

February 2, 2021

Testimony on Senate Bill 376

Maryland Nonprofit Development Center Program – Nonprofit, Interest-Free, Micro Bridge Loan (NIMBL) Account – Funding Senate Budget and Taxation Committee

Position: Favorable

Senate Bill 376 clarifies and corrects a ‘wording’ issue in Senate Bill 465 of 2017, that has kept the Nonprofit, Interest-Free, Micro Bridge Loan, or NIMBL program from working as intended. It would allow the program to be funded at the level originally intended and indicated in the [Fiscal Note to Senate Bill 465](#).

The purpose of NIMBL is to address the continuing chronic problems, at both the state and county levels, of delays in funding and reimbursing service providers on grants and contracts.

For many nonprofits these delays stress their financial stability and ability to deliver services. Most nonprofits are not able to deal with extensive payment delays. A Maryland Nonprofits survey of over 700 organizations last year found that 45% had less than 60 days cash reserve, and a third had less than 30 days.

Not only do invoices sometimes languish unpaid for well beyond 60 days, but providers are sometimes expected to start services without being able to invoice for reimbursement for extended periods. While foundations have on occasion provided some temporary relief, that’s hardly the best use of their limited funds. Some organizations accept the cost of lines of credit as another unreimbursed cost of providing services for government, but this also consumes funds that should be devoted to direct service.

The failure of timely payment has serious impacts on programs and services. Clearly the best solution would be effective and efficient payment processes, including advances in appropriate cases to deal with start-up costs. But for the foreseeable future, the NIMBL program can help in many of these cases.

The funding provision in Senate Bill 465 in 2017 was that 5% of special funds distributed to the Small, Minority, and Women-Owned Businesses Account from proceeds of video lottery terminals (1.5% of those proceeds) would go to the new NIMBL loan program, but not more than \$1,000,000. Action at the end of the session delayed the distribution of VLT funds to the Small, Minority, and Women-Owned Businesses Account (and therefore also to NIMBL) until Fiscal Year 2021.

Because the funding provision in SB 465 - "up to 5%, not to exceed \$1,000,000" - can be read as requiring no funds at all, the budget for FY 21 and this year's budget bill contain no funds from that source. At this time the fund is still limited to the original \$187,500 provided after the 2017 session by an executive budget amendment. Senate Bill 376 in effect simply makes that language read "5%, not to exceed \$1,000,000."

We urge you to give Senate Bill 376 a favorable report.

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