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Health and Government
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THE MARYLAND HOUSE OF DELEGATES
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**Testimony in Support of
House Bill 328: State Finance and Procurement - Grants - Prompt Payment Requirement
February 22nd, 2023**

Madam Chair Peña-Melnyk and esteemed members of the Health and Government Operations Committee, it is my pleasure to come before you and offer testimony in favor of **House Bill 328: State Finance and Procurement - Grants - Prompt Payment Requirement**. This bill is designed to address a long-standing problem of not paying our bills on time.

Nonprofits operate under grant agreements with the State to provide a wide range of important services. Our 'prompt pay' laws that apply to State procurement contracts do not apply to the reimbursable grants that are used for the provision of health, education, and social services used to serve vulnerable Marylanders.

These late payments pose a serious challenge for many nonprofits, especially for those without significant reserves, which are usually smaller and younger and often led by people of color. In 2020, Maryland Nonprofits surveyed over 700 organizations and found that 45% had less than 60 days cash reserve, and a third had less than 30 days.

Under current law, State procurement contracts are required to be paid promptly (within 30 days). Unfortunately, there is no such provision for the timing of payment of State grants. Nonprofits in Maryland continually face delays in payments on grants or contracts that may extend many months. They may wait several months for an initial payment on a program with considerable start-up costs. Additionally, there are parameters for procurement invoicing, but there is nothing in statute or regulation regarding the invoice process for State grant agreements.

This legislation will require payment parity for nonprofits by requiring that grant-making entities maintain a reasonable, more consistent timeframe for paying invoices and would impose interest penalties upon agencies that fail to comply with the timeline.

It is about time that the state pays its bills on time.

I urge a favorable report on **House Bill 328**. Thank you.