

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 122

(Delegate Szeliga, *et al.*)

Government, Labor, and Elections

State Aid - Nonprofits - Status

This bill prohibits a grantor (defined as a unit of State government or other State entity that provides State aid to a nonprofit entity) from providing State aid to a nonprofit entity unless the nonprofit entity meets specified conditions. The nonprofit entity must: (1) be in good standing with the Internal Revenue Service; (2) be current on any federal, State, or local obligations; (3) have a current charter on file with the State Department of Assessments and Taxation (SDAT); and (4) if required, have filed specified tax forms for the most recent tax year. “State aid” is a contribution, grant, or subsidy provided through the State operating or capital budget or by the action of a unit of State government from State funds appropriated to that unit. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: The bill may have an operational impact on State agencies that provide State aid to nonprofit entities, but it likely does not materially affect State expenditures, as discussed below. State revenues are not affected.

Local Effect: Local government finances are not directly affected.

Small Business Effect: None. Nonprofit organizations are not considered small businesses.

Analysis

Current Law:

Reporting Requirements for State Aid Provided

A “grantee” is a for-profit or nonprofit entity or association that receives State aid during a fiscal year and is not a unit of State or local government. A “grantor” is a unit of State government or other State entity that provides State aid to a grantee. “State aid” is a contribution, grant, or subsidy of \$50,000 or more provided through the State operating or capital budget or by the action of a unit of State government from State funds appropriated to that unit. “State aid” does not include reimbursements to providers participating in a State program.

Grantors must submit a report to the Department of Budget and Management (DBM) by September 1 after each fiscal year they provide State aid to a grantee. The Department of Information Technology (DoIT), in consultation with DBM, must develop and operate a searchable web site, accessible to the public at no cost, which provides grantee report information in a specified format. The Office of Legislative Audits is authorized to conduct audits or reviews of grantees.

Grantor reports must contain the following information: the name, address, and zip code of each grantee that received State aid from the grantor during the previous fiscal year; the amount of any State aid provided to the grantee; and a description of the State aid provided to the grantee. The reports must be in a form and format that DBM determines after consulting with DoIT. The web site must provide specified information and be searchable by, at a minimum, the name or zip code of the grantee and the name of the grantor.

Reporting Requirements for Social Organizations

A “social organization” is an association or corporation that is operated for a charitable, cultural, educational, historical, humane, industrial, medical, or military purpose. “State aid” is a contribution, grant, or subsidy of money from the State Treasury.

Each social organization that, by statute, is to receive State aid must make an agreement with either the Comptroller or appropriate unit of State government that defines the purposes and terms of the State aide and requires the social organization to submit to the unit or Comptroller a report, generally by September 1 after the close of the fiscal year in which the social organization received the State aide, on the expenditure of the State aide. After receiving the report, the unit or the Comptroller must determine whether the social organization has spent and accounted for the State aid in accordance with the agreement and must give DBM and the Department of Legislative Services (DLS) notice of any

inconsistencies. The unit or the Comptroller may audit the social organization's financial records.

State Expenditures: Several State agencies that provide State aid to nonprofit entities report that they already comply with some of the bill's requirements by checking the status of nonprofit entities on SDAT's website or the Internal Revenue Services' website. Other agencies note that they can implement the bill with existing budgeted resources, though the process to award grants may be extended as State agencies that provide State aid to nonprofit entities may need to spend additional time to ensure grant recipients meet all of the bill's requirements.

A few agencies reported needing additional personnel and informational technology (IT) tools to ensure nonprofit entities meet the bill's requirements. Additionally, several State agencies note that they may be unable to confirm requirements of the bill, such as whether a nonprofit entity is current on any federal or local tax obligations. Thus, DLS assumes grantors may need to rely on grantee affidavits to fulfill some of the bill's requirements, thereby eliminating some staffing and IT needs to implement the bill. To the extent that State agencies are unable to rely on grantee affidavits to fulfill the bill's requirements, additional resources may be needed for State agencies to verify that nonprofit entities meet the bill's requirements.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Information Technology; Maryland Department of Aging; Department of Commerce; Maryland Institute for Emergency Medical Services Systems; Maryland Department of Emergency Management; Maryland State Department of Education; Maryland State Library Agency; University System of Maryland; Maryland Department of Agriculture; Department of Budget and Management; Maryland Department of Disabilities; Maryland Department of the Environment; Department of General Services; Maryland Department of Health; Department of Housing and Community Development; Department of Human Services; Department of Juvenile Services; Maryland Department of Labor; Department of Natural Resources; Maryland Department of Planning; Department of Public Safety and Correctional Services; Board of Public Works; Department of State Police; Maryland Department of Transportation; Department of Veterans and Military Families; Department of Service and Civic

Innovation; State Department of Assessments and Taxation; Department of Legislative Services

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