

HB 300 State Government - Grants and Contracts - R

Uploaded by: Catherine OMalley

Position: FAV

BILL NO:	House Bill 300
TITLE:	State Government - Grants and Contracts - Reimbursement of Indirect Costs
COMMITTEE:	Health and Government Operations
HEARING DATE:	February 4, 2025
POSITION:	SUPPORT

Nonprofits fill gaps and provide solutions in areas where government programs fall short, such as housing, food, healthcare, and social services, including the direct legal representation for domestic violence survivors as provided by the Women's Law Center of Maryland. Increasing the "de minimis" indirect cost rate on state grants is essential for ensuring that local nonprofits can operate efficiently and continue to deliver high-quality services to our community. By using the standard 'as set by' OMB, instead of adopting just the current 15% rate, these bills assure that future changes in federal regulations don't require repetitive legislative actions. For many Marylanders receiving services, House Bill 0300 could be the difference in life or death.

Nonprofit organizations operate on tight budgets with limited sources of income. The current 10% rate is widely acknowledged to be not only inadequate, but a contributing factor to the "starvation cycle" that destabilizes nonprofit providers. Since the current rate was set, nonprofits like ours have suffered through the pandemic and seen charitable contributions decline in real terms. Without an adequate indirect cost rate, we must divert critical program funds to cover essential overhead expenses, compromising our ability to fulfill our mission of securing the physical safety, economic security, and bodily autonomy for women in Maryland. At the Women's Law Center, we have had clients murdered by their intimate partners during the course of their legal actions, that could have potentially been avoided if we had the resources to help them sooner. If we had more funding for indirect costs like admin, could we have connected them to more resources to guarantee their safety? We'll never know, because our phones haven't stopped ringing and demand for our services continues to scale.

When funding agencies fail to provide a suitable indirect cost rate, it creates inequities between organizations. Grant-making agencies also expect rigorous financial reporting, subject to federal and state regulations that require compliance with specific financial management standards, while often ignoring the accounting costs of administering said grants. A fair and transparent indirect cost rate supports our compliance with these standards, reducing the risk of negative audit findings and ensuring that more money is directed towards our organizational mission, thereby fostering trust and encouraging more donations as funders see their limited resources used more effectively.

An adequate indirect cost rate also helps ensure that our staff is compensated fairly so we can retain qualified administrative and operational employees, reduce turnover and improve the quality of services provided to our community. At its core, an increased indirect cost rate will help us maximize the impact of our programs. By recognizing and funding the full cost of delivering services, including the necessary overhead, we can more effectively focus on our mission. Without it, we will surely be forced to reduce the scope or quality of our services, and women will die waiting for legal interventions.

Increasing the indirect cost rate for grants to nonprofit organizations is not just a matter of financial fairness; it will save lives. By acknowledging the full costs of delivering services and allowing for a more reasonable and realistic recovery of indirect costs, this bill will enable nonprofits to thrive. We strongly support the passage of this bill.

The Women's Law Center of Maryland is a private, non-profit, legal services organization that serves as a leading voice for justice and fairness for women. It advocates for the rights of women through legal assistance to individuals and strategic initiatives to achieve systemic change, working to ensure physical safety, economic security, and bodily autonomy for women in Maryland.

HB 300 - SUPP - B&T - Indirect Costs for Nonprofi

Uploaded by: Henry Bogdan

Position: FAV

March 26, 2025

Testimony on House Bill 300
State Government - Grants and Contracts - Reimbursement of Indirect Costs
Senate Budget and Taxation Committee

Position: Favorable

Maryland Nonprofits is a statewide association of nonprofit organizations and institutions of all sizes and public service missions across the entire state. We ask you to support House Bill 300 to allow nonprofit grantees and contractors to operate more effectively and maintain their financial stability, by increasing the minimum ‘indirect costs’ or overhead rate allowed on state grants or contracts from 10% to 15% of “modified total direct costs”.

In 2018 Maryland adopted what had been the OMB minimum assured rate of 10%, dating from 2014. In 2024 the Office of Management and Budget (OMB) revised the federal “Uniform Guidance” (2 CFR 200) and included in its update an increase of the minimum or *de minimis* indirect cost rate from 10% to 15%, stating this was “in response to feedback from the Federal financial assistance community”.

OMB explained in its announcement that “this change would allow for a more reasonable and realistic recovery of indirect costs, particularly for new or inexperienced organizations that may not have the capacity to undergo a formal rate negotiation, but still deserve to be fully compensated for their overhead costs.” They also noted that this was supported by over 250 commenters on the initial draft regulation, and that others urged a rate of 20% or more.

One of the reasons Maryland adopted its current minimum indirect rate was to simplify state grant processing by aligning with the same standard agencies were required to follow with most federally funded agreements. Matching the new federal standard as proposed in House Bill 300 is a common-sense update. In 2020 you created the MD Efficient Grant Application (MEGA) Council to work toward standardizing our grants process across state agencies to be more consistent with the OMB Uniform Guidance.

But most importantly, the current 10% rate is widely acknowledged to be not only inadequate but a contributing factor to the “starvation cycle” that destabilizes nonprofit providers. Since the 10% rate was set nonprofits have suffered through the pandemic and many have seen charitable contributions decline in real terms.

Past studies by the U.S. Government Accountability Office found that underfunding providers negatively impacts the quality of their services and financial sustainability. Today the people and communities these organization serve on behalf of government, and the programs they operate, face the threat of limitations or cutbacks in both state and federal support –that will only increase demands for their services.

For these reasons we urge you to give House Bill 300 a favorable report.

2025 TCC HB 300 Senate Side.pdf

Uploaded by: Jennifer Navabi

Position: FAV



Committee: Senate Budget and Tax Committee

Bill Number: House Bill 300 - State Government - Grants and Contracts - Reimbursement of Indirect Costs

Hearing Date: March 26, 2025

Position: Support

The Coordinating Center supports *HB 300 - State Government - Grants and Contracts - Reimbursement of Indirect Costs*. The legislation aligns the State's de minimis rate with the federal rate for contracts and grants with nonprofit organizations. The de minimis rate determines coverage of indirect costs. At the federal level, the rate is set by the Office of Budget and Management (OMB).

The Coordinating Center supports this legislation because it would provide financial predictability for non-profit organizations. Currently, the de minimis rate is set in State law. Thus, it requires legislation to change the rate. The federal rate is set in regulation. OMB is considering raising the de minimis rate from 10% to 15%, as reasonable indirect cost far exceed 10%.

We ask for a favorable report to support non-profit organizations. Non-profit organizations are partners with the State of Maryland in implementing State programs across a wide range of sectors including health, social, education, and transportation services. If we can provide any additional information that is helpful, please contact Robyn Elliott at relliott@policypartners.net.

MML - HB 300 - FAV.pdf

Uploaded by: Justin Fiore

Position: FAV



Maryland Municipal League
The Association of Maryland's Cities and Towns

TESTIMONY

March 26, 2025

Committee: Senate Budget and Taxation

Bill: HB 300 – State Government - Grants and Contracts - Reimbursement of Indirect Costs

Position: Support

Reason for Position:

The Maryland Municipal League supports House Bill 300 to raise Maryland's minimum 'indirect cost' rate, commonly referred to as "overhead", from 10% to the new "de minimis" rate of 15% established last year in the OMD Uniform Guidance, and to link to any future OMB increases.

Maryland municipalities are often the recipient of state grants for various programs and projects. Recognizing that overhead costs are regularly in excess of 10% will help local government apply for more grants and reserve local general funds to provide other essential services.

By using the standard 'as set by' OMB, instead of adopting just the current 15% rate, these bills assure that future changes in federal regulations don't require repetitive legislative actions.

For these reasons the League respectfully requests that this committee provide House Bill 300 with a favorable report. For more information, please contact Justin Fiore, Deputy Director of Advocacy and Public Affairs, at justinf@mdmunicipal.org. Thank you in advance for your consideration.

The Maryland Municipal League uses its collective voice to advocate, empower and protect the interests of our 160 local governments members and elevates local leadership, delivers impactful solutions for our communities, and builds an inclusive culture for the 2 million Marylanders we serve.

47 State Circle, Suite 403 Annapolis, Maryland 21401
(410) 295-9100 www.mdmunicipal.org

NCADD-MD - 2025 HB 300 FAV - Grant Indirect Costs

Uploaded by: Nancy Rosen-Cohen

Position: FAV



Senate Budget & Tax Committee

March 26, 2025

**House Bill 300 - State Government - Grants and Contracts –
Reimbursement of Indirect Costs
Support**

NCADD-Maryland supports House Bill 300, a bill to raise Maryland's minimum indirect cost rate to the federal standard. The language in the bill changes the static, specific percentage, to the standard set by the Office of Management and Budget (OMB). This will eliminate the necessity for Maryland to change its law when that standard changes.

More importantly, the current rate of 10% is inadequate. When small nonprofits do not have enough overhead in a grant to pay for administrative costs, it contributes to financial instability. Health insurance, rent, and energy costs continue to rise and this cap on indirect costs means we have to spend more time trying to raise funds that come without restrictions which can take away attention to providing quality services.

NCADD-Maryland has seen this problem impact small, community-based nonprofits that engage in harm reduction, recovery support, and outreach programs. When grants better cover costs, more time is spent providing services instead of fundraising. Given the level of opioid overdose deaths being experienced in Maryland, this legislation would help programs operate more efficiently.

The Maryland General Assembly established the Maryland Efficient Grant Application Council in 2020 to work on establishing a standardized grants process for the state, to be consistent with the OMB Uniform Guidance. This legislation would help create more consistency.

With fewer people making charitable contributions across the board, with an unprecedented state budget deficit, and with great uncertainty about changes in health and social services at the federal level, NCADD-Maryland believes House Bill 300 will support those doing the work our communities rely on.

We urge a favorable report on House Bill 300.

HB 300 - MNADV - FWA - cross over.pdf

Uploaded by: Laure Ruth

Position: FWA



BILL NO: House Bill 300 – Cross over
TITLE: State Government - Grants and Contracts - Reimbursement of Indirect Costs
COMMITTEE: Budget and Taxation
HEARING DATE: March 26, 2025
POSITION: **SUPPORT**

The Maryland Network Against Domestic Violence (MNADV) is the state domestic violence coalition that brings together victim service providers, allied professionals, and concerned individuals for the common purpose of reducing intimate partner and family violence and its harmful effects on our citizens. **MNADV urges the COMMITTEE to favorably Report on HB300 amended to match SB 127 as amended.**

House Bill 300 would raise Maryland’s minimum rate from 10% to “the de minimis rate established in Subpart E of OMB Uniform Guidance”, now 15%, and Maryland’s rate will be automatically tied to any future OMB increases. This provision remains the same in both HB 300 and SB 127.

This change should be adopted for several reasons. First, one of the reasons Maryland adopted its current minimum indirect rate was to help simplify the state grant process by aligning to the same standard agencies were required to follow with most federally funded agreements - so matching the new federal standard is simply a commonsense update. Second, by using the standard ‘as set by’ OMB, instead of again adopting just the current 15% rate, these bills assure that future changes in federal regulations don’t require continuous legislative actions. In 2020 the Legislature created the MD Efficient Grant Application (MEGA) Council to work on establishing a standardized grants process for the state, to be consistent with the OMB Uniform Guidance.

And third, *most importantly*, the current 10% rate is widely acknowledged to be not only inadequate but a contributing factor to the “starvation cycle” that destabilizes nonprofit providers. Since the 10% rate was set nonprofits have suffered through the pandemic and many have seen charitable contributions decline in real terms. Anecdotally, more and more grant funders refuse to pay any overhead at all, in the face of increasing the difficulty of grant reporting.

For further information contact Laure Ruth ■ Public Policy Director ■ 301-852-3930 ■ lruth@mnadv.org

1997 Annapolis Exchange Parkway, Suite 300 ■ Annapolis, MD 21401
Tel: 301-429-3601 ■ E-mail: info@mnadv.org ■ Website: www.mnadv.org



Past studies by the U.S. Government Accountability Office found that underfunding providers negatively impacts the quality of their services and financial sustainability. Now the people and communities these organizations serve, on behalf of government, face the threat of limitations or cutbacks in both state and federal support –that will only increase demands for their services.

We defer to the Maryland Association of Nonprofit Organizations as to SB 127 being the better choice as between HB 300 and SB 127.

For the above stated reasons, the **Maryland Network Against Domestic Violence urges a favorable report on HB300 amended to conform to SB 127 as amended.**

Grant reimbursement - indirect cost rate - testimo

Uploaded by: Lisae C Jordan

Position: FWA



Working to end sexual violence in Maryland

P.O. Box 8782
Silver Spring, MD 20907
Phone: 301-565-2277
www.mcasa.org

For more information contact:
Lisae C. Jordan, Counsel
443-995-5544

Testimony Supporting House Bill 300 with Conforming Amendments
Lisae C. Jordan, Executive Director & Counsel
March 26, 2025

The Maryland Coalition Against Sexual Assault (MCASA) is a non-profit membership organization that includes the State's seventeen rape crisis centers, law enforcement, mental health and health care providers, attorneys, educators, survivors of sexual violence and other concerned individuals. MCASA includes the Sexual Assault Legal Institute (SALI), a statewide legal services provider for survivors of sexual assault. MCASA represents the unified voice and combined energy of all of its members working to eliminate sexual violence. We urge the Budget & Taxation Committee to report favorably on House Bill 300 with amendments to conform the House Bill to Senate Bill 127.

House Bill 300 – Indirect Cost Rates – Conforming State Reimbursement Rates to Federal Rates This bill would require that grants of state funds use the same “indirect cost rate” as used in grants of federal funds or a minimum of 15%. This would simplify grant administration and help nonprofit organization recover more of the actual costs of providing services. As a result, nonprofits could focus more time and resources on services.

Maryland supports survivors of sexual assault, child sexual abuse, sex trafficking, and other crimes through grants of state and federal funds. These grants are generally to non-profit organizations, and these agencies often operate with limited resources. Grants provide core support for salary, benefits, and operational expenses. With the help of grants from Maryland, survivors receive counseling, shelter, legal services, advocacy, and other help.

Maryland currently uses the previously established “indirect cost rate” of 10%. Indirect costs include costs that are necessary to providing services, but not specifically for one grant. For example, an agency must pay rent for the square footage in the waiting room and hallways of their facility. These common areas benefit the entire agency and everyone seeking services, not just clients helped by one specific grant. The current 10% rate is widely acknowledged to be not only inadequate, but a contributing factor to the “starvation cycle” that destabilizes nonprofit providers. Past studies by the U.S. Government Accountability Office found that underfunding providers negatively impacts the quality of their services and financial sustainability. Programs need sufficient support for “indirect costs” in order to help survivors.

Since the 10% rate was set nonprofits have suffered through the pandemic and many sexual assault programs have seen charitable contributions decline in real terms. Current budget proposals in Maryland include cuts to victim services, and the new administration in Washington may impose additional cuts. We are hopeful these threats do not come to fruition, but if they do, it will be all the

more important for grants to be efficient and to actually support the services they are paying for. Conforming the state indirect cost rate to federal regulations or a minimum of 15% will make administration easier and will help agencies recover the true costs of providing services.

HB300 would help improve the financial health of rape crisis centers and let them focus on helping survivors.

The cross-file of HB300, SB127, has passed the Senate and we urge the Committee to conform HB300 to the Senate bill.

**The Maryland Coalition Against Sexual Assault
urges the Budget & Taxation Committee to
report favorably on House Bill 300 with Conforming Amendments**

EveryMind Testimony in Support with Amendments for

Uploaded by: Megan O'Brien

Position: FWA

Testimony in Support with Amendments for HB 300 for the Senate Budget and
Taxation Committee- March 26, 2025

Chair Guzzone, Vice Chair Rosapepe, and Members of the Committee,
Thank you for the opportunity to testify in support of HB 300, "State Government – Grants and Contracts – Reimbursement of Indirect Costs." My name is Alyssa Sanders, and I serve as the Advocacy Director at EveryMind, a nonprofit organization that has been at the forefront of mental health services in Maryland for over 65 years. EveryMind is one of the largest providers of school-based mental health services in Maryland, operating in over 40 schools and reaching thousands of youths and families each year.

We commend Senator Kagan and Delegate Kerr for their leadership on this issue and urge a favorable report with amendments for HB 300. This bill is a crucial step toward strengthening the nonprofit sector and ensuring that organizations like EveryMind can continue to serve Marylanders effectively. We thank the Senate for passing their version of the bill and **urge the Committee to maintain the language from the Senate in the final version of the bill. We specifically request that Committee remove the language added by the House that would require a report by the Department of Budget and Management on salaries and expenses of certain nonprofit organizations, as that information would already be publicly available on their IRS Annual Information Returns (IRS Form 990).**

HB 300 addresses a critical issue for nonprofit organizations like EveryMind by requiring state grants and contracts to include reimbursement for indirect costs at a rate not less than the organization's federally negotiated indirect cost rate or, if no such rate exists, a de minimis rate of 15% to match OMB's minimum guidance. This legislation is essential for ensuring the sustainability of nonprofits that provide vital services to Maryland's communities.

Indirect costs encompass the essential expenses that keep nonprofits operational - things like rent, utilities, technology infrastructure, and administrative support. Despite their critical nature, these costs are frequently underfunded or excluded from state contracts, forcing nonprofits to absorb the gap or divert funds from program delivery. This creates a financial strain that jeopardizes the very programs that Maryland residents rely on.

For EveryMind, the inability to recover indirect costs fully means that we face challenges in maintaining the infrastructure necessary to support our programs, including our 988 Suicide and Crisis Lifeline call center, school-based mental health services, and veteran support programs. These programs are lifelines for individuals in crisis and critical to the well-being of our communities. Without adequate support for indirect costs, our ability to meet the growing demand for mental health services is significantly hindered.

By aligning state grants and contracts with federal standards for indirect cost reimbursement, HB 300 ensures fairness and sustainability. It acknowledges the true cost of delivering services and supports the long-term viability of nonprofits that are indispensable partners in achieving Maryland's public policy goals.

Thank you for your consideration.