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January 19, 2023

Testimony on Senate Bill 112
State Finance and Procurement – Grants – Prompt Payment Requirement
Senate Budget and Taxation Committee

Position: Favorable

Maryland Nonprofits is a statewide association of more than 1400 nonprofit organizations and institutions. We urge you to support Senate Bill 112 to provide nonprofits delivering state services the same security for prompt payment that is already in law and regulation for procurement contracts. In short, “payment parity”.

Our ‘prompt pay’ 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.

In 2022 you approved Senate Bill 542 that would have applied the existing rules for state procurement contracts to grant agreements, and it passed the Maryland Senate unanimously. But the bill failed in the House of Delegates, largely because after SB 542 passed the Senate the Department of Health determined that it would require funding for 10 new positions.

The state’s 30-day ‘prompt payment’ law on procurement contracts, as amended by Senate Bill 250, that was enacted, will require payment in 30 days, and the interest penalty after 37 days, effective on June 1 this year. Senate Bill 112 would apply the same requirements to state grants. The language in the bill carefully tracks requirements in statues and COMAR for the processing of invoices and payments.

We urge you to give the nonprofits serving our people and communities on behalf of the state “payment parity” with the standards that already apply to state agencies in their procurement contracting. Please give Senate Bill 112 a favorable report.

