



To: House Health and Government Operations Committee

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

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Testimony of: Elise Saltzberg, Saltzberg Consulting

Contact information: 410-486-3603 (office) 410-236-0758 (cell)

elise@saltzbergconsulting.com

Thank you for the opportunity to present this testimony in favor of increasing Maryland’s *de minimis* “indirect cost” rate from 10% to 15%, to align it with OMB Uniform Guidance, and to link it to any future OMB increases.

I have worked as a fundraising consultant for dozens of nonprofit organizations in Maryland since 2000, and I am submitting testimony on their behalf – as well as on behalf of the 36,000 other nonprofits in the State of Maryland. With my assistance, over the years my clients have applied for and received dozens of grants and contracts from various State agencies and departments.

Most of these State grants allow for up to 10% of the total to be used to cover indirect costs – expenses that the nonprofit incurs that cannot be attributed to a specific program, grant, or contract. This includes “overhead” items like rent, electricity, liability insurance, and the salaries of back office staff. These are all things that a nonprofit – or any business entity – could not manage without but are often not allowable as direct costs in a grant or contract.

This necessary change will have no impact on the State’s budget. If the maximum grant award is \$50,000, it will still be \$50,000. If the maximum grant award is \$100,000, that will not change. The only thing that will change is that the nonprofit organization will have more flexibility in covering its legitimate costs of doing business.

As OMB explained when it changed the federal indirect cost rate from 10% to 15%, “this change would allow for a more reasonable and realistic recovery of indirect costs, especially 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.” While no one would argue that 15% fully covers overhead, it comes a lot closer than 10%. (Typical overhead for a small for-profit business is 20%-30%.)

Thank you again for the opportunity to present this testimony.