



February 4, 2025

From: Robert Malone, President and CEO, The Arc Prince George's County
To: Delegate Joseline A. Pena-Melnyk, Chair, Health and Government Operations Committee
Re: HB 300, State Government - Grants and Contracts - Reimbursement of Indirect Costs
Position: Support HB 300

Hi, I am Rob Malone, President and CEO for The Arc Prince George's County.

Smaller and BIPOC-led nonprofits tend to have a tough time applying for and managing state and other government contracts. That tends to be the case, due to a lack of awareness, limited grant-writing and grant-management expertise and sparse financial capacity. I ask you to support House Bill 300, because in addition to ensuring the true administrative and indirect cost of organizations is covered, it opens up more opportunities for more competition and drives fairness.

The current 10% 'de minimis' rate is insufficient and creates an artificial barrier for competition. The only down side is that fewer dollars can be allocated to program services, but some organizations will make a part of the 5% difference up in performance. The lower indirect rate just creates an unnecessary barrier.

House Bill 300, will raise Maryland's minimum rate from 10% to the 'de minimis' rate established in Subpart E of OMB Uniform Guidance", now 15%, and automatically link to any future OMB increases. One of the reasons Maryland adopted its current minimum indirect rate was to help simplify the state grant process by adopting the same standard that agencies were required to follow with most federally funded agreements. Matching the new federal standard just makes sense.

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

I ask you to consider those small nonprofits who are trying to bring much needed services to their unrepresented communities. Imagine having to use a line of credit to support an average of 4 months of invoices that have payment delays due to one reason or another. Imagine the line of credit interest rate being set at today's Wall Street Journal Prime Rate 7.5% (down from 8.5% twelve months ago). The interest alone would account for 2.5% of indirect cost – leaving only 7.5% for other indirect cost. You can clearly see the conundrum these nonprofits have. I sit on the board of a non-profit where this is the case.

I ask you to move this bill forward with a favorable report.