

SENATE BILL 127

P2, P1

(PRE-FILED)

51r0680
CF 51r0922

By: **Senator Kagan**

Requested: August 14, 2024

Introduced and read first time: January 8, 2025

Assigned to: Budget and Taxation

A BILL ENTITLED

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; and generally
5 relating to State-funded grants and contracts.

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

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

13 **Article – State Finance and Procurement**

14 2–208.

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

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

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

20 (4) “OMB Uniform Guidance” means the Uniform Administrative
21 Requirements, Cost Principles, and Audit Requirements for Federal Awards adopted by the

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Office of Management and Budget in 2 C.F.R. 200 and any related guidance published by
2 the Office of Management and Budget.

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

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

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

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

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

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

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

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

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

23 (1) at the same rate the nonprofit organization has negotiated and
24 received:

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

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

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

32 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
33 October 1, 2025.