

CHERYL C. KAGAN
Legislative District 17
Montgomery County

—
Vice Chair

Education, Energy, and
the Environment Committee

—
Joint Audit and Evaluation Committee

Joint Committee on Federal Relations



Miller Senate Office Building
11 Bladen Street, Suite 2 West
Annapolis, Maryland 21401
301-858-3134 · 410-841-3134
800-492-7122 Ext. 3134
Fax 301-858-3665 · 410-841-3665
Cheryl.Kagan@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

SB112: State Finance and Procurement - Grants - “Prompt Payment Parity”

Senate Budget and Taxation Committee

Thursday, January 19, 2023 | 1pm

[Nonprofits make up 13% of Maryland’s workforce](#) according to Maryland Nonprofits. These organizations are a key asset in every legislative district. But, nonprofit organizations may not 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. Delayed payments of State grants pose an enormous challenge for nonprofits. We must fix this to ensure that nonprofits are able to serve our communities and carry out their missions.

Last session, legislation was enacted requiring State procurement contracts to be paid within 30 days, otherwise interest is accrued, incentivizing punctual payment. Unfortunately, there is no similar law for the prompt payment of State grants. Despite a similarity between State procurement contracts and State grants, there are no parameters to ensure expeditious repayment of grant invoicing as there are for procurement contracts. Nonprofits receiving State grants wait significantly longer to receive funding and do not accrue interest. As a result, they may face debilitating challenges covering payroll, rent, or programming expenses.

[SB112](#) would **require payment parity** for nonprofits as recommended by the [Maryland Efficient Grant Application \(MEGA\) Council](#), a body established in 2020 to create a “common application” for grants. This legislation does not apply to the Maryland Judiciary, as it is exempt from State procurement law.

[SB542](#), introduced in 2022, had 34 bipartisan co-sponsors and passed **unanimously** in the Senate, reflecting a broad support for the nonprofit sector and a recognition of the urgent need for payment parity. Unfortunately, the session expired before it could pass through the House.

I have a technical amendment to change the number of days defining late payments to be aligned with State procurement law.

I urge a favorable report on SB112 as amended.