

**To: Maryland House Health and Government Operations Committee**

**Re: HB 328 – Prompt Payment Requirement for Grants**

**Date of Hearing: February 22, 2023**

**Testimony of:** Sonja Cendak, Vice President of Development, Port Discovery Children's Museum  
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On behalf of Port Discovery Children's Museum, I urge your support for House Bill 328 to provide nonprofits delivering state services similar assurance payment on their reimbursable grants that is already in law and regulation for procurement contracts.

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. This lack of financial follow-through has caused, at times, difficult situations and fiscal strain for our museum and, I'm sure, for many of our fellow nonprofit organizations.

Port Discovery has been fortunate to receive numerous grants over the years from the Maryland State Department of Education, The Maryland Department of Housing and Community Development, and the Maryland Heritage Area Authority, among other agencies. While we are grateful for the support and recognition, the grant payment process for these awards ranges from **two to ten months from date of notification**. This extreme delay causes cash flow strain and accounting complications. It affects our capacity to pay vendors and sub-contractors, purchase high-quality materials and supplies, and in extreme circumstances, make payroll, thereby diminishing the effectiveness of our work to our service population – Maryland's children and families.

For example, [on page 11 of the current guidelines for the FY24 Maryland Heritage Area Authority grants](#) program, the grant period is listed as beginning on July 13, 2023, though "If awarded, grantees should be aware that **the first portion of the grant funds will likely not be disbursed until winter or spring of 2024.**" At least MHAA is being honest about the payment delay, but it certainly makes us hesitate on applying for this opportunity as we assess whether our museum can front load the cash that is intended to be an essential assistance to our work. Moreover, this type of delay would be unacceptable in any other business context – so why is it acceptable for grants to nonprofits?

The payment terms outlined in HB 328 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 for the opportunity to present this testimony.