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marylandnonprofits.org

February 15, 2022

Testimony on House Bill 451
State Finance and Procurement – Grants – Prompt Payment Requirement
House Health and Government Operations Committee

Position: Favorable

Maryland Nonprofits is a statewide association of more than 1300 nonprofit organizations and institutions. We urge you to support House Bill 451 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".

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.

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 House Bill 451 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 House bill 451 a favorable report.

Senate Bill 245 will change language in the original 2017 legislation for the NIMBL Program that has been interpreted as essentially making it's required funding completely discretionary – that was clearly not the intent of the General Assembly.

Under House Bill 256, the funding level for the NIMBL revolving loan fund will be 'restored' to 5% of the 1.5% of the state proceeds from video lottery terminals dedicated to the Small, Minority, and Women–Owned Businesses Account – NOT to exceed $1,000,000. The NIMBL Loan Fund is a revolving fund with loan repayments replenishing the Fund on a regular basis, and is still working with the original $187,500 amount. The General Assembly authorized an additional transfer of $150,00 in the FY22 budget that we believe is in process but as far as we can determine that money has not yet been transferred to the NIMBL fund account.

As a practical matter, Senate Bill 245 simply accomplishes what was intended in the original legislation in 2017 and will be a one-time allocation except to the extent of any program losses. The original program legislation, in Section 5-1204 of the Economic Development Article, requires that "If the money in the Account exceeds $1,000,000, any money in excess of that amount shall be transferred" back to the SMWOB Account.

We urge you to give House Bill 256 a favorable report.