

EveryMind Testimony in Support of SB 127.pdf

Uploaded by: Alyssa Sanders

Position: FAV

Testimony in Support of SB 127 Senate Budget and Taxation Committee
January 22, 2025

Chairman Guzzone, Vice Chair Rosapepe, and Members of the Committee, Thank you for the opportunity to testify in support of SB 127, "State Government – Grants and Contracts – Reimbursement of Indirect Costs." My name is Alyssa Sanders, and I serve as the Advocacy Director at EveryMind, a nonprofit organization that has been at the forefront of mental health services in Maryland for over 65 years. EveryMind is one of the largest providers of school-based mental health services in Maryland, operating in over 40 schools and reaching thousands of youths and families each year.

We commend Senator Kagan for her leadership on this issue and urge a favorable report on SB 127. This bill is a crucial step toward strengthening the nonprofit sector and ensuring that organizations like EveryMind can continue to serve Marylanders effectively.

SB 127 addresses a critical issue for nonprofit organizations like EveryMind by requiring state grants and contracts to include reimbursement for indirect costs at a rate not less than the organization's federally negotiated indirect cost rate or, if no such rate exists, a de minimis rate of 15% to match OMB's minimum guidance. This legislation is essential for ensuring the sustainability of nonprofits that provide vital services to Maryland's communities.

Indirect costs encompass the essential expenses that keep nonprofits operational - things like rent, utilities, technology infrastructure, and administrative support. Despite their critical nature, these costs are frequently underfunded or excluded from state contracts, forcing nonprofits to absorb the gap or divert funds from program delivery. This creates a financial strain that jeopardizes the very programs that Maryland residents rely on.

For EveryMind, the inability to recover indirect costs fully means that we face challenges in maintaining the infrastructure necessary to support our programs, including our 988 Suicide and Crisis Lifeline call center, school-based mental health services, and veteran support programs. These programs are lifelines for individuals in crisis and critical to the well-being of our communities. Without adequate support for indirect costs, our ability to meet the growing demand for mental health services is significantly hindered.

By aligning state grants and contracts with federal standards for indirect cost reimbursement, SB 127 ensures fairness and sustainability. It acknowledges the true

cost of delivering services and supports the long-term viability of nonprofits that are indispensable partners in achieving Maryland's public policy goals.

Thank you for your consideration. I am happy to answer any questions the Committee may

SB0127 HB0300 State Government - Grants and Contra

Uploaded by: Catherine OMalley

Position: FAV

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.

CDN SB 127 FAVORABLE.pdf

Uploaded by: Claudia Wilson Randall

Position: FAV



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

20250120_SB127Testimony_GunpowderValleyConservancy

Uploaded by: Donald Callihan

Position: FAV



January 20, 2025

Senator Cheryl C. Kagan
2 West Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

Dear Senator Kagan,

I am writing on behalf of Gunpowder Valley Conservancy (GVC) to express our strong support for Senate Bill 127 [House Bill 300], which proposes increasing Maryland's minimum indirect cost rate from 10% to align with the federal de minimis rate established in Subpart E of OMB Uniform Guidance, currently set at 15%. This critical adjustment will ensure nonprofit organizations are fairly compensated for their overhead costs, supporting sustainability and enhancing service delivery across the state.

GVC is a Baltimore County-based nonprofit land trust and watershed restoration organization committed to preserving and restoring the Gunpowder Watershed. Our work includes large-scale tree plantings to help Maryland reach its goal of 5 million trees by 2031, rain garden installations to reduce nutrient runoff into the Bay, and land preservation for future generations. These projects depend heavily on grants, which currently fund 60% of our operating budget.

The proposed increase to 15% is essential to help us recover the true indirect costs necessary to sustain and expand our mission. These expenses include:

- Identifying and managing planting sites
- Maintaining compliance with regulatory requirements, such as audits, insurance, and licenses
- Managing data and reporting for federal, state, and county grants
- Providing staff benefits to retain skilled employees
- Outreach and volunteer recruitment efforts critical to fulfilling grant obligations

Maryland's current 10% rate has not kept pace with rising costs, forcing GVC to rely heavily on fundraising to cover these gaps—a challenge shared by many nonprofits facing increased expenses and declining charitable contributions. By aligning with the federal standard, this legislation simplifies the grant process, ensures fair compensation for overhead costs, and helps organizations like ours focus on delivering services rather than struggling to fill funding shortfalls.

This modest adjustment also addresses the “starvation cycle” that undermines nonprofits' ability to sustain operations and deliver quality services. Additionally, tying Maryland's rate to the federal OMB standard ensures future adjustments are automatically reflected, eliminating the need for repeated legislative updates.

Inadequate funding for indirect costs jeopardizes the financial stability of nonprofits and limits their ability to serve Maryland's communities effectively. Increasing the rate to 15% is a pragmatic solution that will strengthen nonprofits and enable us to better fulfill our missions.



**GUNPOWDER
VALLEY**
CONSERVANCY

Thank you for your attention to this important matter. I urge you to support Senate Bill 127 [House Bill 300] to create a fairer, more sustainable funding structure for Maryland's nonprofit organizations.

Sincerely,

Lindsay Crone

Lindsay Crone
Executive Director
Gunpowder Valley Conservancy

Testimony of Elise Saltzberg in favor of SB 127.pd

Uploaded by: Elise Saltzberg

Position: FAV



To: Senate Budget and Tax Committee’s Procurement Subcommittee
For: **SB 127/**HB 300 – State Government – Grants and Contracts – Reimbursement of Indirect Costs

Date: January 20, 2025

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.

SB 127 - SUPP - B&T - Indirect Costs for Nonprofit

Uploaded by: Henry Bogdan

Position: FAV



marylandnonprofits.org

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January 22, 2025

Testimony on Senate Bill 127
State Government - Grants and Contracts - Reimbursement of Indirect Costs
Senate Budget and Tax Committee – Procurement Subcommittee

Position: Favorable

Maryland Nonprofits is a statewide association of almost 2000 nonprofit organizations and institutions. We ask you to support Senate Bill 127 to allow nonprofit grantees and contractors to operate more effectively and maintain their financial stability, by increasing the minimum ‘indirect costs’ or overhead rate allowed on state grants or contracts from 10% to 15% of “modified total direct costs”.

In 2018 Maryland adopted what had been the OMB minimum assured rate of 10% dating from 2014. In 2024 the Office of Management and Budget (OMB) revised the federal “Uniform Guidance” (2 CFR 200) and included in its update an increase of the minimum or *de minimis* indirect cost rate from 10% to 15%, stating this was “in response to feedback from the Federal financial assistance community”.

OMB further explained in its announcement 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.” They also noted that this was supported by over 250 commenters on the initial draft regulation, and that others urged a rate of 20% or more.

One of the reasons Maryland adopted its current minimum indirect rate was to simplify state grant processing by aligning with the same standard agencies were required to follow with most federally funded agreements. Matching the new federal standard as proposed in Senate Bill 127 is a common sense update. In 2020 you created the MD Efficient Grant Application (MEGA) Council to work toward standardizing our grants process across state agencies in a way to be consistent with the OMB Uniform Guidance.



But most importantly, 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 10% rate was set nonprofits have suffered through the pandemic and many have 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 these organization serve, on behalf of government, face the threat of limitations or cutbacks in both state and federal support –that will only increase demands for their services.

For these reasons we urge you to give Senate Bill 127 a favorable report.

RalphTestimonySenateBill127.pdf

Uploaded by: Julian Norment

Position: FAV



Written Testimony of
Ralph D. Belk, LICSW, LCSW-C
Executive Director

The National Center for Children and Families (NCCF)
Senate Bill 127/House Bill 300: Sponsor - Senator Cheryl C. Kagan
Procurement Subcommittee of Senate Budget and Tax

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Executive Director

Affiliations listed for identification purposes only.

American Baptist Homes
and Caring Ministries

Child Welfare League of America

Consortium for Child Welfare

DC Alliance of Youth Advocates

Maryland Nonprofit

Maryland Association of Resources
for Families and Youth

Montgomery Housing Alliance

UNITED WAY: 8409
CFC: 70510



Dear Subcommittee Members:

My name is Ralph Belk, and I am the Executive Director of the National Center for Children and Families (NCCF), a child and family community-based services nonprofit headquartered in Bethesda, MD. For over 100 years, NCCF has served some of the poorest and most vulnerable children in Maryland and the surrounding region.

I write to you today in support of Senator Kagan's Bill 127 (House Bill 300) to raise Maryland's minimum 'indirect cost' rate, commonly referred to as "overhead", from 10% to the new "de minimis" rate of 15% established last year in the OMD Uniform Guidance, and to link to any future OMB increases. Simplifying the state grant process by adopting the same standard that agencies were required to follow with most federally funded agreements and matching the new federal standard is simply a common-sense update in a climate where nonprofits must compete for every dollar they take in.

Since 2020, nonprofits have seen a significant increase in the demand for services. As we move further into 2025 with projected cuts to Federal dollars, nonprofits will continue to be challenged by the collective need outpacing our resources. Providing services requires additional administrative support, further stretching our already limited budget. The existing 10% de minimis indirect cost rate is insufficient to meet our current administrative and management overhead costs. Maryland never questions the administrative or overhead costs of for-profit businesses, why then is the State shackling a nonprofit with who its contracted to help its poorest constituents?

NCCF experiences several challenges with the limitation of overhead costs:

- Program mandated insurance increases annually without being reflected in the contract budget. NCCF is currently obligated to carry General Liability, Umbrella, Workers Compensation, Property, and Cyber Insurance simply to operate programs, all without the means to cover these expenses.
- Budgets do not take into account the infrastructure required to deliver services, especially the need for state-of-the-art technology, IT services, and security.

www.nccf-cares.org

1438 Rhode Island Avenue, NE, Washington, DC 20018
6301 Greentree Road, Bethesda, Maryland 20817

- The recruiting, training, and onboarding of staff is never planned for as part of the budget, but our agency is nevertheless expected to deliver high quality services with a well-trained, well-educated, and responsive staff.

There are significant benefits to increasing the Rate to 15%. The rate increase will help cover essential management and overhead costs, ensuring the sustainability of NCCF's services. With adequate funding, NCCF can continue to meet the rising demands for our services without compromising on quality. Finally, this increase acknowledges the critical role that nonprofits, such as ours, play in the community and provides the necessary financial support to help us thrive.

I believe that increasing the de minimis indirect cost rate to 15% is a necessary step to ensure that nonprofit organizations can continue to provide essential services to those in need. I urge you to consider this petition and support the proposed increase. Thank you for your consideration.

Sincerely,



Ralph D. Belk, LICSW, LCSW-C

MML - SB 127 - FAV.pdf

Uploaded by: Justin Fiore

Position: FAV



Maryland Municipal League
The Association of Maryland's Cities and Towns

TESTIMONY

January 22, 2025

Committee: Senate Budget & Taxation Committee

Bill: SB 127 – State Government - Grants and Contracts - Reimbursement of Indirect Costs

Position: Support

Reason for Position:

The Maryland Municipal League supports Senate Bill 127 to raise Maryland's minimum 'indirect cost' rate, commonly referred to as "overhead", from 10% to the new "de minimis" rate of 15% established last year in the OMD Uniform Guidance, and to link to any future OMB increases.

Maryland municipalities are often the recipient of state grants for various programs and projects. Recognizing that overhead costs are regularly in excess of 10% will help local government apply for more grants and reserve local general funds to provide other essential services.

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 these reasons the League respectfully requests that this committee provide Senate Bill 127 with a favorable report.

FOR MORE INFORMATION CONTACT:

Theresa Kuhns	Chief Executive Officer
Angelica Bailey Thupari, Esq.	Director, Advocacy & Public Affairs
Bill Jorch	Director, Public Policy & Research
Justin Fiore	Deputy Director, Advocacy & Public Affairs
Tyler Brice	Manager, Advocacy & Public Affairs
Iris Ibegbulem	Senior Associate, Advocacy & Public Affairs

SB 127 - State Government - Grants and Contracts -

Uploaded by: Kam Bridges

Position: FAV



Advocating better skills, jobs, and incomes

Testimony for Senate Bill 127

State Government - Grants and Contracts - Reimbursement of Indirect Costs

TO: Hon. Guy Guzzone, Chair, and Members of the Senate Budget and Taxation Committee

FROM: Job Opportunities Task Force

DATE: January 22, 2024

POSITION: Support

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that develops and advocates policies and programs to increase the skills, job opportunities, and incomes of low-wage workers and job seekers in Maryland. **JOTF supports Senate Bill 127, which would allow nonprofits to reimburse indirect costs at the *de minimis* rate of 15% as opposed to 10%.**

JOTF is one of the many nonprofits that provides key services to low income Marylanders. Historically, a significant portion of this work for JOTF and our peers is through state grant funding. All grants have reporting and compliance requirements, but the requirements for state grants are often more extensive than the requirements from privately funded grants. Reimbursing indirect costs help 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.

For these reasons, JOTF supports Senate Bill 127 and urges a favorable report.

For more information, contact:

Kam Bridges /Public Policy Advocate / Kam@jotf.org

SB 127 - MNADV - FAV.pdf

Uploaded by: Laure Ruth

Position: FAV



BILL NO: Senate Bill 127
TITLE: State Government - Grants and Contracts - Reimbursement of Indirect Costs
COMMITTEE: Budget and Taxation
HEARING DATE: January 22, 2025
POSITION: **SUPPORT**

The Maryland Network Against Domestic Violence (MNADV) is the state domestic violence coalition that brings together victim service providers, allied professionals, and concerned individuals for the common purpose of reducing intimate partner and family violence and its harmful effects on our citizens. **MNADV urges the COMMITTEE to favorably Report on SB127.**

Senate Bill 127 will raise Maryland’s minimum rate from 10% to “the de minimis rate established in Subpart E of OMB Uniform Guidance”, now 15%, and Maryland’s rate will be automatically tied to any future OMB increases.

This change should be adopted for several reasons. First, one of the reasons Maryland adopted its current minimum indirect rate was to help simplify the state grant process by aligning to the same standard agencies were required to follow with most federally funded agreements - so matching the new federal standard is simplify a commonsense update. Second, by using the standard ‘as set by’ OMB, instead of again 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 establishing a standardized grants process for the state, to be consistent with the OMB Uniform Guidance.

And third, *most importantly*, 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 10% rate was set nonprofits have suffered through the pandemic and many have seen charitable contributions decline in real terms. Anecdotally, more and more grant funders refuse to pay any overhead at all, in the face of increasing the difficulty of grant reporting.

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
For further information contact Laure Ruth ■ Public Policy Director ■ 301-852-3930 ■ lruth@mnadv.org



communities these organizations serve, on behalf of government, face the threat of limitations or cutbacks in both state and federal support –that will only increase demands for their services.

For the above stated reasons, the **Maryland Network Against Domestic Violence** urges a **favorable report on SB127.**

For further information contact Laure Ruth ■ Public Policy Director ■ 301-852-3930 ■ lruth@mnadv.org

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Tel: 301-429-3601 ■ E-mail: info@mnadv.org ■ Website: www.mnadv.org

Grant reimbursement - indirect cost rate - testimo

Uploaded by: Lisae C Jordan

Position: FAV



Working to end sexual violence in Maryland

P.O. Box 8782
Silver Spring, MD 20907
Phone: 301-565-2277
www.mcasa.org

For more information contact:
Lisae C. Jordan, Counsel
443-995-5544

Testimony Supporting Senate Bill 127
Lisae C. Jordan, Executive Director & Counsel
January 22, 2025

The Maryland Coalition Against Sexual Assault (MCASA) is a non-profit membership organization that includes the State's seventeen rape crisis centers, law enforcement, mental health and health care providers, attorneys, educators, survivors of sexual violence and other concerned individuals. MCASA includes the Sexual Assault Legal Institute (SALI), a statewide legal services provider for survivors of sexual assault. MCASA represents the unified voice and combined energy of all of its members working to eliminate sexual violence. We urge the Budget & Taxation Committee to report favorably on Senate Bill 127.

Senate Bill 127 – Indirect Cost Rates – Conforming State Reimbursement Rates to Federal Rates

This bill would require that grants of state funds use the same "indirect cost rate" as used in grants of federal funds. This would simplify grant administration and help nonprofit organization recover more of the actual costs of providing services. As a result, non-profits could focus more time and resources on services.

Maryland supports survivors of sexual assault, child sexual abuse, sex trafficking, and other crimes through grants of state and federal funds. These grants are generally to non-profit organizations, and these agencies often operate with limited resources. Grants provide core support for salary, benefits, and operational expenses. With the help of grants from Maryland, survivors receive counseling, shelter, legal services, advocacy, and other help.

Maryland currently uses the previously established "indirect cost rate" of 10%. Indirect costs include costs that are necessary to providing services, but not specifically for one grant. For example, an agency must pay rent for the square footage in the waiting room and hallways of their facility. These common areas benefit the entire agency and everyone seeking services, not just clients helped by one specific grant. The current 10% rate is widely acknowledged to be not only inadequate, but a contributing factor to the "starvation cycle" that destabilizes nonprofit providers. Past studies by the U.S. Government Accountability Office found that underfunding providers negatively impacts the quality of their services and financial sustainability. Programs need sufficient support for "indirect costs" in order to help survivors.

Since the 10% rate was set nonprofits have suffered through the pandemic and many sexual assault programs have seen charitable contributions decline in real terms. Current budget proposals in Maryland include cuts to victim services, and the new administration in Washington may impose additional cuts. We are hopeful these threats do not come to fruition, but if they do, it will be all the more important for grants to be efficient and to actually support the services they are paying for. Conforming the state indirect cost rate to federal regulations will make administration easier and will help agencies recover the true costs of providing services.

SB127 would help improve the financial health of rape crisis centers and let them focus on helping survivors.

The Maryland Coalition Against Sexual Assault
urges the Budget & Taxation Committee to
report favorably on Senate Bill 127

SB 127_Testimony in support.pdf

Uploaded by: Lois Mikkila

Position: FAV

Senate Budget & Taxation Committee
January 22, 2025

Senate Bill 127

State Government - Grants and Contracts - Reimbursement of Indirect Costs

Support

The Association of Community Services (ACS) of Howard County, a 501c3 nonprofit, is a membership organization serving nonprofit agencies in our community. Our members provide critical services ranging from mentoring to food assistance, housing, legal services, transportation, and more.

ACS of Howard County supports Senate Bill 127, which will raise Maryland's minimum rate for indirect costs from 10% to the de minimis rate of 15% established in Subpart E of OMB Uniform Guidance and increase the rate automatically in the future with any additional OMB increases.

The current 10% rate is woefully inadequate. It is common for project grants from the State to actually "cost" nonprofits money because their indirect costs for implementing these projects are not covered. Funding for nonprofits has always been a challenge, but it has become increasingly difficult since the pandemic. Without adequate funding for operations, nonprofits are struggling to recruit and retain the staff they need to effectively and efficiently provide the services so many Marylanders rely upon.

The State depends on nonprofits to deliver a wide range of essential services. Please support this bill to enable nonprofits to continue to do so.

We urge a favorable report on Senate Bill 127.

Submitted by,

Lois K Mikkila

Lois K Mikkila
Executive Director
Association of Community Services of Howard County
lois.mikkila@acshoco.org
443-518-7701

SB127 de minimus EconAction FAV.docx.pdf

Uploaded by: Marceline White

Position: FAV



**State Government - Grants and Contracts - Reimbursement of Indirect Costs Position:
Favorable**

January 22, 2025

The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Budget and Tax

Honorable Chair Guzzone and members of the committee:

Economic Action Maryland Fund (formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances economic rights, equity and housing justice for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

Senate Bill 127 will raise Maryland's minimum rate from 10% to the 'de minimis' rate established in Subpart E of OMB Uniform Guidance", now 15%, and automatically link to any future OMB increases.

One of the reasons Maryland adopted its current minimum indirect rate was to help simplify the state grant process by adopting the same standard that agencies were required to follow with most federally funded agreements. Matching the new federal standard is simply a common-sense update.

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.

Most importantly 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 10% rate was set nonprofits have suffered through the pandemic and many have 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. In the current moment, the people and communities these organizations serve on

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info@econaction.org · www.econaction.org
Tax ID 52-2266235

Economic Action Maryland Fund is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.



behalf of government faces the real threat of limitations or cutbacks in both state and federal support that would only further increase demands on nonprofits for services.

As a small nonprofit with a budget of \$1.2 million, Economic Action serves more than 400 older adults annually, returning more than \$400,000 in tax credits to them this year, directly works with 700 tenants to assist with problems with landlords, as well as 150 individuals facing housing discrimination through our fair housing program. We touch every county in the state. You can read more about our impact [here](#). The low indirect rate is difficult for our organization.

For all these reasons we support SB127 and urge a favorable report.

Best,

Marceline White
Executive Director

2209 Maryland Ave · Baltimore, MD · 21218 · 410-220-0494
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Tax ID 52-2266235

Economic Action Maryland Fund is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.

SB127LARSFAV.pdf

Uploaded by: Mark Huffman

Position: FAV



TESTIMONY IN SUPPORT OF

State Government – Grants and Contracts – Reimbursement of Indirect Costs

Budget and Taxation

January 22, 2025 11:30am

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.

SB127 FAV.pdf

Uploaded by: Morgan Mills

Position: FAV

January 23, 2025

Chair Guzzone, Vice Chair Rosapepe, and distinguished members of the Budget and Tax Committee,

The National Alliance on Mental Illness, Maryland and our 11 local affiliates across the state represent a statewide network of more than 58,000 families, individuals, community-based organizations, and service providers. NAMI Maryland is a non-profit that is dedicated to providing education, support, and advocacy for persons with mental illnesses, their families and the wider community.

We rely on grant money to keep our programming free to the public. Last year, the OMB revised Uniform Guidance increasing the de minimis indirect cost reimbursement rate from 10% to 15%. This adjustment would provide a more reasonable recovery of indirect costs.

SB127 aims to align Maryland's minimum indirect cost rate from 10% to the 15% recommended by the OMB Uniform guidance. This change is important for several reasons. It would align Maryland with federal standards, streamlining the process. Additionally, this bill ensures that any future increases in indirect cost reimbursement rate at the federal level will automatically apply in Maryland without the need for constant legislative updates.

Finally, it is widely recognized that the 10% indirect cost reimbursement rate is insufficient and undermines the stability of nonprofit organizations and service providers. As demand for services are increasing, we need to ensure the stability of non-profit organizations in the State.

For these reasons, we urge a favorable report.

Kathryn S. Farinholt
Executive Director
National Alliance on Mental Illness, Maryland

Contact: Morgan Mills
Compass Government Relations
Mmills@compassadvocacy.com

NCADD-MD - 2025 SB 127 FAV - Grant Indirect Costs

Uploaded by: Nancy Rosen-Cohen

Position: FAV



Senate Budget & Tax Committee

January 22, 2025

**Senate Bill 127 - State Government - Grants and Contracts - Reimbursement of Indirect
Costs
Support**

NCADD-Maryland supports Senate Bill 127, a bill to raise Maryland's minimum indirect cost rate to the federal standard. The language in the bill changes the static, specific percentage, to the standard set by the Office of Management and Budget (OMB). This will eliminate the necessity for Maryland to change its law when that standard changes.

More importantly, the current rate of 10% is inadequate. When small nonprofits do not have enough overhead in a grant to pay for administrative costs, it contributes to financial instability. Health insurance, rent, and energy costs continue to rise and this cap on indirect costs means we have to spend more time trying to raise funds that come without restrictions which can take away attention to providing quality services.

NCADD-Maryland has seen this problem impact small, community-based nonprofits that engage in harm reduction, recovery support, and outreach programs. When grants better cover costs, more time is spent providing services instead of fundraising. Given the level of opioid overdose deaths being experienced in Maryland, this legislation would help programs operate more efficiently.

The Maryland General Assembly established the Maryland Efficient Grant Application Council in 2020 to work on establishing a standardized grants process for the state, to be consistent with the OMB Uniform Guidance. This legislation would help create more consistency.

With fewer people making charitable contributions across the board, with an unprecedented state budget deficit, and with great uncertainty about changes in health and social services at the federal level, NCADD-Maryland believes Senate Bill 127 will support those doing the work our communities rely on.

We urge a favorable report on Senate Bill 127.

SB0127 PresMD FAV.pdf

Uploaded by: Nicholas Redding

Position: FAV



PRESERVATION MARYLAND

January 22, 2025

Hon. Guy Guzzone
Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen St.
Annapolis, Maryland

RE: SB0127 FAVORABLE

Chairperson Guzzone,

On behalf of the staff and Board of Directors of Preservation Maryland and our thousands of statewide supporters, I thank you for the opportunity to provide written testimony in **SUPPORT of SB0127** – a piece of legislation that will alter the indirect-cost rate which nonprofit organizations receiving State-funded grants or contracts to match the rate established under relevant federal guidelines.

Preservation Maryland is the nonprofit, statewide voice for historic preservation that harnesses the power of historic places by revitalizing and reinvesting in communities, advocating, and building the historic trades workforce for the benefit of all Marylanders. (Learn more at: presmd.org)

This legislation will bring Maryland's indirect-cost rate for nonprofit organizations up to meet federal guidelines which were recently updated to mitigate its contributing factor in the "starvation cycle" that destabilizes nonprofit providers. This change would allow for new or inexperienced organizations who lack the capacity to perform a formal rate negotiation to still be fully compensated for their overhead costs. We support this legislation as we believe its passage would support the state's nonprofit organizations by aligning the current minimum indirect rate with federal regulations now and automatically tied to any future Office of Management and Budget (OMB) increases.

SB0127 is an impactful piece of legislation, and we urge a favorable report.

Favorable

Sincerely,

Nicholas A. Redding, President & CEO

The Arc PGC Testimony - Indirect Rates.pdf

Uploaded by: Robert Malone

Position: FAV



January 20, 2025

From: Robert Malone, President and CEO, The Arc Prince George's Count
To: Senator Guy Guzzone, Chair, The Senate Budget and Tax Committee
Re: SB 127, State Government - Grants and Contracts - Reimbursement of Indirect Costs
Position: Support SB 127

Hi, I am Rob Malone, President & CEO for The Arc Prince George's County.

Smaller and BIPOC-led nonprofits tend to have a tough time applying for and managing state and other government contracts. That tends to be the case, due to a lack of awareness, limited grant-writing and grant-management expertise and sparse financial capacity. I ask you to support Senate Bill 127, because in addition to ensuring the true administrative and indirect cost of organizations is covered, it opens up more opportunities for more competition and drives fairness.

The current 10% 'de minimis' rate is insufficient and creates an artificial barrier for competition. The only down side is that fewer dollars can be allocated to program services, but some organizations will make a part of the 5% difference up in performance. The lower indirect rate just creates an unnecessary barrier.

Senate Bill 127, will raise Maryland's minimum rate from 10% to the 'de minimis' rate established in Subpart E of OMB Uniform Guidance", now 15%, and automatically link to any future OMB increases. One of the reasons Maryland adopted its current minimum indirect rate was to help simplify the state grant process by adopting the same standard that agencies were required to follow with most federally funded agreements. Matching the new federal standard just makes sense.

By using the standard 'as set by' OMB, instead of adopting just the current 15% rate, this bill assures that future changes in federal regulations don't require repetitive legislative actions.

I ask you to consider those small nonprofits who are trying to bring much needed services to their unrepresented communities. Imagine having to use a line of credit to support an average of 4 months of invoices that have payment delays due to one reason or another. Imagine the line of credit interest rate being set at today's Wall Street Journal Prime Rate 7.5% (down from 8.5% twelve months ago). The interest alone would account for 2.5% of indirect cost – leaving only 7.5% for other indirect cost. You can clearly see the conundrum these nonprofits have. I sit on the board of a non-profit where this is the case.

I ask you to move this bill forward with a favorable report.

2025 MCHS SB 127 Senate Side.pdf

Uploaded by: Robyn Elliott

Position: FAV



Maryland Community Health System

Committee: Senate Finance Committee

Bill Number: Senate Bill 127 - Interstate Social Work Licensure Compact

Committee: Senate Budget and Taxation

Hearing Date: January 22, 2025

Position: Support

The Maryland Community Health System (MCHS) supports *SB 127- State Government - Grants and Contracts - Reimbursement of Indirect Costs*. The legislation aligns the State's de minimis rate with the federal rate for contracts and grants with nonprofit organizations. The de minimis rate determines coverage of indirect costs. At the federal level, the rate is set by the Office of Budget and Management (OMB).

Maryland Community Health System (MCHS) is a network of federally qualified health centers that serve underserved communities in urban, suburban, and rural areas across Maryland. As nonprofit organizations, we receive grants from State government. The de minimis rate in statute should be raised to reflect the average indirect cost rate of the cost of administering a grant. The legislation poses a thoughtful solution. By indexing our State de minimis rate to the federal Office of Budget and Management (OMB), the legislation aligns the de minimis rates for both state and federal grants. We understand that OMB is considering raising the de minimis rate to 15%.

We ask for a favorable report on this legislation. If we can answer any questions, please contact Robyn Elliott at relliott@policypartners.net.

2025 TCC SB 127 Senate Side.pdf

Uploaded by: Robyn Elliott

Position: FAV



Committee: Senate Budget and Taxation Committee

Bill Number: Senate Bill 127 - State Government - Grants and Contracts - Reimbursement of Indirect Costs

Hearing Date: January 22, 2025

Position: Support

The Coordinating Center supports *SB 127- State Government - Grants and Contracts - Reimbursement of Indirect Costs*. The legislation aligns the State's de minimis rate with the federal rate for contracts and grants with nonprofit organizations. The de minimis rate determines coverage of indirect costs. At the federal level, the rate is set by the Office of Budget and Management (OMB).

The Coordinating Center supports this legislation because it would provide financial predictability for non-profit organizations. Currently, the de minimis rate is set in State law. Thus, it requires legislation to change the rate. The federal rate is set in regulation. OMB is considering raising the de minimis rate from 10% to 15%, as reasonable indirect cost far exceed 10%.

We ask for a favorable report to support non-profit organizations. Non-profit organizations are partners with the State of Maryland in implementing State programs across a wide range of sectors including health, social, education, and transportation services. If we can provide any additional information that is helpful, please contact Robyn Elliott at relliott@policypartners.net.

Testimony - Indirect Costs (MRJ_SSC_1_17_20).pdf

Uploaded by: Sen. Cheryl Kagan

Position: FAV

CHERYL C. KAGAN
Legislative District 17
Montgomery County

Vice Chair
Education, Energy, and
the Environment Committee



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Joint Audit and Evaluation Committee
Joint Committee on Federal Relations

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

SB127: Indirect Costs

Senate Budget & Taxation Committee
Wednesday, January 22, 2025 11:30 AM

In 2018, I sponsored [SB1045](#), which passed both chambers unanimously. This bill adopted the U.S. Office of Management and Budget's (OMB) 10% minimum allowance for indirect costs for all State-funded grants. "Indirect costs"-- more commonly known as "overhead"-- include budget line items such as rent and accounting. These expenditures are required for any nonprofit (or business!) to operate, yet they are insufficiently acknowledged in government grants. These costs have become even more burdensome in these times of high inflation.

Last year, OMB updated its regulations to increase the indirect cost allowance to a minimum of 15% for federal contracts and grants. [SB127](#) proposes that Maryland's indirect cost rate match the federal government's now and into the future. This common-sense approach would eliminate the need for new legislation every time OMB makes an update.

In FY23, Maryland nonprofit organizations were awarded 4,242 contracts, 446 grants, 132 direct payments, and 5 loans, totaling \$1.7 billion. The indirect cost portion of these awards helps nonprofits do their work, and do it *better*-- secure the space, supervise the staff, pay the bills, evaluate the outcomes.... The OMB-allowed 15% overhead rate still falls *far* below the 25% average overhead of for-profit businesses (and it's [45% in service industries!](#)).

Increasing our indirect cost allowance to align with federal standards would make the State's grant process more effective in supporting our vital network of nonprofit providers. This fair, affordable, and efficient change would encourage more nonprofits to offer their valued services to our communities in partnership with State government.

I urge a favorable report on SB127, a top priority bill for Maryland Nonprofits.

Testimony--SB127.pdf

Uploaded by: Stephanie Proestel

Position: FAV



Housing Initiative Partnership, Inc.
6525 Belcrest Road, Suite 555
Hyattsville, MD 20782
sproestel@hiphomes.org
301-699-3870

**Testimony
SB 127/HB 300**

**Senate Budget and Taxation Committee
January 22, 2025
Position: FAVORABLE**

Dear Chairman Guzzone and Members of the Senate Budget and Tax Committee:

Housing Initiative Partnership (HIP) is a nonprofit organization that develops innovative affordable housing, revitalizes neighborhoods, and equips people to achieve their housing and financial goals. Our vision is that every person lives in high-quality affordable housing in a thriving community. With 35 years' experience, HIP has developed over 500 units of affordable, service-enriched rental housing as well as over 100 single-homes sold to first-time homebuyers earning 80% or less of AMI. HIP is a HUD-approved counseling agency providing a wide range of housing counseling services from placing homeless families in permanent housing to rental counseling to homebuyer education to foreclosure counseling to financial capability counseling. We maintain offices in Hyattsville in Prince George's County, and in Germantown and Gaithersburg in Montgomery County, Maryland.

Senate Bill 127 and House Bill 300, will raise Maryland's minimum indirect rate from 10% to "the de minimis rate established in Subpart E of OMB Uniform Guidance", now 15% and automatically tie it to any future OMB increases.

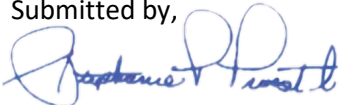
Last year OMB revised the "Uniform Guidance" (2 CFR 200) and increased the *de minimis* indirect cost rate to 15%. The Final Rule Announcement stated "... in response to feedback from the Federal financial assistance community, OMB proposed to raise the *de minimis* rate from 10 percent to 15 percent. 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." It also noted this was supported by over 250 commenters on the initial draft regulation, and that others urged a rate of 20% or more. Many estimates of the actual indirect costs to nonprofit service providers exceed 20%.

This change should be adopted for several reasons:

1. **Simplicity**—By adopting the minimum indirect rate this will help simplify the state grant process by adopting the same standard agencies were required to follow with most federally funded agreements – so matching the new federal standard is simply a common sense update.
2. **Consistency**--By using the standard ‘as set by’ OMB, from instead of again adopting just the current 15% rate, these bills assure that future changes in federal regulations don’t require continuous legislative actions
3. **Financial Imperative**--Most Importantly 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 10% rate was set nonprofits have suffered through the pandemic, significant increases in organizational expenses, and many have 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. We simply cannot responsibly administer quality programs and services without the proper administrative and organizational structures. HIP has served the community for 35 years with quality, impactful programs and services; however, our greatest challenge is to raise funds that support the necessary general operating/administrative infrastructure such as accounting, audits, data tracking software, rent, utilities, and insurance. This year alone HIP’s audit cost doubled and our insurance increased 25%. This is simply not sustainable without increases to the State’s indirect rate.

We respectfully request a FAVORABLE report.

Submitted by,



Stephanie Prange Proestel
Executive Director

SB 127 - State Government - Grants and Contracts -

Uploaded by: Tonaeya Moore

Position: FAV



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