

HOUSE BILL 300

P2, P1

EMERGENCY BILL

5lr0922
CF SB 127

By: ~~Delegate Kerr~~ Delegates Kerr, Bagnall, Bhandari, Cullison, Guzzone, Hill, S. Johnson, Kaiser, Lopez, Martinez, Pena-Melnyk, Rosenberg, Taveras, White Holland, Woods, and Woorman

Introduced and read first time: January 9, 2025

Assigned to: Health and Government Operations

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 18, 2025

CHAPTER _____

1 AN ACT concerning

2 **State Government – Grants and Contracts – Reimbursement of Indirect Costs**

3 FOR the purpose of altering the rate at which certain nonprofit organizations receiving
4 State-funded grants or contracts may be reimbursed for indirect costs; requiring the
5 Department of Budget and Management to study and report on certain grant or
6 contract recipients; and generally relating to State-funded grants and contracts.

7 BY repealing and reenacting, with amendments,
8 Article – State Finance and Procurement
9 Section 2–208
10 Annotated Code of Maryland
11 (2021 Replacement Volume and 2024 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
13 That the Laws of Maryland read as follows:

14 **Article – State Finance and Procurement**

15 2–208.

16 (a) (1) In this section the following words have the meanings indicated.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (2) “Indirect costs” means any costs that would be considered to be indirect
2 costs under OMB Uniform Guidance.

3 (3) “Nonprofit organization” means an organization that is tax exempt
4 under § 501(c)(3), (4), or (6) of the Internal Revenue Code.

5 (4) “OMB Uniform Guidance” means the Uniform Administrative
6 Requirements, Cost Principles, and Audit Requirements for Federal Awards adopted by the
7 Office of Management and Budget in 2 C.F.R. 200 and any related guidance published by
8 the Office of Management and Budget.

9 (b) (1) This section applies only to:

10 (i) a grant or contract awarded on or after October 1, 2018;

11 (ii) a multi-year grant or contract awarded before October 1, 2018,
12 if:

13 1. the grant or contract continues to be in effect on or after
14 October 1, 2018; and

15 2. funding for the grant or contract is required to be
16 authorized separately for each fiscal year; and

17 (iii) an extension or a renewal of a grant or contract if the extension
18 or renewal is awarded on or after July 1, 2019.

19 (2) This section applies whether or not the funds awarded through the
20 grant or contract are transferred directly by the State or through a third party to the
21 nonprofit organization.

22 (3) This section does not require the reimbursement of indirect costs
23 incurred under a multi-year grant or contract described under paragraph (1)(ii) of this
24 subsection during any fiscal year that begins before July 1, 2019.

25 (c) If a nonprofit organization is a direct recipient or subrecipient of a grant or
26 contract for the provision of services that is funded wholly with State funds or with a
27 combination of State and other nonfederal funds, the terms of the grant or contract shall
28 allow for reimbursement of indirect costs:

29 (1) at the same rate the nonprofit organization has negotiated and
30 received:

31 (i) for indirect costs under a direct federal award; or

32 (ii) from a nonfederal entity based on the cost principles in Subpart
33 E of OMB Uniform Guidance; or

1 (2) if the nonprofit organization has not negotiated and received an indirect
2 cost rate described in item (1) of this subsection, at a rate [of at least 10%] **EQUAL TO THE**
3 **GREATER OF THE DE MINIMIS RATE ESTABLISHED IN SUBPART E OF OMB UNIFORM**
4 **GUIDANCE OR 15%** of the costs that would be considered modified total direct costs under
5 OMB Uniform Guidance.

6 SECTION 2. AND BE IT FURTHER ENACTED, That:

7 (a) (1) This subsection applies only to a nonprofit organization that:

8 (i) is the recipient or subrecipient of a grant or contract described
9 under § 2–208(c) of the State Finance and Procurement Article, as enacted by Section 1 of
10 this Act, that exceeds \$1,000,000; and

11 (ii) receives an indirect cost rate set in accordance with § 2–208(c)(2)
12 of the State Finance and Procurement Article, as enacted by Section 1 of this Act, between
13 October 1, 2025, and October 1, 2028.

14 (2) For each nonprofit organization described under paragraph (1) of this
15 subsection, the Department of Budget and Management shall examine:

16 (i) the salaries of senior staff;

17 (ii) the organization’s administrative expenses; and

18 (iii) if the organization was the recipient or subrecipient of a grant or
19 contract and received an indirect cost rate set in accordance with § 2–208(c)(2) of the State
20 Finance and Procurement Article before October 1, 2025, a comparison of the indirect cost
21 rate received before October 1, 2025, and the rate received during the study period.

22 (b) On or before December 1, 2028, the Department of Budget and Management
23 shall report its findings under subsection (a) of this section to the Governor and, in
24 accordance with § 2–1257 of the State Government Article, the Senate Budget and Taxation
25 Committee and the House Health and Government Operations Committee.

26 SECTION 2. 3. AND BE IT FURTHER ENACTED, That this Act ~~shall take effect~~
27 ~~October 1, 2025~~ is an emergency measure, is necessary for the immediate preservation of
28 the public health or safety, has been passed by a ye and nay vote supported by three-fifths
29 of all the members elected to each of the two Houses of the General Assembly, and shall
30 take effect from the date it is enacted.