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**House Bill 300 State Government - Grants and Contracts –
Reimbursement of Indirect Costs**

Health and Government Operations Committee

February 4, 2025

Position: SUPPORT

Mental Health Association of Maryland (MHAMD) is a nonprofit education and advocacy organization that brings together consumers, families, clinicians, advocates and concerned citizens for unified action in all aspects of mental health and substance use disorders (collectively referred to as behavioral health). We appreciate the opportunity to provide this testimony in support of House Bill 300.

HB 300 alters the rate at which nonprofit organizations receiving State-funded grants or contracts may be reimbursed for indirect costs to match the rate established under federal guidelines.

In 2018 Maryland adopted what had been the Office of Management and Budget (OMB) minimum assured rate of 10 percent dating from 2014. In 2024 OMB revised the federal “Uniform Guidance” and included in its update an increase of the minimum or de minimis indirect cost rate from 10 percent to 15 percent. OMB explained in its announcement that “this change would allow for a more reasonable and realistic recovery of indirect costs.”

Past studies by the U.S. Government Accountability Office found that underfunding nonprofits negatively impacts the quality of their services and financial sustainability. Today the people and communities served by organizations like ours serve on behalf of government face the threat of limitations or cutbacks in both state and federal support, which will only increase unmet need.

Modifying Maryland statute to track the enhanced federal guidelines is critical for nonprofits like MHAMD. Our current indirect cost rate is 22 percent, so the current rate of 10 percent covers less than half those costs.

For these reasons we support HB 300 and urge a favorable report.

For more information, please contact Dan Martin at (410) 978-8865