



February 15, 2022

**Testimony on Senate Bill 542  
State Finance and Procurement – Grants – Prompt Payment Requirement  
Senate Budget and Tax Committee**

**Position: Favorable**

The Mental Health Association of Frederick County (MHA) is an organization providing prevention, intervention and treatment services in Western Maryland including a 24/7 crisis response call center, behavioral health walk-in services and supportive services for families such as home visiting and CASA. We urge you to support Senate Bill 542 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”.

Maryland’s ‘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.

MHA continually faces delays in payments on grants or contracts that may extend many months (and in one case over a year!). Since many of our grants and contracts pay on a quarterly reimbursement schedule, it is not uncommon for us to not receive payment for six months or more. **In fact, our January financial statement showed that MHA had billed \$560,093 in grants and contracts and not been paid. This represents 15% of our budgeted income for this year. Worse yet, \$113,026 of that was billed over 90 days ago.**

These problems of delayed payment, often with no explanation, are not new or related to conditions under the current pandemic. They affect the way nonprofits providing lifesaving services operate. **Almost every year, our agency draws on its line of credit to continue operations—essentially financing State operations!** 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 Senate Bill 542 closely track those in 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 Senate Bill 542 a favorable report.**

**Building a strong foundation of emotional wellness**