



Dear Senator Ingwersen, Representative Meyer, and members of Health and Human Services Committee,

My name is Mary Alice Scott, and I am the Public Affairs Manager at Maine Association of Nonprofits (MANP). MANP is a growing membership organization made up of over 1,000 nonprofit members from all 16 counties. For 30 years, MANP has grown to become Maine's comprehensive resource for the tools, knowledge, and connections nonprofits need to be effective and well-run.

I am testifying today in support of LD 1443: An Act to Ensure the Financial Stability of Behavioral Health Service Providers and Housing Assistance Providers.

Nonprofits are Critical Partners

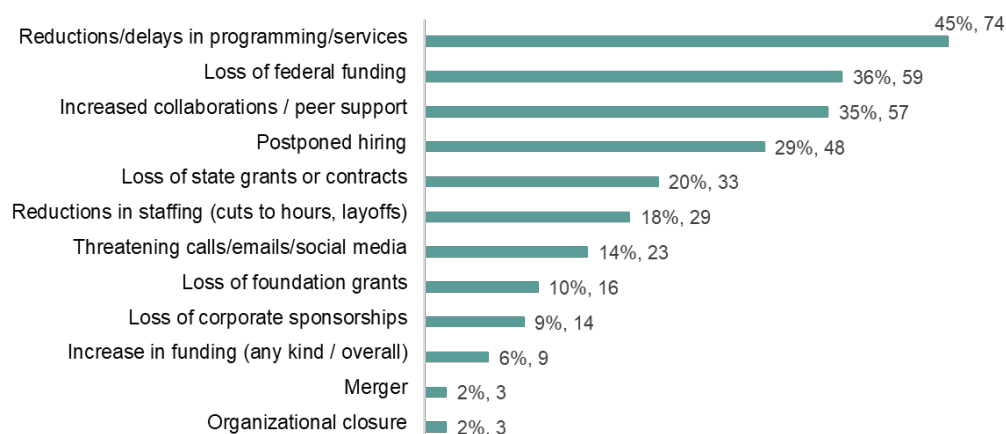
Nonprofits maintain and promote the public good throughout our state. Through this work, nonprofits support government efforts to more effectively and efficiently support Maine people, thereby reducing the burden on the state's taxpayers.

Nonprofits are also vital to Maine's economy. In fact, nonprofits employ 1 in 6 Maine workers. However, much of our work is done through the mobilization of more than 400,000 volunteers each year. A necessity, since most Maine nonprofits are very small, lean, and community-based: 88% have annual budgets less than \$500,000 and 61% have annual budgets under \$50,000. Every dollar makes a difference for these organizations.

Circumstances for Nonprofits

At this moment, nonprofits are facing existential challenges. MANP held a community forum on Monday, 3/31 - and polled attendees about their challenges. Of those who responded, 45% said they have experienced or are anticipating reductions / delays in programming and services, and 36% said they have experienced or are anticipating a loss of federal funding.

Which of the following have you experienced or are you anticipating? (% of respondents, # of respondents)



LD 1443 would help communities in Maine by treating nonprofits who partner with the state as true partners. We hear too often from members who are frustrated by contracts being encumbered months into the contract year, resulting in organizations either needing to end the program (which harms the communities they serve), or continue the programming without a guarantee that they will be paid for their work. LD 1443 will allow those contracts to continue, with reasonable guidelines in place.

LD 1443 also requires the department to pay administrative expenses and interest charged on lines of credit or loans accessed by a service provider when a delay in awarding, finalization or payment of a department contract requires the service provider to access the line of credit or loan - we frequently hear about organizations

If anything, we would ask that this LD be expanded to cover contracts beyond Behavioral Health and Housing Assistance Providers, but even with that limited scope, we would urge the committee to support it.

Thank you for your time and consideration.

MANP Members Say:

*"Receiving timely payments along with delayed contract processing, both **lead to accrued interest costs** for drawing on credit lines in an effort to avoid **service gaps for families in need.**"*

*"The state **often does not pay within the contractual 30-day timeframe.** This presents a **significant risk to undercapitalized organizations** (most of which are **led by and/or focus on BIPOC communities**)."-MANP member*

*"We often **receive payments 3-4 months after the costs incurred.** We have a \$200,000 annual state contract. We are currently waiting on over \$60,000 worth of reimbursements."*

*"Our biggest challenge with state funders is late payment. This causes strain for our organization and requires us to use LOC for cash flow and then pay interest from other sources!. We have experienced a number of **changes in financial reports** and invoicing practices over the past two-three years and lots of 11th hour budget and contract processes. This **adds a lot of administrative pressure and burden.**"*

*"The state contract process has become **very cumbersome** and not based in reality of a nonprofit is a business. The state does not understand the concept of indirect costs, or the concept there are other costs to deliver a service or program. They are late with contracts forcing organizations to either under spend or spend \$\$ too quickly for program to be effective or have a significant impact on the community. For example, **receiving a contract to hire [several] staff 7 months into the contract year, and then contract ends in 5 months with no ability to hire or use funding appropriately**"*