



TESTIMONY IN SUPPORT OF

State Government – Grants and Contracts – Reimbursement of Indirect Costs

Budget and Taxation

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Submitted by Mark Huffman, Director of Client Services, LARS.

Laurel Advocacy and Referral Services, Inc. (LARS), strongly supports SB 0127, which Increases the “de minimis” indirect cost rate on state grants from 10 to 15%.

Last year the Office of Management and Budget (OMB) revised the “Uniform Guidance” (2 CFR 200) and increased the *de minimis* indirect cost rate to 15%. The Final Rule Announcement stated “... in response to feedback from the Federal financial assistance community, OMB proposed to raise the *de minimis* 10 percent rate to 15 percent. OMB explained that this change would allow for a more reasonable and realistic recovery of indirect costs for grant recipients. Indeed, many estimates of actual indirect costs to nonprofit service providers exceed 20 percent.

Most importantly the current 10 percent rate is widely acknowledged to be not only inadequate, but a contributing factor to the “starvation cycle” that destabilizes nonprofit providers. Since the 10 percent rate was set nonprofits like LARS have suffered through the pandemic and seen charitable contributions decline in real terms. Past studies by the U.S. Government Accountability Office found that underfunding providers negatively impacts the quality of their services and financial sustainability. Now the people and communities we serve, on behalf of government, face the threat of limitations or cutbacks in both state and federal support – that will only increase demands for our services.

LARS core services include our Emergency Services program, which runs the largest food pantry in the greater Laurel area and provides financial assistance to prevent evictions as well as referrals and homeless services. Some of our largest federal and state grants provide money to assist those in need but nothing to pay for the staff and organizational infrastructure to deliver that need. Since the end of the pandemic, we have seen a significant and continuing increase in the number of families coming to us for food and eviction prevention assistance. At the same time support for these programs has decreased dramatically. While we have risen to this challenge the lack of adequate funding for our indirect and staff costs has cost us dearly and forced us to reduce our Emergency Services Case Managers from 3 to 1. This is clearly an untenable situation and threatens our ability to continue to meet the needs of our community.

LARS appreciates your consideration and urges the committee to issue a favorable report for SB 127.

Laurel Advocacy and Referral Services, Inc., has served those in need in the greater Laurel area for 38 years. LARS has a passion to empower individuals in need of food, housing and financial assistance to achieve well-being, stability and self-sufficiency.