



SB 112- State Finance and Procurement - Grants - Prompt Payment Requirement
House Health and Government Operation Committee
March 20, 2023
SUPPORT

Chairwoman Pena-Melnyk, Vice-Chair and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 112. This bill will apply the same standards to payment on grant agreements for nonprofits that will already take effect on June 1 for all state procurement contracts.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Maryland's 'prompt pay' law requiring payment in 30 days on state procurement contracts, and the regulations regarding review of invoices, do not apply to the reimbursable grant agreements that are used with most state grants to nonprofits for the provision of health, education or social services. Nothing in statute or regulation requires that nonprofit grantees providing services on behalf of the state be paid in a timely manner.

It is essential that nonprofits receive dependable payment of funds secured through state grants because nonprofits provide essential services to Marylanders. Every year CASH receives state grants to expand access to free tax preparation and to support financial capability programs like free benefits counseling across the state. Free tax preparation is essential in providing financial assistance to Marylanders, and CASH's state grants allow for CASH to meet more of the increasing demand for free tax preparation. Last year, CASH was able to prepare over 13,000 returns and saved Marylanders \$4 million in tax preparation fees. Receiving state grants promptly is critical for CASH keeping its programs funded, which allow for services to reach more Marylanders. All nonprofits in Maryland who have secured a state grant should be able to use those state funds to support their programs.

There are many nonprofits across the state that provide critical services which are jeopardized when organizations scramble to meet payroll, tap or exhaust reserves, delay implementing or expanding programs, or are forced to borrow to deal with payment delays.

Senate Bill 112 will help nonprofits have consistent and reliable funding from the state by:

- Applying the existing rules for state procurement contracts to grant agreements

For these reasons, we urge this Committee to return a favorable report on SB 112.

Creating Assets, Savings and Hope