



January 19, 2023

**Senate Budget & Taxation Committee
TESTIMONY IN SUPPORT**

SB 112 State Finance and Procurement – Grants – Prompt Payment Requirement

Behavioral Health System Baltimore (BHSB) is a nonprofit organization that serves as the local behavioral health authority (LBHA) for Baltimore City. BHSB works to increase access to a full range of quality behavioral health (mental health and substance use) services and advocates for innovative approaches to prevention, early intervention, treatment and recovery for individuals, families, and communities. **Baltimore City represents nearly 35 percent of the public behavioral health system in Maryland, serving over 78,000 people with mental illness and substance use disorders (collectively referred to as “behavioral health”) annually.**

Behavioral Health System Baltimore supports SB 112 State Finance and Procurement – Grants – Prompt Payment Requirement. This bill puts into statute requirements for procedures and timelines to ensure state government makes timely payments to grant recipients.

As a non-profit LBHA, BHSB receives grants from several state agencies, with the largest coming from the Maryland Department of Health (MDH). For over a year, BHSB has experienced delays in payment for invoices submitted to MDH. These significant, long-term payment delays cause disruption in the delivery of behavioral health services because BHSB is unable to pay community-based providers for the services they are providing. This leaves providers, as well as, BHSB unable to meet our financial obligations such as payroll, related fringe and other operating necessities.

Grant payment delays have caused negative impact in the following ways:

- BHSB has been forced to hold payments for contractually delivered services. This impacts a wide range of services with small, community-based organizations, like the peer-run Wellness and Recovery Centers, being most impacted. Any provider that is solely dependent on LBHA payments is vulnerable to the impact of the nonpayment. Wellness and Recovery Centers cannot continue to provide services if payment is delayed.
- Low-income housing recipients are at risk for not having their rent paid, which may lead to termination of rental agreements and possible homelessness.
- A wellness and recovery center in Baltimore City that provides extensive harm reduction services for people who use drugs was forced to apply for a bridge loan from a private foundation in order to make payroll and not shut its doors. The foundation community has approached BHSB asking why payments are delayed and has expressed concern for people served and what impact this may have on overdose deaths.

Non-profits are businesses and by design, operate in a different way than government agencies. Cash flow management is an important responsibility for non-profits. However, unlike normal businesses, many rely exclusively on grant funding which prohibits the maintenance of cash reserves. By design, non-profits are also prohibited from having other business lines which would generate different income and cash. This makes cash management even more difficult. Finally, most non-profit LBHAs are unable

to obtain a line of credit because of the nature of its funding. Lines of credit are generally granted for other businesses. Therefore, when grant payments are delayed for any reason, LBHAs are put in a precarious position of being unable to meet our contractual obligations with no recourse for a remedy.

Non-profit LBHAs play a unique role in the behavioral health system of care and have been a vital resource for the community. This bill would support non-profits LBHAs to continue to serve as a reliable resource and MDH, while holding state agencies accountable to their non-profit grantees for prompt payment. As such, **BHSB urges the Senate Budget & Taxation Committee to pass SB 112.**

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