



Testimony
SB 127
BUDGET and TAXATION COMMITTEE
January 22, 2025
Position: FAVORABLE

Dear Chairman Guzzone and Members of the Budget and Taxation Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland’s community development sector and serves nearly 200 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non- profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland’s urban, suburban and rural communities.

In response to feedback from the Federal financial assistance community, Office of Management and Budget proposed to raise the *de minimis* rate from 10 percent to 15 percent. OMB explained 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.” Many estimates of the actual indirect costs to nonprofit service providers exceed 20%.

By using the standard ‘as set by’ OMB, from instead of 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 establish a standardized grants process for the state, to be consistent with the OMB Uniform Guidance.

The current 10% rate is widely acknowledged inadequate to be not only inadequate but a contributing factor to the “starvation cycle” that destabilizes nonprofit providers. This especially true for CDN members working in Maryland. According to research by the Community Opportunity Alliance and the Urban institute, nonprofit community-based development organizations work in low-income communities and communities of color to implement development projects, such as affordable housing and child care, and community programs. They need financial resiliency and sustainability to ensure they continue to serve their missions in their communities. Thirty-one percent of Northeastern community- based development organizations have fewer than three months of cash on hand to cover ongoing operating expenses, and 9 percent have insufficient short-term assets to cover short-term debt.

Community development organizations are vital to getting the Maryland economy growing in the state of Maryland and the well-being of low-income communities and the people who live there.

We urge your favorable report for SB 127.
Claudia Wilson Randall. Executive Director

Submitted by Claudia Wilson Randall, Executive Director, Community Development Network