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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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

House Health & Government Operations Committee

Tuesday, March 29, 2022 | 1pm

Nonprofit service providers consistently cite payment delays from government agencies as a serious problem. These organizations generally don't 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.

As amended, SB542 exempts three departments that have not been delinquent in their payments to nonprofits in order to reduce the fiscal note:

- *The Department of Labor;*
- *The Department of Natural Resources; and*
- *The Department of Emergency Management.*

The Judicial Branch and Maryland Energy Administration operate differently and therefore are not covered in this bill.

[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.

Thirty-four Senators cosponsored this bill, which passed unanimously out of Committee and in the full Senate, reflecting 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](#).