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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

SB542: State Finance and Procurement - Grants - Prompt Payment Requirement

Senate Budget and Taxation Committee

Wednesday, February 16, 2022 | 1pm

Delayed payments of grants and contracts pose a challenge for nonprofits that provide services to State and Local governments. These organizations may not have significant cash reserves. A 2020 Maryland Nonprofits survey of more than 700 organizations found that 45% had less than 60 days cash reserve, and a third had less than 30 days.

Under current law, State procurement contracts are required to be paid promptly (within 30 days). This practice goes back to the 1980s. Unfortunately, there is no similar expectation for the prompt payment of state grants. While there are parameters for procurement invoicing, there is nothing in statute or regulation that addresses the invoice process for state grant agreements.

At the recommendation of the [Maryland Efficient Grant Application \(MEGA\) Council](#), which was established in 2020 to create a “common application” for grants, [SB542](#) would **require payment parity** for small businesses and nonprofits.

There is one amendment that will be submitted to Committee Counsel, exempting the Maryland Judiciary. They are already exempt from the State procurement law, including current prompt payment requirements.

[Nonprofits make up 13% of Maryland’s workforce](#) and continue to be essential to our weathering the pandemic. These organizations are a key asset in every legislative district. We must ensure that they are able to serve our communities and carry out their missions.

34 Senators cosponsored this bill, reflecting a broad support for the nonprofit sector and sensitivity to the need for payment parity. **I urge a favorable report on SB542.**

Sections of Statute and Code used to craft SB452:

- Defining “Grant” as it is currently used in [Article - State Finance and Procurement §2–210. \(4\) \(i\)](#);
- Duplicating the provision for prompt payment in [Article - State Finance and Procurement §15–103.](#) and [Article - State Finance and Procurement §15–104.](#) to apply to grant agreements; and
- Including key language about a proper invoice from Code of Maryland Regulations (COMAR) sections [21.06.09.01 Definitions. C.](#), [21.06.09.02 Required Invoice Documentation](#), [21.06.09.03 Receipt of Invoices](#), and [21.06.09.04 Review of Invoices.](#)