
BILL NO: Senate Bill 0127
TITLE: State Government - Grants and Contracts - Reimbursement of Indirect Costs
COMMITTEE: Budget and Taxation
HEARING DATE: January 22, 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, Senate Bill 0127 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.