

- Good morning. My name is Allison Mindel, I live in Worcester, and I am the Chief Philanthropy Officer at the Vermont Foodbank.
- My team is responsible for raising the resources needed for the Foodbank to achieve its mission to gather and share quality food and nurture partnerships so that no one in Vermont will go hungry.
- Yes, this mission requires food, trucks, and drivers and all the direct program activities needed to source and distribute food. But there are also significant indirect costs incurred in the distribution of 12-15 million pounds of food annually.
- Our \$18 million budget also includes costs that are indirect, which our consultant Alex Weeks, who has been doing this work for over 22 years, defines as “...those costs incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.”
- These are not special add-ons but necessary expenses to achieve our mission. For example: food and the trucks and drivers needed to deliver the food are direct expenses. But drivers need to be paid (and this takes someone to run payroll), trucks need to be maintained, and navigation/mapping software needs to be updated. This requires accounting and finance staff, HR professionals, and software consultants. These are all indirect costs.
- For years, we have been bound to the 10% de minimis indirect rate in all our state and federal funding and most private foundation funding as well. We have always suspected that this rate did not adequately cover the true cost of the services we provide under these grant agreements and that we were under-resourcing some of the core functions that allow us to do our work. To address this, we have needed to find other funding sources to cover these critical costs.
- With a significant increase in state and federal funds we received to address the food security issues created by the COVID-19 pandemic beginning in 2020, the Foodbank decided to explore calculating our federal indirect rate to try to better understand the true value of these “indirect” costs. We do not receive enough federal funds to enter into a Negotiated Indirect Cost Rate Application (NICRA) with a federal entity so would not be using this calculated rate to negotiate federal contracts, but we understood from multiple consultants that if we can provide detail and transparent calculations to that effect, we may use that rate instead of the de minimis with the federal government and with any state entity, per an existing federal rule.
- The basis for the rule is so that the pass-through entity (the State of Vermont in this case) can review the rate calculation and allow the subrecipient to receive a reasonable indirect rate in lieu of the de minimis rate.
- We contracted with ML Weekes & Company, PC in 2022 to calculate the Vermont Foodbank’s actual indirect rate values for our state and federal grant monies.
- ML Weeks calculated a Modified Total Direct Cost (MTDC) based indirect cost rate for us in accordance with federal rules, and the costs reconcile with the Foodbank’s audited financial statements. There is a complex process to calculate this (I’m happy

to share the final indirect cost proposal), and we ended up with a rate of 18.1% which includes the cost of purchased food. This calculated rate is based on our actual costs incurred for the fiscal year ending September 30, 2021. This is the rate we attempted to include in all grant agreements with the state going forward (DCF, AOE, DOH) that year.

- None of the departments or agencies would allow use of this rate and would only let us include the 10% de minimus rate in our grant agreements.
- Increasing our indirect rate from 10% to our actual, real-life rate of 18.1% would not result in increased funding from the state. Rather, it would allow us to reallocate a greater percentage of the funds to cover the true costs of what it takes us to fulfill our mission and the grant requirements.
- The changes offered in H.140 would allow Vermont nonprofits who are working with the state of Vermont toward common goals, like the Vermont Foodbank, to more transparently allocate funds and receive the support we need to do this work, so we can focus on doing what we do best - getting people the food they need and want in accessible and equitable ways.