



SB 127 - State Government - Grants and Contracts - Reimbursement of Indirect Costs
Senate Budget and Taxation Committee
January 22, 2025
SUPPORT

Chair Guzzone, Vice-Chair and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 127. This bill raises the indirect cost minimum rate to 15% for nonprofits receiving state funded grants.

The CASH Campaign of Maryland is a nonprofit that promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

CASH is one of the many nonprofits that provides essential services to Marylanders across the state. This work is partially funded through state grants. All grants have reporting and compliance requirements. These requirements for state grants are often more extensive than the requirements from privately funded grants. Reimbursing indirect costs helps nonprofits by supporting projects and alleviating the extra burden of reporting requirements.

Nonprofits have faced an overall increase in operating necessary services in addition to what it takes to complete reporting requirements. Many had to adapt to changes caused by the pandemic and are still recovering from the effects of COVID-19. Also, there has been an increase in cost related to time and infrastructure. Nonprofits must allocate staff to track requirements and ensure compliance. There is also the cost of building and maintaining the infrastructure to measure outcomes. These costs can prevent nonprofits from receiving critical funding.

The Office of Management and Budget (OMB) received feedback from nonprofits throughout the country and decided to increase indirect cost reimbursement from 10% to 15%. Maryland should mirror the federal government and ensure that nonprofits are not underfunded and can continue to provide essential services throughout the state.

Thus, we encourage you to return a favorable report for SB 127.

Creating Assets, Savings and Hope