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Testimony on Senate Bill 542
State Finance and Procurement – Grants – Prompt Payment Requirement
Senate Budget and Taxation Committee

Position: Favorable

Maryland Nonprofits is a statewide association of more than 1300 nonprofit organizations and institutions. We urge you to support Senate Bill 542 to provide nonprofits delivering state services the same security for prompt payment that is already in law and regulation for procurement contracts. In short, “payment parity”.

Our ‘prompt pay’ laws, and the regulations that set standards for review of invoices, do not apply to the reimbursable grant agreements that are used with most state grants for the provision of health, education or social services by nonprofits.

Nonprofits in Maryland continually face delays in payments on grants or contracts that may extend many months. Additionally, they may need to wait several months for an initial payment on a program with considerable start-up costs.

Payment delays make participation in government programs even more difficult for service providers, particularly disadvantaging smaller and younger nonprofits often led by people of color, that are less likely to have any substantial reserves.

These problems of delayed payment, often with no explanation, aren’t new or particularly related to conditions under the current pandemic, although their impact has been more severe for organizations experiencing COVID-related reductions in other revenue sources or increased costs.

The state’s 30-day ‘prompt payment’ law on procurement contracts isn’t perfect, and in fact if you get paid within 45 days there’s no interest penalty. But it would be a critical improvement for many service providers. The provisions in Senate Bill 542 closely track those in now in state law and COMAR for the handling and payment of invoices.

We urge you to give the nonprofits serving our people and communities on behalf of the state “payment parity” with the standards that already apply to state agencies in their procurement contracting. Please give Senate Bill 542 a favorable report.

