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Testimony on House Bill 328
State Finance and Procurement – Grants – Prompt Payment Requirement
House Health and Government Operations Committee

Position: Favorable with Sponsor Amendments

Maryland Nonprofits is a statewide association of more than 1500 nonprofit organizations and institutions. We urge you to support House Bill 328 to provide nonprofits delivering state services assurance for prompt payment similar to that already in law and regulation for procurement contracts.

Our prompt payment 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.

With the sponsor's amendments, state grant-making entities will have 30 days from receipt of a "proper invoice" (one with all required documentation) to process and submit that to the Comptroller for payment. If it is not submitted with 30 days, and payment is not made within 35 days, the grant-making agency will be liable for interest from the 36th day (the Comptroller may require up to 5 days to make payment).

The amendments also clarify that the Bill only applies to 'reimbursable grants' made to nonprofit organizations.

We urge you to give the nonprofits serving our people and communities on behalf of the state relief from the burden of 'financing' delayed payments by the state itself. Please give House Bill 328 a favorable report with the sponsor's amendments.

