE:** February 16, 2022  
**COMMITTEE:** Senate Budget & Taxation  
**BILL NO:** Senate Bill 542  
**BILL TITLE:** State Finance and Procurement – Grants – Prompt Payment Requirement

### Statement of Information

This bill establishes as a policy of the State that grant payments be made within 30 days of either the date the payment is due under a grant agreement or the day on which a proper invoice is received by the grant making entity. Should payment be made late, interest of 9% a year is due and accrues beginning on the 31<sup>st</sup> day. This legislation does not apply to: (1) grants made by the State Higher Education System, the Capital Budget, MDOT, or TEDCO; or (2) “business development grants made by the Department of Commerce”.

The Maryland Department of Commerce (Commerce) has units that provide grants which may not be considered “business development grants”. This phrase has not been strictly defined and Commerce believes it is open to interpretation. Grants which may not be considered “business development” but are administered by Commerce include but are not limited to: grants provided to Destination Marketing Organizations (DMOs) through the Maryland Tourism Development Board, grants provided by the Maryland State Arts Council.

Commerce makes every effort to provide prompt payments in all areas – procurement payments as well as grant payments – but there are factors out of the Department’s control that impact when a payment is made. Specifically, Commerce does not have the ability to directly make payment, and once a grant is processed by Commerce it is then sent to the State Treasurer for a check to be disbursed to the recipient. Delays occur at times because items need to be corrected after information is sent to Annapolis for payment, and these situations occur more often with grant recipients than with contracts/procurement vendors because those vendors are often more experienced in working with the State and its requirements.

Additionally, Commerce is typically processing a larger number of grants for payment at one time than procurement payments. Where Commerce may have a unit/program working with procurement and accounts payable staff to process payment for one contract at a time, typically when units are processing grants, they are batches of grants being processed at the same time, which can slow the process down. This increased volume may contribute to grant payments being made “late”. For reference, the Maryland State Arts Council indicates it is currently an average of 6-8 weeks from when the grant agreement is signed until payment is received.

The factors outlined above may result in a number of grants disbursed by Commerce being considered “late” and therefore subject to interest payment, resulting in a reduced availability of funds for additional grantees.