



To: House Health and Government Operations Committee
For: HB 451 – State Finance and Procurement – Grants – Prompt Payment Requirement

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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 today 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 expending 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.

HB 451 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 10 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 10 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 45 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 HB 451 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.