



marylandnonprofits.org

1500 Union Avenue | Suite 2500 | Baltimore, MD 21211
410.727.6367 | 800.273.6367 | Fax 410.235.2190

March 29, 2022

Testimony on Senate Bill 542
State Finance and Procurement – Grants – Prompt Payment Requirement
House Health and Government Operations 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 grant recipients the assurance that funds they expend to deliver services on behalf of the state will be reimbursed within a reasonable period of time.

Senate Bill 542 is the cross-file to HB 451 that your committee heard on Feb. 24. As amended and passed unanimously by the Senate, **the bill now exempts from its provisions the three agencies that together reported needing 9 of the 10 new positions referred to in the original Fiscal Note. We believe that substantially reduces its costs in FY 23.**

The amendments also exempt two additional agencies that at this time would have operational issues with compliance, and there is also an amendment clarifying the original reference to the capital budget.

In 2020 you established the Maryland Efficient Grant Application (MEGA) Council to develop and make recommendations to the General Assembly for standardized grants procedures for use across state agencies. The MEGA Council recommended action on prompt payment in its 2021 Report. It will be studying and making further recommendations over the next several years, probably including further consideration and recommendations regarding grants invoicing and payments. A statewide grants management and standard financial reporting system is also in development. We hope these will assist with the concerns of agencies being excluded at this time.

Nonprofits in Maryland continually face delays in payments on grants that may extend many months. Additionally, they may need to wait several months for an initial payment on programs 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 under current law if you get paid within 45 days there's no interest penalty. That would also be changed by the amendments in SB 542.

We are asking that you approve Senate Bill 542, and a conformed version of House Bill 451, and retain their effective dates of October 1 of this year.

We realize that changes to the current requirements for prompt payments are being amended by legislation passed in each house – HB 325 and SB 250 – with slightly different provisions, to take effect next year. But we must point out that until that time procurement contracts still have at least the requirements of current law for prompt payment, while grant recipients have none.

Please give Senate Bill 542 a favorable report.