

HB 328
State Finance and Procurement – Grants – Prompt Payment Requirement
Budget & Taxation Committee
February 22, 2023
Support

Catholic Charities of Baltimore supports HB 328 which would expand the prompt pay standards in procurement to grant agreements. Inspired by the Gospel to love, serve and teach, Catholic Charities provides care and services to improve the lives of Marylanders in need. For 100 years, Catholic Charities has accompanied Marylanders as they age with dignity, obtain empowering careers, heal from trauma and addiction, achieve economic independence, prepare for educational success and feel welcome as immigrant neighbors. We are able to provide these services – many of which are funded via grant agreements - through strong partnerships with the federal, state and local government.

Catholic Charities enters into grant agreements with numerous state agencies in Maryland. Unfortunately, under current practices, entering into grant agreements with the state comes with the frustrating knowledge that payments will often be made months after the work is performed. A recent experience is a prime example of the delays inherent in working with the State.

Catholic Charities has a renewable grant with the State for \$350,000. The term of the grant is the State's fiscal year. The FY22 grant agreement was not signed until late January – 7 months into the year. Invoices for the work completed in Quarters 1&2 was sent in early February and the 3rd Quarter invoice was sent in April. During this time, the state employee administering the grant left state service. Despite not being paid on the first three invoices, Catholic Charities continued to deliver services and a 4th Quarter invoice was submitted in July. The 4th Quarter invoice was promptly paid. When we inquired about the unpaid invoices for the first three quarters, we were told our 2nd point of contact had left the Department and our new point of contact would get in touch with us. In October, we followed up again with no response. In November, the new point of contact reached out and tried to piece together why the invoices had not been paid. On December 6, she informed us that the three invoices had been rejected because we had overbilled the state by \$2,000. It took six months to be notified of the alleged overbilling. We responded by showing that the four invoices taken together in fact added up to \$349,999.99. There was no overbilling. The State remitted payment on December 12, 2022, which was more than a year after services had been delivered on two of the invoices.

While it is not a good business practice, Catholic Charities was able to continue to deliver services and absorb the delay in payment. However, we know that many of our partner organizations would not be able to do so. Many small non-profits will not enter into grant agreements with the state because they cannot sustain the delays in payment. The non-profit community is mission driven and we want to partner with the state to deliver programs and services to Marylanders in need. Unfortunately, without the safeguards provided in HB 328, the state is losing out on opportunities to build true partnerships with community-based organizations.

For the reasons listed above, Catholic Charities of Baltimore appreciates your consideration, and urges the committee to issue a favorable report for HB 328.

Submitted By: Regan Vaughan, Director of Advocacy