



Senate Bill 542

State Finance and Procurement – Grants – Prompt Payment Requirement

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: February 16, 2022

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 542. By standardizing payment practices, this bill would create a level playing field for state grant recipients, including local governments and nonprofits that provide a wide swath of vital community services for Maryland residents.

Current law requires the State to pay procurement contract invoices within 30 days of receiving a proper invoice. However, state grants are generally not subject to COMAR procurement rules. SB 542 would require the State to pay invoices to grant recipients within 30 days or be liable for interest on the delinquent payment.

Local governments regularly partner with nonprofits to deliver critical programs and services that support childcare, healthcare, workforce development, human services, environmental stewardship, and other critical services. When the State fails to pay invoices in a timely manner, nonprofits are forced to involuntarily bankroll the government services they provide. This, in turn, increases the cost of providing services, shortchanges the residents who are most in need, and effectively results in nonprofits providing the State zero-interest loans to float essential services for shared constituents.

SB 542 would make necessary and timely changes to help local governments and nonprofits avoid service disruptions and financial hardships, enabling counties to better serve and react to community needs. Accordingly, MACo urges the Committee to issue a **FAVORABLE** report for SB 542.