

SB 112_State Finance and Procurement – Grants – Pr

Uploaded by: Adrienne Breidenstine

Position: FAV



January 19, 2023

**Senate Budget & Taxation Committee
TESTIMONY IN SUPPORT**

SB 112 State Finance and Procurement – Grants – Prompt Payment Requirement

Behavioral Health System Baltimore (BHSB) is a nonprofit organization that serves as the local behavioral health authority (LBHA) for Baltimore City. BHSB works to increase access to a full range of quality behavioral health (mental health and substance use) services and advocates for innovative approaches to prevention, early intervention, treatment and recovery for individuals, families, and communities. **Baltimore City represents nearly 35 percent of the public behavioral health system in Maryland, serving over 78,000 people with mental illness and substance use disorders (collectively referred to as “behavioral health”) annually.**

Behavioral Health System Baltimore supports SB 112 State Finance and Procurement – Grants – Prompt Payment Requirement. This bill puts into statute requirements for procedures and timelines to ensure state government makes timely payments to grant recipients.

As a non-profit LBHA, BHSB receives grants from several state agencies, with the largest coming from the Maryland Department of Health (MDH). For over a year, BHSB has experienced delays in payment for invoices submitted to MDH. These significant, long-term payment delays cause disruption in the delivery of behavioral health services because BHSB is unable to pay community-based providers for the services they are providing. This leaves providers, as well as, BHSB unable to meet our financial obligations such as payroll, related fringe and other operating necessities.

Grant payment delays have caused negative impact in the following ways:

- BHSB has been forced to hold payments for contractually delivered services. This impacts a wide range of services with small, community-based organizations, like the peer-run Wellness and Recovery Centers, being most impacted. Any provider that is solely dependent on LBHA payments is vulnerable to the impact of the nonpayment. Wellness and Recovery Centers cannot continue to provide services if payment is delayed.
- Low-income housing recipients are at risk for not having their rent paid, which may lead to termination of rental agreements and possible homelessness.
- A wellness and recovery center in Baltimore City that provides extensive harm reduction services for people who use drugs was forced to apply for a bridge loan from a private foundation in order to make payroll and not shut its doors. The foundation community has approached BHSB asking why payments are delayed and has expressed concern for people served and what impact this may have on overdose deaths.

Non-profits are businesses and by design, operate in a different way than government agencies. Cash flow management is an important responsibility for non-profits. However, unlike normal businesses, many rely exclusively on grant funding which prohibits the maintenance of cash reserves. By design, non-profits are also prohibited from having other business lines which would generate different income and cash. This makes cash management even more difficult. Finally, most non-profit LBHAs are unable

to obtain a line of credit because of the nature of its funding. Lines of credit are generally granted for other businesses. Therefore, when grant payments are delayed for any reason, LBHAs are put in a precarious position of being unable to meet our contractual obligations with no recourse for a remedy.

Non-profit LBHAs play a unique role in the behavioral health system of care and have been a vital resource for the community. This bill would support non-profits LBHAs to continue to serve as a reliable resource and MDH, while holding state agencies accountable to their non-profit grantees for prompt payment. As such, **BHSB urges the Senate Budget & Taxation Committee to pass SB 112.**

Contact:

Adrienne Breidenstine

Vice President, Policy & Communications

Behavioral Health System Baltimore

Adrienne.breidenstine@bhsbaltimore.org/443-908-0503

SB112_ApraMaryland_Fav.pdf

Uploaded by: Conner Wolfe

Position: FAV

January 19, 2023

Testimony on Senate Bill 112
Grants - Prompt Payment Requirement
Senate Budget and Taxation Committee

Position: Favorable

Apra Maryland is the professional development and networking resource for Maryland-area fundraising professionals who harness information and data to drive philanthropy. With our 160 members, we urge your support of Senate Bill 112.

The Prompt Pay Act (Maryland Code, Real Property § 9-301) requiring payment in 30 days on state procurement contracts, and the regulations regarding review of invoices, does not apply to grants made by the state to nonprofits that promote the arts, culture and humanities, education, the environment and animals, healthcare, human services and more.

Nonprofits in Maryland continue to face delays in grant payments that may extend many months. In the meantime, nonprofits are expected to continue providing essential community services under their grant agreement. The sustainability of Maryland's nonprofit businesses and critical community services are jeopardized when organizations struggle to meet payroll, tap or exhaust reserves, delay implementing or expanding programs, or take loans while the state fails to make timely payments. This struggle is exacerbated for smaller nonprofits, less likely to have any substantial reserves and disproportionately founded and led by women and people of color.

Apra Maryland opposes amendment to Senate Bill 112 to create prompt payment exceptions for any state grant-making entity. We urge you to give Senate Bill 112 a **favorable report**.

Thank you,
Theresa Clark

President
Apra Maryland

SB0112 prompt payment.pdf

Uploaded by: Dan Martin

Position: FAV



Heaver Plaza
1301 York Road, #505
Lutherville, MD 21093
phone 443.901.1550
fax 443.901.0038
www.mhamd.org

**Senate Bill 542 State Finance and Procurement - Grants –
Prompt Payment Requirement
Budget and Taxation Committee
January 19, 2023
Position: SUPPORT**

Mental Health Association of Maryland (MHAMD) is a nonprofit education and advocacy organization that brings together consumers, families, clinicians, advocates and concerned citizens for unified action in all aspects of mental health and substance use disorders (collectively referred to as behavioral health). We appreciate the opportunity to provide this testimony in support of Senate Bill 112.

SB 112 establishes invoicing and prompt payment requirements for certain state grants.

MHAMD receives state grant funding for education and training purposes as well as a site visiting program that conducts oversight of public behavioral health services. Over the last few years our organization has been negatively impacted by significant late payment of grant funds by the state. In FY21 outstanding payments were due for some grants for most of the fiscal year. This was again the case in FY22, despite having completed contractually required provisions and submitted all required invoicing and other documentation. This required our organization to liquidate assets twice in order to meet payroll and other financial obligations.

It should be noted that this situation is not the result of a lack of diligence or effort by staff at these agencies. They are overworked and under-resourced. While we are still not receiving all payments on a timely basis, progress has occurred over the past year and the situation has improved. We very much appreciate the hard work of agency staff, there are just not enough people to do the job. The provisions in SB 112 are fair and important, but it will need to be accompanied with a rebuilding of state government and the filling of staff vacancies.

For these reasons, MHAMD supports SB 112 and we urge a favorable report.

For more information, please contact Dan Martin at (410) 978-8865

Saltzberg testimony in favor of SB 112 - procureme

Uploaded by: Elise Saltzberg

Position: FAV



To: Maryland Senate Budget and Taxation Committee
For: SB 112 – State Finance and Procurement – Grants – Prompt Payment Requirement

Date: January 16, 2023

Testimony of: Elise Saltzberg, Saltzberg Consulting

Contact information: 410-486-3603 (office) 410-236-0758 (cell) elise@saltzbergconsulting.com

Thank you for the opportunity to present this testimony in favor of imposing prompt payment requirements on the State’s grant procurement system.

I have worked as a fundraising consultant for dozens of nonprofit organizations in Maryland since 2000, and I am testifying on their behalf – as well as on behalf of the 32,000 other nonprofits in the State of Maryland. With my assistance, over the years my clients have applied for and received dozens of grants and contracts from various State agencies and departments.

That’s the good news. The bad news is that from the time that the nonprofit organization receives the email saying, “Congratulations, your grant application has been approved” to the time that the organization actually receives a check can be many, many months. Often, the organization is expected to start delivering the services immediately – even though they don’t have a signed contract and they don’t have the funds in hand.

Once the grant paperwork is completed – which can take several weeks to several months – the organization submits copies of invoices and canceled checks to the State agency to request reimbursement. *Then they wait. And they wait. And they wait some more.* Meanwhile, the organization is expected to continue to expend its own funds to operate the program, purchase supplies, and pay their staff and sub-contractors, with the mindset that, “well, we’re going to get reimbursed eventually...”

Eventually. Eventually is often months later. Eventually, the organization will either be notified that the reimbursement request is in order and they will receive a check. OR eventually they will be notified that their invoice is not sufficient and the State agency is sending it back to them with a request for additional information or additional documentation.

SB 112 would put an end to all of these delays, which can go on for months. The bill would require State agencies to notify the organization within 5 business days after receipt of the invoice if it is not sufficient and to explain what is amiss. If the agency doesn’t get back to the organization within 5 business days, it’s presumed to be a complete and correct proper invoice and therefore payable within 30 days from receipt. Furthermore, if the invoice remains unpaid for more than 37 days, the State will add a 9% annual interest fee to the invoice, which begins accruing from Day 31 after the invoice is submitted.

These prompt payment requirements would be a godsend for my nonprofit clients and the many other nonprofit organizations that I know about that are operating under extremely tight budgets with very limited cushions to cover their expenses. When it takes many months to receive money that has been committed to them by the State, it can put them over the edge. They simply do not have the capacity to absorb the long delays in getting reimbursed for their expenses. They have trouble making payroll and paying their vendors and sub-contractors, thereby diminishing the effectiveness of their services to needy Marylanders.

The payment terms outlined in SB 112 would put nonprofit service providers that receive grants on the same prompt payment terms that already apply to nonprofit and for-profit businesses that have procurement contracts with the State. This seems like a matter of fairness and parity that can be rectified by your Committee making a favorable recommendation on this bill.

Thank you again for the opportunity to present this testimony.

MOST_SB112_FAVORABLE.pdf

Uploaded by: Ellie Mitchell

Position: FAV

January 18, 2023

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

The Maryland Out of School Time Network (MOST) is a statewide organization dedicated to closing opportunity gaps by expanding both the quantity and quality of afterschool and summer learning opportunities for school-aged young people. MOST is one of the fifty statewide networks supported by the Charles Stewart Mott Foundation and serves as Maryland’s affiliate to the National Afterschool Association.

MOST Network strongly endorses Senate Bill 112, which will provide much-needed support to youth development organizations that receive grant funding from the state of Maryland. In addition, SB 112 will offer protections similar to those who receive contracts through the state’s procurement process.

We have heard many stories from the field that, in particular, afterschool and summer program providers have faced lengthy delays in receiving payments. In some cases, the delays have created organization-threatening challenges, including the inability to meet payroll. These delays have also disrupted programming, which is relied upon by both children and families. The impact disproportionately affects smaller, community-based organizations, often led by people of color.

Delayed payments were endemic before the COVID-19 pandemic. Therefore this issue is not just a short-term problem related to staffing shortages or administrative challenges. Organizations that apply for grants from the state, receive promissory award letters and act accordingly in good faith need a method of redress when late payments interfere with their ability to provide services.

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

Ellie Mitchell
Director, Maryland Out of School Time Network
emitchell@mostnetwork.org
410-370-7498

Nonprofit Montgomery Written Testimony in Support

Uploaded by: Franca Brilliant

Position: FAV



**Written Testimony in Support of Senate Bill 112: *State Finance and Procurement-Grants-Prompt Payment Requirement*
*Budget and Taxation Committee, January 19, 2023 –FAVORABLE***

Franca Brilliant, Advocacy and Development Director, Nonprofit Montgomery

Thank you for giving me the opportunity to testify. My name is Franca Brilliant and I am the Advocacy and Development Director for Nonprofit Montgomery. We support our nearly 200-member nonprofit organizations with technical assistance, training and resources, and advocacy on issues of importance to the nonprofit sector. The one you are considering today is an obstacle for nonprofits across the state.

I have worked with nonprofit organizations for over 30 years and have seen so many examples of nonprofits struggling to start programs while contracts were stuck in various stages of procurement that I have lost track. In my own direct experience, I have seen delays on payments of invoices from state agencies that extended for months. Delays in paying invoices often follow delays in initial payments on programs with significant start-up costs. Most nonprofits don't have the financial reserves to float a major project with their own funds while waiting for their money to come through. The burden falls especially heavily on the organizations that most need this support—small community-based organizations, many of which are led by people of color.

Current “prompt pay laws” and regulations that set standards for review of invoices don't apply to the reimbursable grants agreements that most nonprofits offering health, education, or social services hold with the state. Although the law isn't perfect, it would be a big improvement for service providers who would know that agencies are obliged to respond in a timely manner or face penalties.

We ask that you take steps to ensure that nonprofits serving Maryland communities on behalf of the state are entitled to the same regulations that apply to business contracts with the state. Nonprofit Montgomery supports Senate Bill 112 and we urge you to give it a favorable report.

Thank you for your consideration.

Nonprofit Montgomery
6010 Executive Blvd., Suite 200, Rockville, MD 20852
connect@nonprofitmoco.org nonprofitmoco.org

SB 112 to B&T SUPPORT - Prompt Pay for State Gra

Uploaded by: Henry Bogdan

Position: FAV



marylandnonprofits.org

1500 Union Avenue | Suite 2500 | Baltimore, MD 21211
410.727.6367 | 800.273.6367 | Fax 410.235.2190

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.



SB112 FAV - NAMI MD.pdf

Uploaded by: Josh Howe

Position: FAV

January 19, 2023

Chairman Guzzone, Vice Chair Rosapepe, and distinguished members of the Budget and Taxation Committee,

The National Alliance on Mental Illness, Maryland and our 11 local affiliates across the state represent a statewide network of more than 45,000 families, individuals, community-based organizations, and service providers. NAMI Maryland is a non-profit that is dedicated to providing education, support, and advocacy for persons with mental illnesses, their families and the wider community.

Maryland's 'prompt pay' law requiring payment in 30 days on state procurement contracts, and the regulations regarding review of invoices, do not apply to the reimbursable grant agreements that are used with most state grants to nonprofits for the provision of health, education or social services. Nothing in statute or regulation requires that state grantees providing services on behalf of the state be paid in a timely manner.

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. Critical services are jeopardized when organizations scramble to meet payroll, tap or exhaust reserves, delay implementing or expanding programs, or are forced to borrow to deal with payment delays.

NAMI MD urges a favorable report on SB112.

Thank you,

1-19-2023 FINAL WRITTEN - SB112 State Finance and

Uploaded by: Justin Hayes

Position: FAV



Brooke Lierman
Comptroller

Testimony in Support of SB 122
State Finance and Procurement - Grants - Prompt Payment Requirement
*Budget and Tax Committee * January 19, 2023*

What the bill does

SB 122 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

SB112 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 Senate Bill 112.

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.

- Senate Bill 112 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.
- To this end, COM requests a friendly amendment to insert the following into page 5, under 2-211(G)(2): “upon receipt of a proper invoice as submitted by the grant-making entity, the Comptroller’s Office shall have 5 business days to review and process the payment, notwithstanding any other timeline established under this statute and without further accrual of interest.”

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

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SB0112-BT_MACo_SUP.pdf

Uploaded by: Kevin Kinnally

Position: FAV



Senate Bill 112

State Finance and Procurement – Grants – Prompt Payment Requirement

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: January 19, 2023

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** SB 112. By standardizing prompt 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 112 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 112 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 112.

Grant reimbursement - days to payment - testimony

Uploaded by: Lisae C Jordan

Position: FAV



Working to end sexual violence in Maryland

P.O. Box 8782
Silver Spring, MD 20907
Phone: 301-565-2277
www.mcasa.org

For more information contact:
Lisae C. Jordan, Counsel
443-995-5544

Testimony Supporting Senate Bill 119
Lisae C. Jordan, Executive Director & Counsel
January 19, 2023

The Maryland Coalition Against Sexual Assault (MCASA) is a non-profit membership organization that includes the State's seventeen rape crisis centers, law enforcement, mental health and health care providers, attorneys, educators, survivors of sexual violence and other concerned individuals. MCASA includes the Sexual Assault Legal Institute (SALI), a statewide legal services provider for survivors of sexual assault. MCASA represents the unified voice and combined energy of all of its members working to eliminate sexual violence. We urge the Budget & Taxation Committee to report favorably on Senate Bill 119.

Senate Bill 119 – Requiring Timely Payment of Grant Funds

Maryland supports survivors of sexual assault, child sexual abuse, sex trafficking, and other crimes through grants of state and federal funds. These grants are generally to non-profit organizations, and these agencies often operate with limited resources. Grants provide core support for salary, benefits, and operational expenses. With the help of grants from Maryland, survivors receive counseling, shelter, legal services, advocacy, and other help. SB119 will help address the delays in disbursement of grant funds that rape crisis centers and others repeatedly experience with Maryland grant awards.

Many state agencies, including the Governor's Office of Crime Control, Youth, and Victim Services, require that grant recipients front funds to use for grant activities and then the state provides reimbursement. Previously, some larger grants used a monthly reimbursement schedule, and smaller grants a quarterly reimbursement schedule, but recently even some larger grants have been moved to a quarterly schedule. This means that a full quarter of expenditures be made prior to reimbursement. In theory, grant reimbursements are to be made within 30 days, but they frequently take far longer. This means, as an example, that a rape crisis center would expend payroll and other expenses for 3 months (one quarter), and then file for reimbursement within 30 days, and then wait another 4 or 5 or more weeks for reimbursement. This is untenable. Many non-profits, particularly smaller organizations in rural communities or those devoted to discrete underserved populations, cannot carry the State of Maryland for the weeks and months it takes to get paid for work already performed.

Sexual assault and rape crisis programs share some of their perspectives:

...for us as a small non-profit, this has posed a great challenge through the years. Our monthly expenses run anywhere between \$40,000-\$70,000. It is not uncommon at all for grant payments to arrive 10-12 weeks after the end of a month or quarter. While we do receive donations and we do fundraise, our flexible fund revenue isn't nearly enough to create the cash flow needed to cover those expenses for 10-12 weeks after a monthly reimbursement request. And for those grants that are quarterly, we must carry those 3 months, in addition to the weeks after waiting for payment. We are lucky enough to have a bank that has given us an unsecured \$100,000 line of credit, which is the only way we can operate. However, we then end up paying interest on it, which could be used for other things. We are very grateful for this line of credit, however, because our previous bank would not provide a line of credit over \$50,000, which simply wasn't enough.

... we have experienced enormous stress as a result of Maryland's failure to pay their bills on time. More than once, I have loaned my agency money so we make payroll, but there is only so much I can do. It's important to remember that we run a tight ship and are fiscally responsible. This is just a question of the State failing to do what they promised to do. We almost missed payroll at Christmas time one year. I'm lucky that our Delegate intervened and cash arrived in time

...the delays in payment create some of the greatest challenges for our non-profit agency. We help child survivors who have had horrible things happen to them, adults who have been raped, students assaulted at school, and other victims and survivors of sexual violence. Our staff works hard, and are paid so much less than they would be paid in the private sector. It just feels disrespectful that the state of Maryland can't pay us on time. Sometimes they have our funds for months and months. We can't charge them interest, but we incur interest expenses if we have to take a loan so we can pay our staff.

... My organization has been providing services for over 40 years in southern Maryland. We have approximately 20 staff members and serve over 2000 individuals a year, providing victims of domestic, dating and sexual violence with everything from shelter to crisis intervention to legal representation and more. Many of our staff members live paycheck to paycheck, and do not have a "cushion" if their payroll is not on time. Similarly, if our nonprofit doesn't receive our reimbursements on a timely basis, we do not have the funds to cover the state reimbursements until they arrive. On at least five occasions over the past 2 years, our funding was significantly delayed. Once our reimbursements did not arrive until 74 days after we requested them. This meant that employees would not get payroll. I had just sold my home and had the profits in my personal account in anticipation of putting a down payment on a new home. So I used that money to cover the next two payrolls until the funds were finally received. In two of the other instances, one of the counties we serve was gracious enough to advance us funds from a future quarter. On the other two occasions, we borrowed money.

...It is unrealistic to think that a small nonprofit will have reserves to cover grant funds. Through very careful monitoring of our budget and saving every penny of donated unrestricted funds possible, we've built up a small cushion over the years, but it could not carry us for any significant period of time. As it was (and as it is), many reimbursements come on a quarterly basis: the result is that each quarter, we are paying out personnel and operational costs for anywhere from 2 weeks to 4 months prior to receiving reimbursements...and that's assuming they are paid on time (i.e. we pay two weeks of payroll on July 15th, for the first two weeks of the quarter. However, we are not allowed to bill for it, and do not receive reimbursement for that, until the end of that quarter, on September 30th. We then receive the funds sometime in October, if things go smoothly). To know that reimbursements would reliably processed in a more timely manner would make a huge positive difference.

*... it's amazing to me that the federal government is so much better at paying on grants than Maryland is. Federal grants will allow us to both get reimbursed promptly and also to request funds that will be expended within 10 days. **When we request funds awarded under a federal grant and administered by the federal government, the money is in the bank within days – sometimes less than 24 hours.** Maryland should be at least as good as the federal bureaucracy.*

It is important to remember that sexual assault programs and other non-profits have many of the same responsibilities as other small businesses: payroll, rent, health insurance for employees, utility payments, etc. SB119 would help improve the financial health of rape crisis centers and let them focus on helping survivors.

**The Maryland Coalition Against Sexual Assault
urges the Budget & Taxation Committee to
report favorably on Senate Bill 119**

Support Letter for State Senate Bill 112.pdf

Uploaded by: Lynn Rose

Position: FAV



**Written Testimony in Support of Senate Bill 112:
State Finance and Procurement-Grants-Prompt Payment Requirement
Budget and Taxation Committee, January 19, 2023 –FAVORABLE**

Susie Sinclair-Smith, CEO, Montgomery County Coalition for the Homeless

Thank you for giving me the opportunity to testify. My name is Susie Sinclair-Smith and I am the CEO for Montgomery County Coalition for the Homeless. As the largest nonprofit providing homeless services, we understand the importance of advocacy on enabling nonprofits to serve the community and accomplish key missions like ending homelessness. We stand with many other nonprofits in supporting this legislation.

Montgomery County Coalition for the Homeless (MCCH) leads the effort to end homelessness in our community by creating housing options, providing supportive services, and facilitating collaboration, education and advocacy based on the belief that every person is entitled to the dignity of a home. In our work alongside other nonprofit organizations, MCCH has experienced and seen examples of nonprofits struggling to start programs while contracts were stuck in various stages of procurement. Most nonprofits don't have the financial reserves to float a major project with their own funds while waiting for their money to come through. The burden falls especially heavily on the organizations that most need this support—small community-based organizations, many of which are led by people of color.

Current “prompt pay laws” and regulations that set standards for review of invoices don't apply to the reimbursable grants agreements that most nonprofits offering health, education, or social services hold with the state. Although the law isn't perfect, it would be a big improvement for service providers who would know that agencies are obliged to respond in a timely manner or face penalties. We ask that you take steps to ensure that nonprofits serving Maryland communities on behalf of the state are entitled to the same regulations that apply to business contracts with the state.

MCCH supports Senate Bill 112 and we urge you to give it a favorable report.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Susie Sinclair-Smith".

Susie Sinclair-Smith
CEO

SB 112_MNADV_FAV.pdf

Uploaded by: Melanie Shapiro

Position: FAV



BILL NO: Senate Bill 112
TITLE: State Finance and Procurement – Grants – Prompt Payment Requirement
COMMITTEE: Budget and Taxation
HEARING DATE: January 19, 2023
POSITION: **SUPPORT**

The Maryland Network Against Domestic Violence (MNADV) is the state domestic violence coalition that brings together victim service providers, allied professionals, and concerned individuals for the common purpose of reducing intimate partner and family violence and its harmful effects on our citizens. **MNADV urges the Senate Budget and Taxation Committee to issue a favorable report on SB 112.**

Survivors of domestic violence in Maryland receive support and services through organizations, many of whom are the recipients of state and federal grant funds. Non-profit organizations are generally those that receive these grants and operate with limited resources. The state and federal grant dollars are relied upon for salary, benefits, and operational expenses. These grants enable non-profit organizations to provide shelter, counseling, advocacy, legal services and hotlines to victims and survivors of domestic violence in Maryland.

The current structure for reimbursement is untenable for many non-profits, particularly smaller organizations in rural communities or those devoted to discrete underserved populations. They simply cannot front the money and carry the State of Maryland for the weeks and months it takes to get paid for work already performed.

The Governor's Office of Crime Control, Youth, and Victim Services and other state agencies require that grant recipients front funds to use for grant activities and then the state provides reimbursement. Some grants use a monthly reimbursement schedule and others require that a full quarter of expenditures be made prior to reimbursement. Grant reimbursements are to be made within 30 days, but they frequently take far longer. This means, as an example, that a domestic violence service provider would expend payroll and other expenses for 3 months (one quarter), and then wait another 4 or 5 or more weeks for reimbursement.

Maryland's non-profits have the same financial obligations as other small businesses including rent, payroll, health insurance for employees, and more. SB 112 would allow domestic violence non-profits to dedicate their attention to helping the victims and survivors they serve without worrying about their financial security and health and when a check from grant funds awarded might arrive.

For the above stated reasons, the **Maryland Network Against Domestic Violence urges a favorable report on SB 112.**

For further information contact Melanie Shapiro ■ Public Policy Director ■ 301-852-3930 ■ mshapiro@mnadv.org

1997 Annapolis Exchange Parkway, Suite 300 ■ Annapolis, MD 21401
Tel: 301-429-3601 ■ E-mail: info@mnadv.org ■ Website: www.mnadv.org

favorable testimony sb112.pdf

Uploaded by: Michael Bullis

Position: FAV

January 16, 2023

Budget and Taxation Committee

TESTIMONY IN SUPPORT

SB 112 Comptroller - Online Payment Processing Portal

In the past year, the IMAGE Center of Maryland has had as high as \$240,000 in out standing payments from the State of Maryland. The IMAGE Center for People with Disabilities is a Center for Independent Living serving people in Baltimore City, Baltimore County and Harford County. We serve veterans through an agreement with the Maryland Department of Aging and have had as much as \$150,000 in delayed payments. The effect of this is that in order to float the State of Maryland a loan we have to use donated dollars that could otherwise be spent on direct services.

Clearly, without some requirement, we are not a priority for payment. We cannot often even find out the status of any given payment.

We have been providing services to Veterans and their families to keep veterans in their homes. We currently serve over 35 Veterans in this program. This program is paid as a fee-for-service, a set amount of money each month.

Maryland has a great opportunity to ensure that those non-profits serving some of the most vulnerable residents are treated equitably and fairly. We urge your favorable report on this Bill.

Sincerely,

Michael Bullis,

Executive Director,

Independent Marylanders Achieving Growth Through Empowerment, Inc.

300 E. Joppa Rd., Suite 312,

Towson MD 21286

Prompt Payment Parity Testimony.pdf

Uploaded by: Michael McKinney

Position: FAV

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.

Historic Sotterley SB112 Testimony.pdf

Uploaded by: Nancy Easterling

Position: FAV

Testimony for SB112—Payment Parity and Prompt Payment on State Grants
Nancy L. Easterling

I am Nancy Easterling, the Executive Director for Historic Sotterley, Inc., located in St. Mary's County, Maryland, and I am writing in support of SB112. For those of you not already familiar with Historic Sotterley, our nonprofit runs a 300 year old National Historic Landmark and historic museum site which interprets our complex, and often difficult, shared history. With a full and varied range of programming to include education programs and field trips, tours, cultural events, recreational opportunities, a working farm that donates produce to our local community, our Common Ground Initiative supported by our Descendant community, and much more. Historic Sotterley is truly an exceptional educational and cultural resource for our community, our State, and our Nation.

Historic Sotterley is unlike many museums, however, in that it is not owned by a county, state or federal agency, and it does not have an endowment to support its operations. This means we need to earn and work for the funds needed to support our efforts and our mission, and this makes for a pencil-thin budget with often no reserve accounts to serve as a cushion. Despite our challenges, we have never wavered in our dedication to improving how we serve our community, and we have made many advancements over the years of which we are incredibly proud. Generous grants from the State of Maryland have been responsible for a great many of these important projects and advancements.

There are many grants which I have hesitated to apply for, however, because I know that most state grants work on a reimbursement basis which is difficult for small organizations like ours. Cash flow is everything for a small nonprofit, and we typically do not have funds in reserve to fall back on. It can sometimes take months and months after paying a bill to work our way through the reimbursement process, and we have had to draw on our operational line of credit which then incurs interest payments we will not be reimbursed for, as well as tying up our line of credit and making it unavailable for critical operational expenses such as payroll. If the invoices are large, or there are many invoices that must be paid in a tight time frame, it can be even more challenging to navigate cash flow. We have even had to delay paying other bills when funds became too tight, hoping somehow that the people to whom we owe money will be understanding. They also have operational needs, however, and cash flow is a problem for them as well.

Another challenge in the grant reimbursement process for nonprofits is that sometimes there are also reimbursement thresholds which must be reached which can push out even further when a nonprofit can actually request payments and reimbursements. The passage of SB112 will ensure that part of the very real concern nonprofits have about applying for grants will be addressed. They can finally have some assurance that they will not have to wait months and months to finally be reimbursed for submitted invoices, and can be more certain of the time frame when they can expect to receive reimbursement. It might make a many nonprofits more willing to apply for some grants. To ensure prompt payment may require funding additional positions to be hired at the state level, but a more efficient working of the grant system will ensure that a great number of very important projects and works can actually take place.

Nonprofits are small businesses that do huge things for our communities. I support SB 112, and please know that your support of this bill is in fact supporting all of the many nonprofits that are working every day to make Maryland a better place for all.

Historic Sotterley Inc's Mission: Preserve our historic structures and natural environment and use the powerful stories of our land, lives, and labor to bring American history to life while serving as an educational and cultural resource.

SB 112_MAA_FAV.pdf

Uploaded by: Rachel Clark

Position: FAV

CHAIRMAN:
Jeff Graf
VICE CHAIRMAN
David Slaughter

MARYLAND ASPHALT ASSOCIATION



TREASURER:
Paul Bramble
SECRETARY:
Curtis Hall
PRESIDENT:
G. Marshall Klinefelte

January 19, 2023

Senator Guy Guzzone, Chair
Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

RE: SB 112 – FAVORABLE – State Finance and Procurement – Grants – Prompt Payment Requirement

Dear Chair Guzzone and Members of the Committee:

The Maryland Asphalt Association is comprised of 18 producer members representing more than 47 production facilities, 24 contractor members, 24 consulting engineer firms and 41 other associate members. We proactively work with regulatory agencies to represent the interests of the asphalt industry both in the writing and interpretation of state and federal regulations that may affect our members. We also advocate for adequate state and federal funding for Maryland's multimodal transportation system.

Senate Bill 112 would require the State to make payment under a grant agreement within 30 days after payment is due under the grant agreement or the day an invoice is received, after which interest shall accrue. We appreciate and applaud the sponsor for reintroducing this piece of legislation, with the aim to correct the longstanding problem with prompt payments. Our members struggle with this frequently in our industry and hope codifying a more expedient payment schedule will ensure contractors are paid on time.

We appreciate you taking the time to address this issue and we respectfully urge a favorable report on Senate Bill 112.

Sincerely,

Marshall Klinefelte
President
Maryland Asphalt Association

SB 112_MTBMA_FAV.pdf

Uploaded by: Rachel Clark

Position: FAV



January 19, 2023

Senator Guy Guzzone, Chair
Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

RE: SB 112 – FAVORABLE – State Finance and Procurement – Grants – Prompt Payment Requirement

Dear Chair Guzzone and Members of the Committee:

The Maryland Transportation Builders and Materials Association (“MTBMA”) has been and continues to serve as the voice for Maryland’s construction transportation industry since 1932. Our association is comprised of 200 members. MTBMA encourages, develops, and protects the prestige of the transportation construction and materials industry in Maryland by establishing and maintaining respected relationships with federal, state, and local public officials. We proactively work with regulatory agencies and governing bodies to represent the interests of the transportation industry and advocate for adequate state and federal funding for Maryland’s multimodal transportation system.

Senate Bill 112 would require the State to make payment under a grant agreement within 30 days after payment is due under the grant agreement or the day an invoice is received, after which interest shall accrue. We appreciate and applaud the sponsor for reintroducing this piece of legislation, with the aim to correct the longstanding problem with prompt payments. Our members struggle with this frequently in our industry and hope codifying a more expedient payment schedule will ensure contractors are paid on time.

We appreciate you taking the time to address this issue and we respectfully urge a favorable report on Senate Bill 112.

Thank you,

A handwritten signature in blue ink, appearing to read "Michael Sakata", is written over a faint, light blue circular watermark or stamp.

Michael Sakata
President and CEO
Maryland Transportation Builders and Materials Association

SB122_CC_Vaughan_FAV.pdf

Uploaded by: Regan Vaughan

Position: FAV



SB 112
State Finance and Procurement – Grants – Prompt Payment Requirement
Budget & Taxation Committee
January 19, 2023
Support

Catholic Charities of Baltimore supports SB 112 which would expand the prompt pay standards in procurement to grant agreements. Inspired by the Gospel to love, serve and teach, Catholic Charities provides care and services to improve the lives of Marylanders in need. For 100 years, Catholic Charities has accompanied Marylanders as they age with dignity, obtain empowering careers, heal from trauma and addiction, achieve economic independence, prepare for educational success and feel welcome as immigrant neighbors. We are able to provide these services – many of which are funded via grant agreements - through strong partnerships with the federal, state and local government.

Catholic Charities enters into grant agreements with numerous state agencies in Maryland. Unfortunately, under current practices, entering into grant agreements with the state comes with the frustrating knowledge that payments will often be made months after the work is performed. A recent experience is a prime example of the delays inherent in working with the State.

Catholic Charities has a renewable grant with the State for \$350,000. The term of the grant is the State's fiscal year. The FY22 grant agreement was not signed until late January – 7 months into the year. Invoices for the work completed in Quarters 1&2 was sent in early February and the 3rd Quarter invoice was sent in April. During this time, the state employee administering the grant left state service. Despite not being paid on the first three invoices, Catholic Charities continued to deliver services and a 4th Quarter invoice was submitted in July. The 4th Quarter invoice was promptly paid. When we inquired about the unpaid invoices for the first three quarters, we were told our 2nd point of contact had left the Department and our new point of contact would get in touch with us. In October, we followed up again with no response. In November, the new point of contact reached out and tried to piece together why the invoices had not been paid. On December 6, she informed us that the three invoices had been rejected because we had overbilled the state by \$2,000. It took six months to be notified of the alleged overbilling. We responded by showing that the four invoices taken together in fact added up to \$349,999.99. There was no overbilling. The State remitted payment on December 12, 2022, which was more than a year after services had been delivered on two of the invoices.

While it is not a good business practice, Catholic Charities was able to continue to deliver services and absorb the delay in payment. However, we know that many of our partner organizations would not be able to do so. Many small non-profits will not enter into grant agreements with the state because they cannot sustain the delays in payment. The non-profit community is mission driven and we want to partner with the state to deliver programs and services to Marylanders in need. Unfortunately, without the safeguards provided in SB 112, the state is losing out on opportunities to build true partnerships with community-based organizations.

For the reasons listed above, Catholic Charities of Baltimore appreciates your consideration, and urges the committee to issue a favorable report for SB 112.

Submitted By: Regan Vaughan, Director of Advocacy

Testimony In Support of SB 112 - Budget and Taxati

Uploaded by: Rich Ceruolo

Position: FAV



January 18, 2023

Maryland Senate
11 Bladen St.
Annapolis, MD. 21401

In Support of SB 112: State Finance & Procurement - Grants - Prompt Payment Requirement

Members of the Maryland Senate's Budget and Taxation Committee.

We are an organization of military and non-military families with over 1500 members and support our local non-profits that fill necessary roles in our non-profit support and services networks. We fully support SB 112 requiring on-time state grant payments, to state of Maryland grant recipients.

This bill supports the financial stability of the programs that so many of our families rely upon for a variety of services, and programming. These organizations and their financial struggles caused by delays in grant payments, negatively impact them, and many families in our advocacy network.

Many of these non-profit organizations fill vital roles not being met by state or local agencies. Non-profits are providing vital supports, programming and services to communities that might otherwise go without them. These programs impact a variety of communities including; Black, Brown, Disabled, Non-English Speakers, Veterans and Non-Veterans alike.

And in these early days of the early implementation of the Blueprint for Maryland's future, their services are something that all of us with school aged children, and local school districts will be relying on even more heavily. They need their grants to be paid on time and with fidelity

The future of Maryland's interlocking support service networks lies with its non-profit organizations. And the future success of all Maryland families that rely on these networks and its service providers need your support with providing greater financial stability for these organizations. Please support and protect their short & long term financial stability, so they can continue their important work of serving families that need their services, today and into the future of the implementation of Maryland's Blueprint law. We ask the committee to please support Senate Bill 211.

Thank you for your time, and for considering our testimony today.

Mr. Richard Ceruolo | richceruolo@gmail.com
Parent, Lead Advocate and Director of Public Policy
Parent Advocacy Consortium (Find us on Facebook/Meta)
<https://www.facebook.com/groups/ParentAdvocacyConsortium>

SB112-Prompt Payment Requirement - The Arc 2023.pd

Uploaded by: Robert Malone

Position: FAV



Achieve with us.



Date: January 16, 2023
To: Senate Budget and Taxation
From: Rob Malone, Executive Director, The Arc Prince George's County
rmalone@thearcofpgc.org; 301-266-2515
Re: Testimony **in Support of** Senate Bill 112

Dear Chair Guzzone and Committee Members:

I am Rob Malone, Chief Executive Officer for The Arc Prince George's County and Founding Board Member for Community Youth Advance. Thank you for this opportunity to share my perspective on the Prompt Payment Bill before you.

The Arc supports people with developmental disabilities and their families from birth throughout life. We are a go-to organization for resources and support. Community Youth Advance, a nonprofit I founded in 2015, is now one of the largest youth development organizations in Prince George's County.

I am writing to share with you how adhering to prompt payment rules for state contracts with nonprofits is appropriate, beneficial and equitable.

I think it is fair that the bill requires state agencies to notify contractors within 10 business days, after receipt of invoice, if the invoice is not sufficient, and identify what needs to be addressed. If the agency doesn't get back to you in 10 days, the invoice is presumed to be a good invoice payable in 30 days from receipt.

1401 McCormick Drive
Largo, Maryland 20774

T **301-925-7050** F **301-925-4387**
www.thearcofpgc.org

Here are just a couple of concerns that would be corrected by passage of this bill:

- Smaller, but yet effective, organizations are locked out of applying for grants because they do not have the financial capital to handle delayed payments. Many would not have lines of credit sufficient enough to support the grants.
- Nonprofits led by Black and brown people typically have fewer resources/assets (76% less) and are currently at a disadvantage when even considering to provide services for the state.
- The 9% interest on delayed payments would cover interest expense from bank lines of credit and prevent the erosion of nonprofit balance sheets.
- Slow payments from the state cause nonprofits to stop or ration services until they can get caught up.
- For many nonprofits, their work with state grant agreements can be their largest source of revenue. Most nonprofits have less than 90 days cash reserve. So, what do you think happens when a state agency takes more than 90 days or 180 days to make payment? Over the past couple of years, I have seen payment delays of up to 9 months from MSDE. That's 270 days.

Making contract payment approaches consistent across the state is the right thing to do. The same discipline and rationale we use for procurement contracts with for-profit organizations should be applied to nonprofit contracts and grant services.

I am asking for your help to pass the Prompt Payment bill that will require state agencies follow the state's 'prompt pay' law on grant agreements.

The importance of government and nonprofit collaboration and cooperation was heightened during the pandemic. Many nonprofits quickly adjusted to meet increased demands of our residents. The Arc did the same.

When nonprofits contract with a government agency, they do so with the promise of timely payment.

It is critical to our state, given the nature of nonprofit work and missions, to have strong nonprofits that can effectively and efficiently partner with government to serve our citizens. Nonprofits help people avoid crises, find the resources they desperately need and get on track with their career and financial goals.

That is what we do well. However, to do this effectively we need to have some predictability in payment.

Therefore, I ask you to support this legislation that will provide incentive for our government agencies to provide proper and timely response for payment to all vendors.

SB 112 State Finance and Procurement - Grants - P

Uploaded by: Robin McKinney

Position: FAV



SB 112- State Finance and Procurement - Grants - Prompt Payment Requirement
Senate Budget and Taxation Committee
January 19, 2023
SUPPORT

Chairman Guzzone, Vice-Chair and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 112. This bill will apply the same standards to payment on grant agreements for nonprofits that will already take effect on June 1 for all state procurement contracts.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Maryland's 'prompt pay' law requiring payment in 30 days on state procurement contracts, and the regulations regarding review of invoices, do not apply to the reimbursable grant agreements that are used with most state grants to nonprofits for the provision of health, education or social services. Nothing in statute or regulation requires that nonprofit grantees providing services on behalf of the state be paid in a timely manner.

It is essential that nonprofits receive dependable payment of funds secured through state grants because nonprofits provide essential services to Marylanders. Every year CASH receives state grants to expand access to free tax preparation and to support financial capability programs like free benefits counseling across the state. Free tax preparation is essential in providing financial assistance to Marylanders, and CASH's state grants allow for CASH to meet more of the increasing demand for free tax preparation. Last year, CASH was able to prepare over 13,000 returns and saved Marylanders \$4 million in tax preparation fees. Receiving state grants promptly is critical for CASH keeping its programs funded, which allow for services to reach more Marylanders. All nonprofits in Maryland who have secured a state grant should be able to use those state funds to support their programs.

There are many nonprofits across the state that provide critical services which are jeopardized when organizations scramble to meet payroll, tap or exhaust reserves, delay implementing or expanding programs, or are forced to borrow to deal with payment delays.

Senate Bill 112 will help nonprofits have consistent and reliable funding from the state by:

- Applying the existing rules for state procurement contracts to grant agreements

For these reasons, we urge this Committee to return a favorable report on SB 112.

Creating Assets, Savings and Hope

SB112_MAP_FAV.pdf

Uploaded by: Stacey Jefferson

Position: FAV



TESTIMONY IN SUPPORT OF HB 1

Labor and Employment – Maryland Healthy Working Families Act

House Economic Matters Committee

February 10, 2023

Submitted by Kali Schumitz and Mark Huffman, Co-Chairs

Member Agencies:

211 Maryland

Baltimore Jewish Council

Behavioral Health System Baltimore

CASH Campaign of Maryland

Energy Advocates

Episcopal Diocese of Maryland

Family League of Baltimore

Fuel Fund of Maryland

Job Opportunities Task Force

Laurel Advocacy & Referral Services,
Inc.

League of Women Voters of Maryland

Loyola University Maryland

Maryland Center on Economic Policy

Maryland Community Action
Partnership

Maryland Family Network

Maryland Food Bank

Maryland Hunger Solutions

Paul's Place

St. Vincent de Paul of Baltimore

Welfare Advocates

Marylanders Against Poverty

Kali Schumitz, Co-Chair

P: 410-412- 9105 ext 701

E: kschumitz@mdeconomy.org

Mark Huffman, Co-Chair

P: (301) 776-0442 x1033

E: MHuffman@laureladvocacy.org

Marylanders Against Poverty (MAP) strongly supports SB112, which would require state grant invoices to be paid within 30 days of receipt by the state's grant-making entity.

Maryland's current 'prompt pay' laws do not apply to the reimbursable grant agreements that are used with most state grant programs. Delays in receipt of promised state dollars directly affect the nonprofit community, as these organizations may not have significant cash reserves to foot the bill.

Even prior to the increased needs of the COVID-19 pandemic, a Maryland Nonprofits survey completed in 2020 that included more than 700 organizations found that 45% had less than 60 days of cash reserve, and a third had less than 30 days. This has only been exacerbated over the past three years.

SB112 would require state grants to be promptly paid within 30 days of receiving a proper invoice (can be defaulted up to 7 additional days without penalty). If payment is not made by this deadline, a 9% interest rate will be accrued per year on the amount that is due. Similar prompt payment procedures have already been in place for state procurement contracts for roughly 40 years.

A majority of the nonprofits across Maryland provide services for the otherwise underserved. On top of the fiscal impact of carrying out their missions, these organizations have the same financial obligations as other small businesses including rent, payroll, employee benefits, etc. It is imperative that promised state funds are paid out to these entities in a timely fashion.

MAP appreciates your consideration and urges the committee to issue a favorable report for SB112.

Marylanders Against Poverty (MAP) is a coalition of service providers, faith communities, and advocacy organizations advancing statewide public policies and programs necessary to alleviate the burdens faced by Marylanders living in or near poverty, and to address the underlying systemic causes of poverty.

SB112_MARFY_SUPPORT.pdf

Uploaded by: Therese Hessler

Position: FAV



January 18, 2023

Senate Bill 112 – State Finance and Procurement – Grants – Prompt Payment Requirement

Budget & Taxation Committee

Position: SUPPORT

The Maryland Association of Resources for Families and Youth (MARFY) is an association of private child caring organizations providing foster care, group homes, and other services through more than 200 programs across Maryland. The members of MARFY represent providers who serve Maryland's most vulnerable children who are in out of home placements due to abuse, neglect or severe mental health, and medical needs. We operate group homes, treatment foster care programs and independent living programs, primarily serving the foster care population as well as a juvenile services population.

Maryland's 'prompt pay' law requiring payment in 30 days on state procurement contracts, and the regulations regarding review of invoices, do not apply to the reimbursable grant agreements that are used with most state grants to nonprofits for the provision of health, education or social services. Nothing in statute or regulation requires that nonprofit grantees providing services on behalf of the state be paid in a timely manner.

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. Critical services are jeopardized when organizations scramble to meet payroll, tap or exhaust reserves, delay implementing or expanding programs, or are forced to borrow to deal with payment delays.

Payment delays make participation in government programs even more difficult for providers, particularly disadvantaging smaller and younger nonprofits often led by people of color, that are less likely to have 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 Senate Bill 542 would have applied the existing rules for state procurement contracts to grant agreements and 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.



While Senate Bill 542 and its House counterpart House Bill 451 were stymied last year, the General Assembly did enact legislation taking effect on June 1, 2023 reducing the ‘grace period’ for late payments on state procurement contracts from 45 to 37 days after receipt of a proper invoice.

The efficient and effective use of hundreds of millions of dollars budgeted each year in state and federal funds for human services is being jeopardized by a failure to prioritize funding to resolve staffing shortages in a handful of agencies.

Thank you for your support on Senate Bill 112.

SB0112 Favorable.pdf

Uploaded by: Toni Torsch

Position: FAV



January 18, 2023

Maryland General Assembly
Senator Guy Guzzone
Chair, Budget and Taxation Committee

RE: SB0112 State Finance and Procurement - Grants - Prompt Payment Requirement

Good Day Chair Guzzone and Committee Members.

My name is Toni Torsch, I am the Director of the Daniel Carl Torsch Foundation and in favor of SB0112.

We are the recipient of two grants from the Maryland Department of Health (MDH) for Fiscal Year 2023. Allow me to first be clear that our experience with the direct funding staff at MDH Office of Harm Reduction and the OCCC has been excellent.

However, our experience with receiving reimbursement for submitted invoices has been horrible. For instance, we submitted our 1st quarter invoice for July, August and September in October, 2022 and received reimbursements on December 5th and 13th, 2022 which was almost at the end of the 2nd quarter. We were owed over \$100,000. While this may not seem like a large amount, we are a very small nonprofit and it was practically our entire reserves. Although this practice is not new, it has increasingly gotten worse.

Two days prior to receiving our reimbursement, we applied for a line of credit with M&T Bank so we could keep our doors open and staff of five paid. We serve hundreds of community members and provide thousands of services to the most vulnerable of populations, and we want to continue without the worry of having to make choices to cut services or wages because the procurement office within MDH and at the Maryland Department of Budget and Management has taken exceedingly long periods of time to approve grants and expenditures.

Thank you for your time and consideration. At this time, I respectfully request a favorable vote on this bill.

Mission: to provide assistance for substance abuse treatment and sober living; promote and provide overdose prevention programs.

SB0112 - MEA -UNF - Grants - Prompt Payment.pdf

Uploaded by: Landon Fahrig

Position: UNF



Maryland Energy Administration

TO: Members, Senate Budget & Taxation Committee
FROM: Chris Rice – Acting Director, MEA
SUBJECT: SB 112 - State Finance and Procurement – Grants – Prompt Payment Requirement
DATE: January 19, 2023

MEA Position: UNFAVORABLE

Senate Bill 112 fails to incorporate the mechanics of certain rebate-style grant programs and review timelines of competitive grant programs, making the timelines impracticable. Several Maryland Energy Administration (MEA) programs may be significantly impacted, including:

- Low-to-Moderate Income (LMI) Energy Efficiency Grant Program;
- Clean Energy Rebate Program (supporting solar photovoltaic, geothermal, etc);
- Electric Vehicle Supply Equipment (EV Chargers) Rebate Program;
- Resiliency Hub Grant Program (supporting solar plus energy storage for no-cost resiliency centers serving LMI communities); and
- some offshore wind job training programs.

In order to ensure the proper and efficient use of State money, before approving an invoice for payment, MEA has to ensure the work for which a grant is being paid is consistent with the terms of the grant agreement. To make this determination, MEA collects and compares invoices, timesheets, or other documentation to substantiate charges. This is in addition to any energy savings estimates that also need to be verified or calculated in parallel.

For the largest, highest volume program in this category, LMI Energy Efficiency, it currently takes at least 30 days to fully process all documents (energy savings, invoice comparison) assuming no issues arise that require a request of additional information from the grantees. This, in addition to internal financial and external financial processes, is likely to take more than 45 days.

Additionally, it is unlikely that MEA could satisfy the constraints of paragraphs 2-211(g)(2) and (3) for its rebate-style programs. ***More than one day is needed for proper review.*** Once an application is received, MEA's finance and administration team must follow a multiple step process, including several individuals –***as required for separation of duties and best practices for theft and fraud prevention***– prior to transmitting a request for payment to the Comptroller.

Lastly, MEA grants are funded by the Strategic Energy Investment Fund (SEIF), which has limited statutory uses. Interest on grant payments is not specifically listed in statute. MEA also questions the ability of an agency to make such interest payments without an appropriation for that purpose, and such payments would detract from the statutory purposes for SEIF funding, such as the programs listed above.

For these reasons, MEA is asking the committee for an **UNFAVORABLE** report.

SB112_Testimony.pdf

Uploaded by: Maria Sofia

Position: UNF



Maryland
DEPARTMENT OF PLANNING
MARYLAND HISTORICAL TRUST

HEARING DATE: January 19th at 1:00 PM

BILL NO: SB112

COMMITTEE: Budget and Taxation

POSITION: Oppose

FOR INFORMATION CONTACT: Kristin Fleckenstein (410) 767-7243

TITLE: State Finance and Procurement – Grants – Prompt Payment Requirement

BILL ANALYSIS:

SB112 would require State grant-making entities to make a payment under a grant agreement within 30 days after the date 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 from the grantee. Any request for payment that remains unpaid more than 30 days after the State grant-making entity receives a proper invoice or after the date stipulated in the grant agreement will accrue interest at the rate of 9% a year starting on the 31st day that payment was otherwise due.

SB112 defines what constitutes a “proper invoice” and how to determine a payment due date and the date on which interest will begin to accrue. The bill stipulates how State grant-making entities shall process grantee invoices and includes a timeline for processing of invoices: 1.) State grant-making entities must determine if an invoice is a “proper invoice” within 5 days; 2.) State grant-making entities must submit the invoice to the Comptroller for payment within 1 day after determining that the invoice is found to be a “proper invoice”; 3.) State grant-making entities must notify grantees if a submitted invoice does not satisfy the definition of a “proper invoice” within 2 days after that determination.

SB112 does not apply to grants made by a unit in the Judicial branch of state government or grants funded from general obligation bond proceeds or from a general fund appropriation to the Board of Public Works.

POSITION AND RATIONALE:

This bill impacts the Maryland Historical Trust (MHT) in so far as MHT is a State grant-making entity. Grant programs administered by MHT that are Affected by the bill's provisions include the Maryland Heritage Areas Authority Grant Program and Non-Capital Historic Preservation Grant Program which are funded with special funds and the Certified Local Government Subgrant Program which is funded with federal funds. MHT is currently managing approximately 120 grants which have been awarded through these programs. For most grantees, MHT processes a minimum of one grant disbursement and a maximum of three grant disbursements per fiscal year.

Disbursement requests submitted by grantees are reviewed by MHT grant project managers to ensure compliance with all grant agreement requirements. Grant project managers seek to ensure that: 1.) all costs incurred by the grantee are clearly identified on the invoices for the disbursement that is being sought; 2.) grantees are complying with the special conditions set forth in their grant agreement, as well as all other terms and conditions of the grant; and, 3.) grant funded deliverables meet the requirements stipulated in the grant agreement. The due diligence undertaken by MHT staff in carrying out its grant-making responsibilities is reflected in the clean audit that the agency recently received from the DLS auditors.

The 2 and 5 day timeframes stipulated by SB 112 which require determination of whether or not an invoice fulfills the requirements noted above is not reasonable, especially considering the fact that project monitors are frequently out of the office conducting site visits or providing technical assistance to grantees around the state. The 1 day timeframe required for submittal of the invoice to the Comptroller's office is similarly unrealistic as it fails to acknowledge how agency payment systems include checks and balances designed to ensure that funds are expended appropriately.

In most cases, grantee invoices may be processed quickly. There are, however, occasions when delays in invoice processing is due to conditions outside of MHT's control. As an example, MHT may not approve a grantee's disbursement request unless the grantee is in good standing with SDAT. The grantee, not MHT, is responsible for addressing SDAT issues which can sometimes take months to resolve. Similarly, the creation of grantee mail codes or changes of address in the Comptroller's database can impact disbursement processing times. While this may seem like a minor detail, it is a time-consuming step that is necessary to ensure that a grantee's payment is sent to the correct address. Until MHT has received confirmation that the SDAT or mail code updates have been resolved, MHT cannot proceed with disbursement processing. Small non-profit organizations with limited capacity find these problems particularly challenging to resolve.

Punitive fiscal measures in the form of the accrual of interest on grantee payments as proposed in this bill would unfairly target grant-making agencies in those cases where payment delays are the result of issues outside of the agency's area of influence. Grant-making agencies should be given the authority to set grant disbursement schedules and timelines that are responsive to individual program requirements in order to ensure that they serve as good stewards of state funds.

SB0112 - TSO - Grants Prompt Payments_OPP.pdf

Uploaded by: Patricia Westervelt

Position: UNF

January 19, 2023

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 East Miller Senate Office Building
Annapolis MD 21401

Re: *Letter of Opposition – Senate Bill 112 – State Finance and Procurement – Grants – Prompt Payment Requirement*

Dear Chairman Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) respectfully opposes Senate Bill 112, which establishes prompt payment requirements for grant agreements and significantly reduces the ability of MDOT to ensure that grantees are in compliance with grant requirements. The bill also runs contrary to a recent recommendation from the Department of Legislative Services (DLS) regarding prompt payment requirements.

Senate Bill 112 significantly reduces MDOT’s ability to effectively administer grant agreements by requiring grant funds to be paid within 30 days regardless of whether all grant requirements are being met. Much like the General Assembly withholds appropriations from State agencies pending the receipt of reports and other items required in the *Joint Chairmen’s Report*, the ability to withhold grant payments for non-compliance is an important tool for grant administrators.

For example, if a grant agreement requires submission of an annual report by January 15 each year and a bi-annual grant payment is due on March 1, the grant payment may be withheld until the annual report is submitted if it was not submitted on time. Under Senate Bill 112, this would not be allowed as long as the grantee submits a proper invoice. Although Senate Bill 112 defines a proper invoice as including “documentation required by regulation or the grant agreement,” this may be insufficient to withhold funds. In the example given, the annual report is a grant requirement that is not directly tied to the invoice submission, so the grantee could still submit a “proper invoice” even though the annual report submission had not been met.

Senate Bill 112 extends prompt payment provisions for invoices that were enacted in Chapters 157 and 158 of 2022 to grant payments. However, the nature of grant payments and invoice payments are very different. Invoice payments are tied to the billing of amounts after goods or services are received. The timing of grant payments may not be as clearly linked between when grant requirements are met and when the grant payment is requested. The timing of grant payments can be reimbursed-based or occur on a certain date. Grant payments based on a certain date are most susceptible to reduced effectiveness of grant administration with the passage of Senate Bill 112.

The Honorable Guy Guzzone
Page Two

The MDOT administers a significant number of grant agreements, including grants for locally operated transit systems, highway user revenue grants, highway safety grants, the Kim Lamphier Bikeways program, BWI Marshall Airport Community Enhancement grants, and WMATA, to name a few. The amount of each of these grant's ranges from a few thousand dollars to several hundreds of millions of dollars. The late payment interest rate of 9% established in Senate Bill 112, is significant and will add up quickly for large grants.

Chapters 157 and 158 of 2022 required a report from DLS regarding the timing of payments from State agencies for at least three prior fiscal years. In December 2022, DLS submitted its report and made three recommendations. The first two recommendations are to prioritize and support the modernization of the State's financial management system and to continue efforts to increase State employee compensation and expand staffing where necessary. DLS' third recommendation is to restore the 15-day grace period that was in place prior to Chapters 157 and 158 and to delay any other changes to State payment requirements until measures to improve on-time payment performance have been implemented. Specifically, the report states:

“Shortening the grace period from 15 days to 7 days exposes the State to increased liability for payment of interest on late payments. Instituting that change before measures to improve agency on-time performance, including a modernized financial management system and enhanced employee retention, may result in increases in State liability as agencies will not likely be able to meet the compressed deadlines. Once the FMIS upgrade is complete and the State can assess the extent to which it improves the payment process, it may then consider adjusting the timeframe for State payments to vendors.”

For these reasons, the Maryland Department of Transportation respectfully requests the Committee grant Senate Bill 112 an unfavorable report.

Respectfully submitted,

Jaclyn Hartman
Chief Financial Officer
Maryland Department of Transportation
410-865-1035

Pilar Helm
Director of Government Affairs
Maryland Department of Transportation
410-865-1090

SB0112_DNR_LOI wamendment_B&T_1-19-23.pdf

Uploaded by: Emily Wilson

Position: INFO



Wes Moore, Governor
Aruna Miller, Lt. Governor
Josh Kurtz, Acting Secretary

January 19, 2023

BILL NUMBER: Senate Bill 112 – First Reader

SHORT TITLE: State Finance and Procurement – Grants – Prompt Payment Requirement

DEPARTMENT’S POSITION: LETTER OF INFORMATION WITH AMENDMENTS

EXPLANATION OF DEPARTMENT’S POSITION

The department processes grant payments upon successful verification of grant requirements. This may involve site visits or other prolonged communication with the grant recipient in order to ensure grant requirements are met before payments are processed. The five-day review period is unrealistic when necessary visits and meetings with attendees from various non-State organizations are required in order to be in compliance with the terms of the grant. Additional staff would be needed to meet the departmental timelines of the bill as introduced, although that would not ensure all involved parties will be able to complete the review on time. Once payments are processed by DNR, they then go to the Comptroller’s Office for final processing. The department has no control over the amount of time the Comptroller might require. There is not an identified fund source to pay interest should the timelines in the bill not be met.

The Department is offering an amendment to exempt the Department of Natural Resources from the provisions of this bill which is consistent with a prior iteration of this legislation.

BACKGROUND INFORMATION

The Department provides grants to various organizations and local governments for purposes such as recreation, land conservation, and environmental stabilization and restoration. The Department enters into grant agreements that lay out requirements to meet in order to receive payments of such grants.

BILL EXPLANATION

This bill would require payment of grants within 30 days of the grant agreement due date, or later upon submission of a proper invoice. If payment is not made by this timeline, interest would be due.

Contact: Emily Wilson, Director, Legislative and Constituent Services (Acting)
emilyh.wilson@maryland.gov ♦ 410-260-8426 (office) ♦ 443-223-1176 (cell)

BY:

(To be offered in the Budget and Taxation Committee)

AMENDMENT TO SENATE BILL 112
(First Reading File Bill)

On page 3, in line 5, after “government;” insert: “(2) made by the
Department of Natural Resources;”;

and in line 6, strike “(2)” and substitute “(3)”.

SB 112_Grant Prompt Payments_LOI.pdf

Uploaded by: Jennifer LaHatte

Position: INFO



DATE: January 19, 2023
COMMITTEE: Senate Budget & Taxation
BILL NO: Senate Bill 112
BILL TITLE: State Finance and Procurement – Grants – Prompt Payment Requirement
POSITION: Statement of Information

Senate Bill 112 establishes as a policy of the State that grant payments be made within 30 days of either the date the payment is due under a grant agreement or the day on which a proper invoice is received by the grant making entity. Should payment be made late, interest of 9% a year is due and accrues beginning on the 31st day.

It is the Department’s understanding that the legislation is intended to impact grants that are reimbursable in nature, which the majority of Commerce’s grants are not, but as drafted SB 112 could potentially impact non-reimbursement grants issued by Commerce.

Commerce makes every effort to provide prompt payments in all areas – procurement payments as well as grant payments – but there are factors out of the Department’s control that impact when a payment is made. Specifically, Commerce does not have the ability to directly make payment, and once a grant is processed by Commerce it is then sent to the State Treasurer for a check to be disbursed to the recipient. Delays occur at times because items need to be corrected after information is sent to Annapolis for payment, and these situations occur more often with grant recipients than with contracts/procurement vendors because those vendors are often more experienced in working with the State and its requirements.

Additionally, Commerce is typically processing a larger number of grants for payment at one time than procurement payments. Where Commerce may have a unit/program working with procurement and accounts payable staff to process payment for one contract at a time, typically when units are processing grants, they are batches of grants being processed at the same time, which can slow the process down. This increased volume may contribute to grant payments being made “late.” Additionally, the amount of grants processed each year may fluctuate, but staffing levels do not change. For example, the FY 2023 budget included an additional \$40M to be distributed in grants through the Maryland State Arts Council (MSAC). For reference, MSAC’s total annual budget is typically less than \$30M. In an average year MSAC processes about 800 grants to individual artists and art organizations – this year they are on target to process approximately 2,500. This puts a strain on MSAC staff as well as Accounts Payable staff within Commerce and results in longer timeframes from when a grant agreement is executed to when payment is received.

As noted, many grants disbursed by Commerce do not have a specified due date. Additionally, Commerce does not receive invoices; Commerce staff create invoices after grant agreements are fully executed and after requisitions/POs are created. Unlike other State grants, the grants

disbursed by Commerce are not paid as reimbursements. However, without clarification to the bill as drafted, there is a possibility that Commerce could begin receiving invoices from grantees and therefore be responsible for interest payments if delays occur. If Commerce grants are potentially subject to interest payments, the result may be a reduced availability of funds for additional grantees - limiting the ability to help assist more Marylanders.