

Testimony in Support of HB 328 - State Finance and Procurement - Grants - Prompt Payment Requirement

Health and Government Operations - February 22, 2023

What the bill does

HB 328 requires that state grant-making entities maintain a shorter and more consistent timeframe for paying invoices created by grant recipients that provide essential services to Marylanders. This legislation sets a reasonable timeline for payment and imposes interest penalties upon agencies that fail to comply with the timeline.

Why the bill is important

HB 328 addresses a current challenge for grant recipients receiving funding from the State of Maryland: delayed payments from state agencies.

Similar to the way that the business community inserts liquidated damages clauses into payment contracts, this legislation guarantees appropriate compensation for grant recipients and their employees who cannot afford to wait for payment owed. Without timely payments, grant recipients face disruptions to their budgets and may be unable to provide vital services to Marylanders. Delayed payments are not only inconvenient - at best - or harmful to current grantees, but they deter other organizations from partnering with the state of Maryland.

Why you should vote for this bill

In order to ensure that organizations serving Marylanders thrive and receive prompt payments for their important work, I respectfully request a **favorable report** for House Bill 328.



Brooke E. Lierman

Comptroller of Maryland



Please see below an explanation of and language for a friendly amendment to address functional considerations of this important legislation.

- House Bill 328 establishes a requirement for state grant-making entities to pay “proper invoices” that it receives from grant recipients within 30 days after “the day 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.” The Comptroller of Maryland (COM) is thereafter responsible for processing and remitting payment once a “proper invoice” is received from a grant-making entity.
- COM has great success in processing payments within 5 days (92%), and respectfully requests that language be added to reserve 5 business days of processing time once a grant-making entity determines an invoice to be “proper” and transmits the invoice to the Comptroller for payment.
- Upon consultation with the sponsors of this legislation, COM requests a friendly amendment wherever appropriate in the bill text to allow for a payment timeline providing the aforementioned “5 business days of processing time” for the agency to complete its work.

Please contact Justin Hayes, Legislative Director at jhayes@marylandtaxes.gov or 410-260-7696, with any questions, comments, or concerns.

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