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Date: January 16, 2023
To: Senate Budget and Taxation
From: Rob Malone, Executive Director, The Arc Prince George's County
rmalone@thearcofpgc.org; 301-266-2515
Re: Testimony **in Support of** Senate Bill 112

Dear Chair Guzzone and Committee Members:

I am Rob Malone, Chief Executive Officer for The Arc Prince George's County and Founding Board Member for Community Youth Advance. Thank you for this opportunity to share my perspective on the Prompt Payment Bill before you.

The Arc supports people with developmental disabilities and their families from birth throughout life. We are a go-to organization for resources and support. Community Youth Advance, a nonprofit I founded in 2015, is now one of the largest youth development organizations in Prince George's County.

I am writing to share with you how adhering to prompt payment rules for state contracts with nonprofits is appropriate, beneficial and equitable.

I think it is fair that the bill requires state agencies to notify contractors within 10 business days, after receipt of invoice, if the invoice is not sufficient, and identify what needs to be addressed. If the agency doesn't get back to you in 10 days, the invoice is presumed to be a good invoice payable in 30 days from receipt.

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Here are just a couple of concerns that would be corrected by passage of this bill:

- Smaller, but yet effective, organizations are locked out of applying for grants because they do not have the financial capital to handle delayed payments. Many would not have lines of credit sufficient enough to support the grants.
- Nonprofits led by Black and brown people typically have fewer resources/assets (76% less) and are currently at a disadvantage when even considering to provide services for the state.
- The 9% interest on delayed payments would cover interest expense from bank lines of credit and prevent the erosion of nonprofit balance sheets.
- Slow payments from the state cause nonprofits to stop or ration services until they can get caught up.
- For many nonprofits, their work with state grant agreements can be their largest source of revenue. Most nonprofits have less than 90 days cash reserve. So, what do you think happens when a state agency takes more than 90 days or 180 days to make payment? Over the past couple of years, I have seen payment delays of up to 9 months from MSDE. That's 270 days.

Making contract payment approaches consistent across the state is the right thing to do. The same discipline and rationale we use for procurement contracts with for-profit organizations should be applied to nonprofit contracts and grant services.

I am asking for your help to pass the Prompt Payment bill that will require state agencies follow the state's 'prompt pay' law on grant agreements.

The importance of government and nonprofit collaboration and cooperation was heightened during the pandemic. Many nonprofits quickly adjusted to meet increased demands of our residents. The Arc did the same.

When nonprofits contract with a government agency, they do so with the promise of timely payment.

It is critical to our state, given the nature of nonprofit work and missions, to have strong nonprofits that can effectively and efficiently partner with government to serve our citizens. Nonprofits help people avoid crises, find the resources they desperately need and get on track with their career and financial goals.

That is what we do well. However, to do this effectively we need to have some predictability in payment.

Therefore, I ask you to support this legislation that will provide incentive for our government agencies to provide proper and timely response for payment to all vendors.