

**Testimony to the Senate Budget and Taxation Committee
SB 542: State Finance and Procurement – Grants – Prompt Payment Requirement
Position: Favorable**

February 16, 2022

The Honorable Senator Guy Guzzone, Chair
Senate Budget & Taxation Committee
3 West, Miller Senate Office Building
Annapolis, Maryland 21401

cc: Members, Budget & Taxation Committee

Honorable Chair Guzzone and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are here in strong support of SB 542 which will bring “payment parity” to nonprofits delivering state services so that these providers will receive the same security for prompt payment that is already in law and regulation for procurement contracts. 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. This works to make participation in government programs even more economically difficult for service providers, particularly smaller and younger nonprofits often led by people of color.

MCRC supports SB 542 because it would enable us to expand our programs to meet the needs of tenants and to enhance our ability to affirmatively further fair housing in Maryland. In addition to our research, policy advocacy, and awareness-raising efforts, MCRC has three direct service programs that comprise part of our nonprofit’s strategy to expand economic security and housing justice for low-income and working families across the state.

Our Securing Older Adult Resources (SOAR) program assists older adults in applying for tax credits, provides benefits check-ups, consumer protection education as well as financial coaching and counseling. Our fair housing program provides education, awareness raising, investigation and enforcement of discrimination in housing and our tenant advocacy program provides education, outreach, client assistance and support for renters across the state. Both our fair housing and tenant advocacy programs are supported by City and state contracts. MCRC is a small organization with ten staff and a budget under \$1.5 million a year. To date, we are owed more than \$175,000 from the state and we have been waiting for payment on approximately

2209 Maryland Ave · Baltimore, MD · 21218 · 410-220-0494

info@marylandconsumers.org · www.marylandconsumers.org · Tax ID 52-2266235

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70% of these funds for 6-8 months. We are unable to expand our programs to meet the skyrocketing number of calls for assistance we receive because of these delays.

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.

The state's 30-day 'prompt payment' law on procurement contracts isn't perfect, and in fact if you get paid within 45 days there's no interest penalty. But it would be a critical improvement for many service providers. The provisions in SB 542 closely track those now in state law and COMAR for the handling and payment of invoices.

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 SB 542 a favorable report.

Best,

Marceline White
Executive Director