

# SENATE BILL 127

P2, P1

(PRE-FILED)

5lr0680  
CF HB 300

---

By: **Senator Kagan**

Requested: August 14, 2024

Introduced and read first time: January 8, 2025

Assigned to: Budget and Taxation

---

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 28, 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; 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 BY repealing and reenacting, without amendments,  
12 Article – State Finance and Procurement  
13 Section 2–210(a)(1), (2), (3), and (6), (b)(1)(iii), and (c)  
14 Annotated Code of Maryland  
15 (2021 Replacement Volume and 2024 Supplement)

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

18 **Article – State Finance and Procurement**

19 2–208.

---

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

2 (2) "Indirect costs" means any costs that would be considered to be indirect  
3 costs under OMB Uniform Guidance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 2–210.

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

10 (2) “Council” means the Maryland Efficient Grant Application Council  
11 established under § 2–209 of this subtitle.

12 (3) “Department” means the Department of Budget and Management.

13 (6) “Uniform Guidance” means the Office of Management and Budget  
14 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for  
15 Federal Awards, 2 C.F.R. Part 200.

16 (b) (1) In order to improve efficiency, streamline and reduce redundant  
17 processes, reduce paperwork and administrative burdens on both granting agencies and  
18 grant recipients, and facilitate development and implementation of a statewide centralized  
19 grants management and accountability system, the Council shall study and make  
20 recommendations to the Department regarding the entire grants life cycle, including:

21 (iii) regulations adopting each part of the uniform guidance, with  
22 appropriate modifications for its application to grant-making entities in the State,  
23 including modifications or variances based on the scope or size of particular grant  
24 programs, grant-making entities, or grantees;

25 (c) On or before July 1, 2027, the Council shall submit a report on its full  
26 recommendations as required by subsection (b)(1) of this section to the Department and the  
27 General Assembly, in accordance with § 2–1257 of the State Government Article.

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
29 October 1, 2025. It shall remain effective for a period of 2 years and 9 months and, at the  
30 end of June 30, 2028, this Act, with no further action required by the General Assembly,  
31 shall be abrogated and of no further force and effect.