

Chapter 640

**(House Bill 365)**

AN ACT concerning

**State Grants and Contracts – Reimbursement of Nonprofit Indirect Costs – Application**

FOR the purpose of applying a certain provision of law related to the reimbursement of indirect costs incurred by certain nonprofit organizations to certain grants and contracts; providing that a certain provision of law does not require the reimbursement of indirect costs incurred under certain grants and contracts during any fiscal year that began before a certain date; making a stylistic change; and generally relating to the reimbursement of indirect costs incurred by nonprofit organizations.

BY repealing and reenacting, with amendments,  
Article – State Finance and Procurement  
Section 2–208  
Annotated Code of Maryland  
(2015 Replacement Volume and 2018 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 ~~WAS AWARDED ON OR AFTER OCTOBER 1, 2018~~ 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 ~~BEGAN BEFORE OCTOBER 1, 2018~~ BEGINS BEFORE JULY 1, 2019.**

**[(b)] (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% of the costs that would be considered modified total direct costs under OMB Uniform Guidance.

[(c) 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.]

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2019.

**Enacted under Article II, § 17(c) of the Maryland Constitution, May 25, 2019.**