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**Maryland**  
**DEPARTMENT OF PLANNING**  
**MARYLAND HISTORICAL TRUST**

**HEARING DATE:** February 15, 2021

**BILL NO:** HB451

**COMMITTEE:** Health & Government Operations

**POSITION:** Letter of Information

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**TITLE:**

State Finance and Procurement – Grants – Prompt Payment Requirement

**BILL ANALYSIS:**

HB451 would require state grant-making entities to make a payment under a grant agreement within 30 days after the date on which the payment becomes due under the grant agreement, or, if later, the day on which the state grant-making entity receives a proper invoice from the grantee. Any request for payment that remains unpaid more than 45 days after the state grant-making entity receives a proper invoice or after the date stipulated in the grant agreement will accrue interest at the rate of 9% a year starting on the 31st day that payment was otherwise due.

HB451 does not apply to grants made by the State Higher Education System, the Capital Budget, the Department of Transportation or the Maryland Technology Development Corporation or business development grants made by the Department of Commerce. In addition, certain types of state assistance listed in the bill as well as assistance provided by means of a cooperative agreement are not subject to the provisions of the bill.

**POSITION AND RATIONALE:**

The Maryland Historical Trust (MHT) meets the definition of a state grant-making entity as described in HB451. MHT administers four state grant programs: the Maryland Heritage Areas

Authority Grant Program, the African American Heritage Preservation Grant Program, the Capital Historic Preservation Grant Program, and the Non-Capital Historic Preservation Grant Program. MHT is currently managing 427 grants, which have been awarded through these programs. For most grantees, MHT processes a minimum of one grant disbursement and a maximum of three grant disbursements per fiscal year. For African American Heritage Preservation Grant projects, there may be more than three grant disbursements per fiscal year.

Disbursement requests submitted by grantees are reviewed by MHT grant project managers to ensure compliance with all grant agreement requirements. Grant project managers seek to ensure that: 1.) all costs incurred by the grantee are clearly identified on the invoices for the disbursement that is being sought; and, 2.) grantees are complying with the special conditions set forth in their grant agreement, as well as all other terms and conditions of the grant. For this reason, all MHT grant agreements currently include the following language: "Requests for Disbursement will be processed within forty-five (45) days from MHT's approval of a complete Request for Disbursement". The due diligence undertaken by MHT staff in carrying out its grant-making responsibilities is reflected in the clean audit that the agency recently received from the DLS auditors.

In most cases, grantee invoices may be processed quickly. There are, however, occasions when invoices for certain types of projects – especially capital improvements to historic properties – cannot be approved until a site visit is conducted to confirm that work completed meets the terms of the grant agreement. Scheduling of site visits can delay invoice processing, but is critical to ensure that state grant funds are being spent appropriately.

Also of concern is the fact that delays in invoice processing are sometimes outside of MHT's control. As an example, MHT may not approve a grantee's disbursement request unless the grantee is in good standing with the State Department of Assessments and Taxation (SDAT). The grantee, not MHT, is responsible for addressing SDAT issues, which can sometimes take weeks to resolve. Similarly, the creation of grantee mail codes or changes of address in the Comptroller's database can impact disbursement processing times. While this may seem like a minor detail, it is a time-consuming step that is necessary to ensure that a grantee's payment is sent to the correct address. Until MHT has received confirmation that the changes have occurred, MHT cannot proceed with disbursement processing.

Finally it should be noted that in those cases where payment of an invoice is delayed, for whatever reason, HB451 requires that the grant-making agency be charged interest on the payment due to the grantee. In so far as grant funds are awarded based on a fixed annual appropriation amount, it is unclear how the agency would pay for the additional and unanticipated expense of the interest penalties.

**To conclude, rigid and arbitrary grantee invoice processing timelines as proposed in HB451 do not support grant management best practices and are not in the best interest of the state.** Grant-making agencies must be given the authority and flexibility to set grant disbursement schedules and timelines that are responsive to individual program requirements in order to ensure that they serve as good stewards of state funds.