



**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.**