

## Chapter 162

**(House Bill 300)**

AN ACT concerning

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

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

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

*BY repealing and reenacting, without amendments,  
 Article – State Finance and Procurement  
 Section 2–210(a)(1), (2), (3), and (6), (b)(1)(iii), and (c)  
 Annotated Code of Maryland  
 (2021 Replacement Volume and 2024 Supplement)*

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

**Article – State Finance and Procurement**

2–208.

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

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

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

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

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

- (i) a grant or contract awarded on or after October 1, 2018;
- (ii) a multi-year grant or contract awarded before October 1, 2018, if:
  1. the grant or contract continues to be in effect on or after October 1, 2018; and
  2. funding for the grant or contract is required to be authorized separately for each fiscal year; and
  - (iii) an extension or a renewal of a grant or contract if the extension or renewal is awarded on or after July 1, 2019.

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

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

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

- (1) at the same rate the nonprofit organization has negotiated and received:
  - (i) for indirect costs under a direct federal award; or
  - (ii) from a nonfederal entity based on the cost principles in Subpart E of OMB Uniform Guidance; or
- (2) if the nonprofit organization has not negotiated and received an indirect cost rate described in item (1) of this subsection, at a rate [of at least 10%] **EQUAL TO THE GREATER OF THE DE MINIMIS RATE ESTABLISHED IN SUBPART E OF OMB UNIFORM GUIDANCE OR 15%** of the costs that would be considered modified total direct costs under OMB Uniform Guidance.

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

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

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

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

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

~~(i) the salaries of senior staff;~~

~~(ii) the organization's administrative expenses; and~~

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

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

2-210.

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

(2) "Council" means the Maryland Efficient Grant Application Council established under § 2-209 of this subtitle.

(3) "Department" means the Department of Budget and Management.

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

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

(iii) regulations adopting each part of the uniform guidance, with appropriate modifications for its application to grant-making entities in the State, including

modifications or variances based on the scope or size of particular grant programs, grant-making entities, or grantees;

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

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

**Approved by the Governor, April 22, 2025.**