April 11, 2008

The Honorable Thomas V. Mike Miller, Jr., President of the Senate
The Honorable Michael E. Busch, Speaker of the House of Delegates
The Honorable Members of the General Assembly

Ladies and Gentlemen:

I am pleased to present you with *The 90 Day Report – A Review of the 2008 Legislative Session.*

Once again *The 90 Day Report* consists of a single volume. The report is divided into 12 parts, each dealing with a major policy area. Each part contains a discussion of the majority of bills passed in that policy area, including comparisons with previous sessions and current law, background information, and a discussion of significant bills that did not pass. Information relating to the Operating Budget, Capital Budget, and aid to local governments is found in Part A.

I hope that you will find *The 90 Day Report* as helpful this year as you have in the past. The *Effect of the 2008 Legislative Program on the Financial Condition of the State* will be issued after the Governor has taken final action on all bills.

Sincerely,

Karl S. Aro
Executive Director

KSA/ncs

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Major Issues – 2008 Session

Part A
Budget and State Aid

Operating Budget

Overview

In 2007 the State faced a structural general fund budget deficit estimated at $1.7 billion for fiscal 2009. The Administration adopted $128.4 million in budget reductions in July 2007 and called for a special session of the legislature in October. Action at the special session included revenue enhancements of about $900 million, plus over $500 million in budget reductions. A constitutional amendment places the issue of video lottery terminals before the voters, which could add over $600 million to State coffers upon implementation. Fiscal matters continued to dominate the 2008 session as a softening economy led to $333 million in downward revenue revisions. Efforts to repeal the sales tax on computer services resulted in the passage of legislation that adopted a three-year increase in the State income tax rate, to 6.25 percent for net taxable income in excess of $1.0 million, in conjunction with transfers from the Transportation Trust Fund (TTF) for five years, and $50.0 million in ongoing budget reductions.

The General Assembly enacted a $31.2 billion budget for fiscal 2009; an increase of $1.2 billion or 4.0 percent above fiscal 2008. The budget is $21.9 million below the 4.27 percent level recommended by the Spending Affordability Committee (SAC). Medicaid, education aid, and personnel expenses account for much of the increase, in addition to modest initiatives. The budget continues to freeze tuition, begins the expansion of Medicaid services to the uninsured, implements public safety initiatives, and enhances efforts to restore the Chesapeake Bay. The budget estimates a closing general fund cash balance of $226.4 million and maintains reserves of $738.9 million, or 5.0 percent, of general fund revenues in the Rainy Day Fund.

Although the budget is balanced and there are large cash reserves, several concerns remain. The direction of the economy and its effect on revenues remains uncertain. While budget action has narrowed the imbalance in the general fund between ongoing revenues and ongoing spending, a gap of several hundred million remains. The outcome of the constitutional amendment, and its effect on State revenues, will not be known until November. Finally, the long-term forecast suggests that under current assumptions, the State faces cash and structural deficits which will require additional actions to ensure balanced budgets over the next few years.

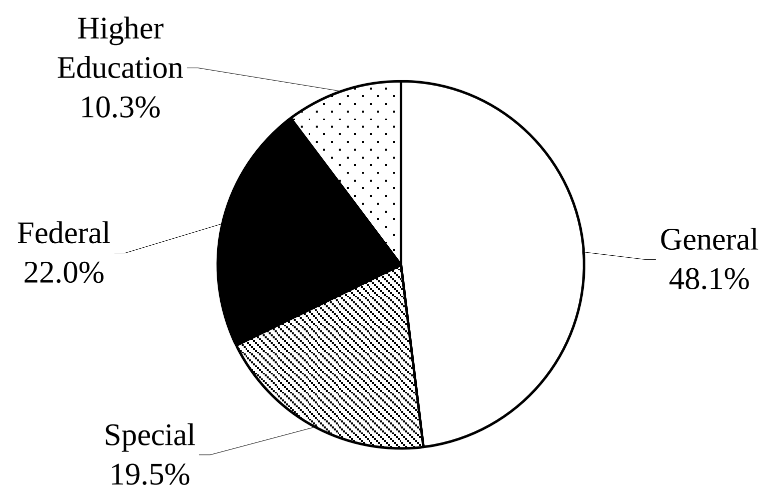
Budget in Brief

The Fiscal Year 2009 Budget Bill, ***Senate Bill 90*** ***(enacted),*** provides $31.2 billion in appropriations for fiscal 2009; an increase of $1.2 billion (4.0 percent) over fiscal 2008. **Exhibit A-1.1** illustrates funding by type of revenue. Slightly less than one-half of the budget is supported by general funds, with lesser proportions supported by dedicated special funds, federal aid, and higher education dollars. State agency operations constitute the largest area of spending, representing 46.1 percent of the total budget. Aid to local governments accounts for 23.5 percent of the budget, and 20.1 percent supports entitlement programs. Remaining appropriations fund pay-as-you-go (PAYGO) capital spending, debt service on State general obligation bonds, and transfers to accounts of the State's Reserve Fund.

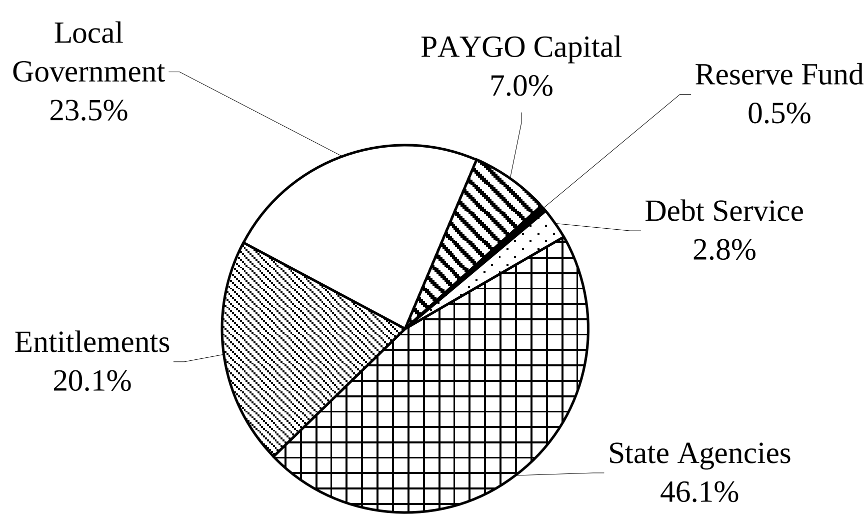
General fund appropriations grow $536.2 million, or 3.7 percent, above fiscal 2008. Increases are fairly evenly distributed between local aid, entitlements, and State agencies. Education and library aid for local jurisdictions increase by $195.0 million in general funds, much of which is associated with new funding for the Geographic Cost of Education Index (GCEI) and supplemental grants which provide a combined total of $112.6 million in fiscal 2009. Funding for Medicaid grows by $132.3 million based in part on inflation and enrollment growth, as well as funding to phase out hospital day limits. Agency spending growth is $188.2 million, or 3.2 percent, after accounting for $50.0 million in reductions stipulated in ***Senate Bill 46*** ***(Ch. 10)*** and $30.0 million in expected reversions. Much of the growth in agency budgets is due to personnel cost increases, including a 2.0 percent general salary increase and employee increments. The budget also includes additional spending for student testing costs, major information technology projects, two new housing units at the North Branch Correctional Institution, inmate medical costs, and personnel costs at juvenile facilities. Some modest initiatives are also funded such as stab proof vests for correctional officers, a high risk offender supervision program, oral health programs, and mental health services for returning veterans. General fund appropriations to the State Reserve Fund total $146.5 million, a decrease of $16.3 million compared to 2008. PAYGO capital spending also declines by $11.0 million.

Special fund spending increases by $454.0 million, or 8.1 percent. The budget provides significant increases in transportation and Medicaid-related expenses, offset by reductions for programs funded with the State transfer tax. The largest increase in special funds is for the Maryland Department of Transportation (MDOT) where an additional $356.4 million is provided, mostly as a result of action taken at the 2007 special session. The MDOT operating budget grows $122.3 million, and most of that increase focuses on transit operating expenses. Operating costs for the Maryland Transit Administration (MTA) rise by $77.0 million, and costs for the Washington Metropolitan Area Transit Authority increase another $20.0 million. Transportation PAYGO capital spending also increases approximately $238.5 million, largely to support projects in the State Highway Administration (SHA) and transit projects in the MTA.

Exhibit A-1.1
Maryland's $31.2 Billion Budget
Where It Comes From: Budget by Fund Source



Where It Goes: Budget by Purpose



PAYGO: Pay-as-you-go capital

Medicaid special fund spending rises by $67.0 million with monies from the Rate Stabilization Fund and the Maryland Health Insurance Program supporting the expansion of health services to the uninsured and the new oral health initiative. Nursing home reimbursements also increase from a higher rate and the annualization of collections of nursing home quality assessments. Special funds from the Annuity Bond Fund provide an additional $81.5 million for debt service payments on State general obligation bonds. Funding for wastewater treatment plant upgrades from the Bay Restoration Fund will include a planned $70.0 million bond sale, which is $20.0 million more than in fiscal 2008. New special funding of $25.0 million is provided for the Chesapeake Bay 2010 Trust Fund, and a portion of corporate income taxes fund a new Higher Education Investment Fund (HEIF).

Programs funded by revenue from the transfer tax decline by $149.1 million due to a slowdown in the real estate market. Large reductions occur in the State, local, and agricultural land preservation programs, although a portion of the local share now funds State Park operating costs as a result of action at the special session.

Federal funds grow by $200.7 million, or 3.0 percent, with the largest increase related to Medicaid inflation and enrollment growth. Other budgeted increases are found in the Developmental Disabilities Administration (DDA) due to an accounting change related to the closure of the Rosewood Center and the shift from institutional to community-based services, and in the Department of Housing and Community Development (DHCD) as a result of an agreement with the federal Department of Housing and Urban Development to manage Section 8 rental properties. These increases are offset by a $92 million decrease in the federal funds to support MDOT's capital program. This drop is due largely to a reduction in cash flow for the Woodrow Wilson Bridge which is nearing completion, as well as generally conservative revenue forecasting by MDOT pending the 2009 re-authorization of federal transportation funding.

The budgets for public higher education institutions increase by $59.4 million in total funds, or 1.4 percent, in fiscal 2009. These funds support operations of higher education institutions, including the University System of Maryland (USM), Morgan State University (MSU), St. Mary's College of Maryland (SMCM), and Baltimore City Community College (BCCC). As noted, additional State support is provided from general funds and the new HEIF for enhancements and enrollment growth. State funding permits undergraduate resident tuition to be frozen for a third consecutive year, exclusive of SMCM. Overall State support increases by $108.5 million or 9.6 percent.

With respect to State personnel, a general salary increase provides 2 percent, although this is offset by the final 1 percent increase in employee contributions for the retirement enhancement that was passed at the 2006 session. In fiscal 2009 and beyond, employees will now contribute 5 percent of salary toward retirement. The budget also includes $105.2 million in all funds toward the State's unfunded retiree health care liability (a.k.a., Other Post Employment Benefits or OPEB), which is about the same amount included in the fiscal 2008 budget. For a more detailed discussion of personnel issues, see the subpart "Personnel" within this part.

Framing the Session: 2007 Interim Activity

At the 2007 session, newly elected Governor Martin O'Malley requested additional time to develop a plan to solve an estimated $1.7 billion structural budget deficit. The interim was punctuated by legislative study of the deficit, including hearings to review spending mandates, revenue options, and a budget option based only on spending cuts. In July 2007, the Governor withdrew $128.4 million in spending through the Board of Public Works (BPW). Economic activity continued to soften due to higher fuel prices, tighter credit, and a slowdown in the housing market, leading the Board of Revenue Estimates (BRE) to revise revenue downward in September. The Governor called for a special session in October, which concluded with a package of revenue increases and spending cuts. The Spending Affordability Committee recommended a 4.27 percent rate of budgetary growth for the 2008 session, along with recommendations pertaining to the level of the Rainy Day Fund, and position growth.

2007 Closeout

The fiscal 2007 closeout yielded an additional $89.7 million for the general fund, largely due to $75.0 million in greater than anticipated revenue. Stronger than expected personal and corporate income tax attainment, interest earnings, and court revenue contributed to the surplus. These gains were offset by a $37.1 million decrease in sales tax collections based on continued decreases in construction activity and consumer spending. Budgetary reversions from throughout State government added another $17.6 million. While the general fund closed with a balance of $284.7 million, all but $156.5 million was designated to support the fiscal 2008 budget.

July 2007 BPW Withdrawn Appropriations

On July 11, 2007, the Governor proposed and BPW adopted $196.1 million in total fund withdrawals from the fiscal 2008 budget, which included $128.4 million in general fund reductions. The Administration also assumed further reversions, a potential transfer of funds from the Dedicated Purpose Account (DPA), and nominal revenues. State agencies and higher education were reduced by $78.2 million and 147.4 positions (about 17 filled) were abolished. Large cutbacks were made to higher education ($13.0 million), public safety ($11.0 million, including closure of the Maryland House of Correction), and human resources ($9.0 million). Another $49.2 million in Medicaid reductions resulted from the extension of hospital day limits ($17.2 million), overbudgeted Medicaid hospital rates and certain caseloads, and actions affecting nursing home rates and rates paid to Managed Care Organizations.

The Administration also assumed that $20 million in additional fiscal 2007 agency reversions and a $20 million transfer of monies set aside in the Reserve Fund toward the closure of the Prince George's County Hospital would be credited to the general fund.

November 2007 Special Session

On October 15, 2007, Governor O'Malley issued Executive Order 01.01.2007.23 which convened a special session beginning on October 29, 2007. The Administration proposed six bills to raise general fund revenue, modify selected statutory mandates, expand access to health care, provide additional transportation funding, place before the voters a constitutional amendment to permit video lottery terminals, and allocate potential video lottery terminal proceeds.

After three weeks of hearings and deliberation, the legislature completed action on a fiscal plan to address the long-term structural deficit. Much of the Administration's initial proposal remained intact, although not all of the proposals were adopted. The major revenue and spending highlights in the plan included the following:

- increasing the sales tax from 5 to 6 percent (dedicating 6.5 percent of sales tax revenue to the Transportation Trust Fund) and expanding the sales tax to cover computer services;

- enhancing revenues for the TTF through an increase in the vehicle excise tax from 5 to 6 percent;

- raising the tobacco tax by $1 per pack;

- raising the corporate income tax from 7 to 8.25 percent and dedicating a portion to higher education needs;

- making the income tax more progressive, with a top rate of 5.5 percent and increases in the refundable earned income tax credit and personal exemption; and

- implementing video lottery terminals, contingent on voter approval of a constitutional amendment. If approved, there would be provision for 15,000 machines at five locations. The majority of the State's share would be dedicated to an Education Trust Fund.

For fiscal 2009, the plan would raise approximately $900 million in net general fund tax revenue. Another $500 million raised through special fund sources, chiefly due to a portion of the sales tax and an increase in the titling tax dedicated to the TTF, is discussed in more detail below.

A total of $550 million in spending reductions were also an important component of the fiscal plan. This included $172 million reduced through a statutory change to education funding formulas to freeze inflation adjustments for two years, and the elimination of the $30 million Electricity Generating Equipment Property Tax Grant. Other general fund savings were to result from the utilization of a one-time surplus in the State's health care account, the elimination of 500 Executive Branch positions, and the utilization of local Program Open Space funds for State park operations. The Governor was directed to make additional reductions that would bring total savings versus the fiscal 2009 current services baseline budget to at least $550 million. **Exhibit A-1.2** illustrates the final action by the legislature during the November special session.

Exhibit A-1.2
Impact of Special Session Actions on Fiscal 2009 Revenues and Budget
($ in Millions)

	General Fund	Special Fund	All State Funds[1]
Sales – Tax Rate	$629	$44	$673
Sales Tax – Base Expansion	200	14	214
Vendor Discount Cap	17	1	19
Chesapeake Bay Fund	-32	32	0
6.5% to the TTF	-232	232	0
Subtotal Sales Tax	**$583**	**$322**	**$906**
Electronic Bingo/Tip Jars	5	0	5
Income Tax – Rates/Brackets	202	0	202
Income Tax – Personal Exemption	-157	0	-157
Earned Income Tax Credit	-39	0	-39
Tax Clearance – Lawyers	1	0	1
Subtotal Income Tax	**$7**	**$0**	**$7**
Corporate Income Tax – Rate	83	54	137
Tobacco Tax – Rate	179	0	179
Vehicle Titling Tax – Rate	0	141	141
Vehicle Titling Tax – Trade-In Offset	0	-83	-83
Vehicle Titling Certificate Fee	0	33	33
Transfer Tax (Controlling Interest)	0	14	14
Motor Fuel Tax (to Bay Fund)	-14	14	0
Security Interest/Special Tags	-10	10	0
Total	**$834**	**$505**	**$1,340**
Expenditure Reductions			
Education Formulas – Limiting Growth	-$172	$0	-$172
Health Insurance Fund Transfer	-65	-19	-84
Utility Personal Property Tax Grant	-31	0	-31
Use Open Space Funds for State Parks	-17	0	-17
Eliminate 500 Vacant Positions	-14	-8	-22
Other[2]	-249	0	-249
	-$547	**-$27**	**-$574**
Additional Expenditures			
Expansion of Access to Health Care	$0	$77	$77
Accelerate Geographic Cost of Ed. Index	38	0	38
Transportation Trust Fund[3]	0	310	310
Higher Education Investment Fund	0	55	55
Helicopter Replacement Fund[4]	0	33	33
Chesapeake Bay 2010 Fund	0	50	50
Total New Spending	**$38**	**$525**	**$563**

[1] Exclusive of federal funds and current unrestricted funds.

[2] Remaining net reductions from fiscal 2009 baseline incorporated in Governor's proposed fiscal 2009 general fund budget.

[3] Represents additional capital and operating spending above Legislative Services December 2007 baseline forecast.

[4] HB 5 requires $110 million transfer of sales tax revenues to helicopter fund in fiscal 2008. This amount is what is budgeted in fiscal 2009.

Transportation revenues were increased as part of the actions taken by the General Assembly during the 2007 special session and enacted in Chapter 6 of the 2007 special session. Following is a summary of the revenue actions taken:

- **Titling Tax:** The titling tax increased from 5 to 6 percent with all of the revenue from the 1 percent increase dedicated to the TTF. In addition, a trade-in allowance was provided for, which deducts the value of a trade-in vehicle from the purchase price, thus reducing the amount of tax applied to the purchase.

- **Dedication of Sales Tax:** Beginning in fiscal 2009, the TTF was to receive 6.5 percent of the total sales tax receipts in that year with all of the revenue directed to the TTF.

- **Increase in Titling Certificate Fee:** The certificate of title fee, which is paid when a vehicle is purchased, was increased from $23 to $50.

- **Ending Certain General Fund Transfers:** Transfers from the motor fuel tax to the Waterway Improvement Fund and Fisheries Research Development Fund were replaced with mandated general fund appropriations in fiscal 2009. Transfers of revenue from the security interest filing fee to the general fund were eliminated beginning in fiscal 2009 and will be retained by the TTF. Finally, vanity tag revenue, previously transferred to the general fund, will now be retained by the TTF.

- The State share of the revenue increase is estimated at approximately $413 million in fiscal 2009, and the local jurisdictions are estimated to lose $16 million due to a decrease in titling tax revenue as a result of the trade-in allowance. **Exhibit A-1.3** provides a summary of revenue impacts through fiscal 2013. In recognition of the additional revenues provided to the TTF, the limit on debt outstanding was increased from $2.0 billion to $2.6 billion.

Exhibit A-1.3
2007 Special Session Revenue Impacts
Transportation Trust Fund Revenue
Fiscal 2008-2013
($ in Millions)

Fiscal Year	2008	2009	2010	2011	2012	2013
1% Increase in Titling Tax	$73	$141	$149	$156	$163	$169
Titling Certificate Fee Increase	16	33	34	34	35	36
Vehicle Trade-in Deduction	-43	-83	-88	-93	-96	-98
6.5% of the State Sales Tax	0	291	303	317	331	346
Ending Certain GF Transfers	0	15	15	16	16	17
Total Revenue	**$46**	**$397**	**$413**	**$430**	**$449**	**$470**
State Share	38	413	430	448	467	489
Local Share	8	-16	-17	-18	-18	-19

TTF: Transportation Trust Fund

Source: Department of Legislative Services (DLS) Fiscal Note for Chapter 6 of the 2007 special session; Board of Revenue Estimates of Revenues, March 2008 report; DLS TTF Revenue Estimate

December Board of Revenue Estimates Revision/Economic Outlook

Many economists believe that the economy has entered a recession, following 0.6 percent growth in gross domestic product in the last quarter of 2007 and three straight months of declining employment. Housing sales and median prices have declined, affecting the construction and mortgage industries, and purchases of goods and services which provide sales tax revenue. Problems with sub-prime mortgages have resulted in tightened credit, turmoil in financial markets, and rising foreclosures. Higher energy and food prices have increased the level of inflation, affecting business and consumer confidence. In response, the Federal Reserve Bank has adopted measures to boost financial markets, and President George W. Bush signed an economic stimulus package into law that will send checks to more than 130 million households in May. In Maryland, employment has continued to grow, albeit at slower rates, and the State is expecting future growth as part of the realignment of military bases from other states.

Exclusive of the revenue enhancements passed at the special session, BRE has revised the fiscal 2008 general fund estimate downward by a combined $308.0 million since March 2007. The fiscal 2009 estimate was also lowered in March by $258.2 million. BRE now expects general fund revenue to grow 4.8 percent in fiscal 2008 and 6.8 percent in fiscal 2009 as many of the taxes raised at the special session effective January 1, 2008, are fully annualized on a fiscal year basis.

SAC Recommendations

SAC prepared its final report to the Governor in December 2007 which included the following recommendations pertaining to the operating budget:

Spending Limit: The committee recommended limiting growth on a spending affordability basis to 4.27 percent over spending approved at the 2007 session.

Personnel: The committee recommended that the actions taken at the special session to reduce the State workforce be continued into fiscal 2009 and that the Governor exercise prudent discipline in the creation of additional positions. Given the level of vacancies, it was further urged that existing positions be filled before adding new ones.

State Reserve Fund: SAC supported maintaining a balance of 5.0 percent in the Rainy Day Fund, with the goal of attaining 7.5 percent in the long term. However, in the short term, the committee recognized that fiscal conditions and declining revenue estimates could require use of the balance above 5.0 percent as part of the fiscal 2009 budget.

Governor's Spending Plan as Introduced

The fiscal plan submitted by the Administration provided for $31.6 billion in total spending for fiscal 2009 and another $125.8 million for fiscal 2008 deficiencies. The budget was $30.5 million below the limit recommended by SAC, reflected the abolition of 500.15 positions as required at the special session, and utilized $125.0 million in the Rainy Day Fund which was the balance above the recommended 5 percent level. The Governor's proposed spending plan resulted in a general fund balance of $177.5 million, and the structural deficit was reduced from an estimated $1.7 billion to $331.0 million.

Fiscal 2008 Financial Assumptions

Deficiency Appropriations: Deficiency appropriations totaling $125.8 million were proposed with the budget, consisting of $60.4 million in general funds, $26.3 million in special fund items, $38.3 million in federal fund appropriations, and $0.8 million from higher education dollars.

About three-fourths of the deficiencies are concentrated in the following five agencies:

- $27.2 million in the Department of Juvenile Services (DJS), largely for residential per-diem placements, re-opening of the Victor Cullen Academy, and overtime;

- $22.3 million in MDOT due to rising expenses associated with mobility services for disabled riders, transit union contracts, commuter bus service expansion, expansion of the Maryland Rail Commuter (MARC) services, and other bus and transit operations;

- $18.5 million in the Department of Human Resources (DHR) to supplement funding for low income energy assistance, children's legal services contracts, information technology improvements, the food stamp access project, and child support enforcement;

- $13.5 million in the Department of Health and Mental Hygiene (DHMH) mostly for federal contracts for the Women, Infants, and Children program; and

- $12.2 million within the Department of Public Safety and Correctional Services (DPSCS) for overtime expenses, public safety death benefits, revenue under attainment in the Drinking Driver Monitor Program (DDMP), and local jail reimbursements.

Specific Reversions: The Governor assumed $30.0 million in unspecified reversions for fiscal 2008, plus another $48.3 million in specific reversions. Targeted reversions included:

- $30.0 million from a fiscal 2007 Medicaid over accrual;

- $6.0 million representing a portion of the funds from the Rehab Option Program in the Children's Cabinet Interagency Fund (CCIF). The program was reduced by $4.0 million in July 2007 to $12.5 million. Because the funds were restricted for one-half of the fiscal year, the Administration assumed a corresponding reversion;

- $5.0 million expected from the abolition of 500.15 positions in January 2007 as required by Chapter 2 of the 2007 special session;

- $4.8 million in reversions from the Judicial ($3.0 million) and Legislative ($1.8 million) branches of government; and

- $2.5 million from several areas including $1.3 million in federal indirect cost recoveries in the Department of Labor, Licensing, and Regulation, $1.0 million from the Medicaid Children's Health Program, and $0.3 million in overbudgeted school wiring lease payments.

Fiscal 2009 Financial Assumptions

Additional Revenue and Reversion Assumptions: The Governor assumed another $3.0 million above the BRE estimate, comprised of $2.0 million in greater than expected uninsured motorist cases resolved by the Central Collection Unit (CCU) within the Department of Budget and Management (DBM), plus $1.0 million in lottery revenue to the general fund following a revision to the budgetary allocation to the Maryland Stadium Authority. Based on action at the special session, which permitted use of the Land Records Fund to support Judicial

Major Information Technology projects for two years, the Administration assumed a $7.3 million fiscal 2009 reversion (which was adopted as a legislative reduction) to recognize a general fund savings.

Contingent Reductions: $40.8 million in general fund reductions were assumed in the Administration's fiscal 2009 fiscal plan, contingent upon enactment of the following legislation:

- ***Senate Bill 91/House Bill 101 (both failed)***), the Budget Reconciliation and Financing Act of 2008 proposed to reduce $32.2 million through a combination of mandated formula changes, fee increases, and fund balance transfers, including:
  - $14.3 million in Medicaid as part of the overall funding to expand services to parents contingent on the use of the medical malpractice rebate for this purpose;
  - $7.0 million in Medicaid to increase dental provider reimbursement rates continent on the use of the medical malpractice rebate for this purpose;
  - $5.6 million to level fund Aid to Private Colleges and Universities in the Maryland Higher Education Commission budget at the fiscal 2008 level and to delay the phase-in to the statutory funding levels until fiscal 2010;
  - $3.4 million to delay enhancements to public libraries and the State library network until fiscal 2010;
  - $1.4 million to implement a $10 per month increase in the monthly supervision fee for DDMP; and
  - $0.5 million to cap State payments for circuit court leased space.
- ***House Bill 1614 (failed)*** proposed to reduce $8.6 million in overtime expenses in DPSCS, contingent on a change in the overtime calculation for correctional officers to be consistent with the Federal Fair Labor Standards Act and negotiations to adopt four-day 12-hour shifts.

Legislative Consideration of the Budget

As the legislature considered the budget, BRE revised general fund revenues downward by a combined $333.0 million for fiscal 2008 and 2009, and the Governor submitted two supplemental budgets which added $243.5 million in spending. The General Assembly reduced the budget by $441.1 million in all funds and deleted 244 positions. A major fiscal issue that evolved during the session revolved around the eventual passage of legislation to repeal the expansion of the sales and use tax for certain computer services.

Revenue and Spending Changes

BRE Revenue Revisions: In March 2008, BRE revised its estimate of general fund revenue for fiscal 2008 downward by $74.4 million and $258.8 million for fiscal 2009. As discussed, changes in the economy based on the housing market, higher fuel and utility costs, and turmoil in the financial services sector have combined to reduce sales and income tax revenues.

Supplemental Budgets No. 1 and 2: The Governor introduced two supplemental budgets that increased spending by a total of $243.5 million. About 40 percent of the spending, ($97.2 million), is supported with non-general fund revenues from higher education. Special and federal fund items added $57.6 million and $61.1 million, respectively. General fund increases of $27.6 million included $17.5 million for various fiscal 2008 deficiencies (largely for DJS, the Department of State Police, DHR, and DHMH), and $7.6 million to fully fund MSDE's Infants and Toddlers program.

Reductions: The legislature pared the Governor's fiscal 2008 deficiency budget by $1.2 million based on unexpected federal funds to spray for gypsy moths and actual grant award levels for community health resource centers. Changes adopted in the fiscal 2009 budget eliminated 244 positions and reduced $439.9 million in all funds. Notable reductions included:

- $99.7 million in funds set aside toward the State's unfunded retiree health care liability. After this action the State is appropriating about $100.0 million per year toward this liability in each of fiscal 2008 and 2009;
- $50.0 million from the MTA PAYGO capital program to more accurately reflect actual cash flow needs;
- $42.4 million in general funds from higher education institutions, however, about $31.0 million of this amount is being replaced with funding from the HEIF;
- $25.0 million from the Bay Fund, based on action adopted in ***Senate Bill 527*** ***(passed)*** to reduce the $50.0 million program for one year in order to supplement the general fund balance;
- $20.2 million to reduce medical malpractice subsidies based on the actual level of funding need;
- $40.0 million ($20.0 million general funds/$20.0 million federal funds) for Medicaid in patient hospital costs based on expected utilization; and
- $16.1 million for four higher education PAYGO capital projects that will instead be funded with general obligation debt.

Repeal of the Sales Tax Base Expansion to Computer Services

Action at the 2007 special session included the expansion of the State sales tax to certain computer services, effective July 1, 2008. An estimated $214 million was expected to be attained from this expansion, of which $200 million was for the general fund and $14 million was the TTF's share. A number of bills were introduced at the 2008 session to modify or repeal the new tax, and as the session progressed, the Administration expressed support for its repeal. A number of options were considered and, as discussed further under the "Budget-Related Legislation" subpart of this part, a plan was incorporated within ***Senate Bill 46***. This included a three-year increase in the income tax rate for income in excess of $1 million, a five-year diversion of sales tax revenue from the TTF to the general fund, and $50 million in ongoing general fund budget reductions.

Final Actions Related to SAC

Limiting Spending Growth: As shown in **Exhibit A-1.4**, final action by the legislature reduced the budget to a 4.16 percent rate of growth as measured on a spending affordability basis. This is $21.9 million below the 4.27 percent rate recommended by the committee.

Exhibit A-1.4
Operating Budget Affordability Limit
($ in Millions)

Funds	**2007 Session**	**2008 Session**	**$ Change**	**% Change**
General	$14,372.5	$14,812.6	$440.1	3.06%
Special	3,570.5	3,896.0	325.5	9.12%
Higher Education	1,932.0	1,993.2	61.2	3.17%
Estimated Budget Growth	**$19,875.0**	**$20,701.7**	**$826.8**	**4.16%**
SAC Limit	**$19,875.0**	**$20,723.6**	**$848.7**	**4.27%**
Over (Under) Limit			**-21.9**	**-0.11%**

Personnel: In January 2008, the Governor abolished 500.15 positions saving $5.0 million in accordance with Section 10 of Chapter 2 of the special session of 2007. These position abolitions were reflected in the fiscal 2009 budget as recommended by the committee. Action at the 2008 session reduced positions by 244, leaving 154 additional positions above the fiscal 2008 working appropriation. This is a growth rate of two-tenths of 1 percent, which is consistent with the committee recommendation that the Governor exercise prudent discipline in the creation of additional positions.

State Reserve Fund Balance: Although $125.0 million was transferred to support fiscal 2009 spending, budget action at the 2007 session leaves a $738.9 million balance in the Rainy Day Fund. This constitutes the minimum 5 percent balance, thus final action on the budget complied with this SAC recommendation.

Summary of Fiscal 2009 Legislative Activity

Exhibit A-1.5 summarizes final legislative activity on the fiscal 2009 budget relative to the plan proposed at the beginning of the session by the Administration and amended by subsequent supplemental budgets. While the fiscal plan offered by the Administration was largely adopted as proposed, budget reductions and fund transfers effected by the legislature created a larger projected closing fund balance for fiscal 2009.

Exhibit A-1.5

General Fund Budget Summary

Fiscal 2009

($ in Millions)

General Fund

	Admin.	Final
Starting Balance	$377.2	$375.8
Revenues Fiscal 2008 – Legislation	60.0	157.5
Expenditure Reduction – Deficiency Appropriation	0.0	0.4
Adjusted Starting Balance	**$437.2**	**$533.7**
Revenues – BRE March Estimate	14,484.9	14,484.9
Other Revenues	28.9	33.0
Revenues – Legislation*	50.0	49.4
Transfer from Rainy Day Fund	125.0	125.0
Total Revenues and Balance	**$15,126.0**	**$15,226.0**
Expenditures – Governor's Allowance	$15,130.0	$15,130.0
Appropriation to Rainy Day Fund	146.5	146.5
Expenditure Reductions – Legislation*	-35.2	-82.1
Expenditure Reductions**	-188.9	-194.9
Total Expenditures	**$15,052.4**	**$14,999.6**
Revenues Less Expenditures	73.6	226.4
Ending Balance	**$73.6**	**$226.4**

Cash Position

	Admin.	Final
General Fund Balance	$73.6	$226.4
Rainy Day Fund Balance – June 30, 2009	738.9	738.9
Total	**$812.5**	**$965.3**
Cash and Rainy Day Fund Over 5%	$75.3	$228.1

*Includes additional revenues ($5.6 million) and expenditure reductions ($50.0 million) associated with the Budget Financing Act (***Senate Bill 46*** ***(Ch. 10)***).

**Reductions under the Administration are amounts assumed in the original allowance and Supplemental Budget No. 2.

Outlook for Future Budgets

As shown in **Exhibit A-1.6**, although there is a cash balance of about $226.4 million in fiscal 2009, there is a gap of about $350 million when comparing ongoing revenue to ongoing spending. As noted, action at the 2007 special session reduced the projected $1.7 billion structural deficit by about $1.4 billion through a combination of new revenues and spending reductions. Reductions adopted at the 2008 session largely offset downward revenue revisions that were received in March 2008 but did not make additional progress in reducing the structural deficit. There is a potential cash shortfall of about $243 million between revenues and current services spending projected for fiscal 2010. The shortfall is expected to widen to nearly $600 million in fiscal 2011, which mirrors the structural deficit. This is due mainly to the downward revision of revenue by BRE in March, to an actuarial error in retirement contributions which adds nearly $70 million per year in additional spending for teachers' retirement costs, and in the financing of health care expansion, enacted by Chapter 7 of the 2007 special session, which adds $70 million in general fund spending in fiscal 2011.

Based on the assumption that the constitutional amendment to implement video lottery terminals is approved by voters in the fall of 2008, the projected cash and structural shortfall narrows significantly by fiscal 2013. It is estimated that revenue from video lottery terminals will add nearly $500 million in revenue in fiscal 2012, increasing to an estimated $660 million in fiscal 2013. If the constitutional amendment is not successful, the structural deficit is projected to remain at the roughly -$600 million level.

In the short term, the State is expected to spend the $226.4 million balance in the general fund as well as amounts in the Rainy Day Fund balance in excess of 5 percent of general fund revenues. Additional cash resources include $738.9 million of contingency resources in the Rainy Day Fund, which grows to nearly $900.0 million by fiscal 2013. While an upturn in projected economic activity will serve to mitigate these projected shortfalls, both the Administration and the legislature will need to consider some magnitude of spending reductions, revenue enhancements, or use of reserves in order to resolve the projected gap between revenues and spending.

Exhibit A-1.6
General Fund Budget Outlook
Fiscal 2008-2013
($ in Millions)

	FY 2008 Working	FY 2009 Leg. Approp.	FY 2010 Est.	FY 2011 Est.	FY 2012 Est.	FY 2013 Est.	Avg. Annual Change 2009-2013
Revenues							
Opening Fund Balance	$285	$534	$226	$0	$0	$0	
Transfers	998	152	323	64	63	52	
One-time Revenues/Legislation	160	54	0	-1	-1	-1	
Subtotal One-time Revenue	**$1,443**	**$740**	**$549**	**$64**	**$62**	**$50**	
Ongoing Revenues	$13,556	$14,489	$15,262	$16,043	$16,802	$17,585	
Revenue Adjustments – Legislation	-3	-3	-47	-105	-170	-175	
Subtotal Ongoing Revenue	**$13,554**	**$14,486**	**$15,214**	**$15,938**	**$16,631**	**$17,409**	**4.7%**
Total Revenues and Fund Balance	**$14,997**	**$15,226**	**$15,763**	**$16,002**	**$16,693**	**$17,460**	
Ongoing Spending							
Operating Spending	$14,159	$14,789	$15,647	$16,409	$16,690	$17,266	
Health Care Expansion	0	0	0	70	188	205	
Multi-year Commitments	115	100	78	64	0	0	
Ongoing Spending – Legislation	0	-52	-44	-29	-22	-23	
Subtotal Ongoing Spending	**$14,273**	**$14,837**	**$15,681**	**$16,513**	**$16,856**	**$17,449**	**4.1%**
One-time Spending							
PAYGO Capital	$27	$16	$34	$33	$33	$32	
One-Time Spending – Legislation	0	0	2	2	1	1	
Appropriation to Reserve Fund	163	147	291	50	50	50	
Subtotal One-time Spending	**$190**	**$163**	**$326**	**$85**	**$84**	**$83**	
Total Spending	**$14,463**	**$15,000**	**$16,007**	**$16,598**	**$16,939**	**$17,532**	
Ending Balance	**$534**	**$226**	**-$243**	**-$596**	**-$246**	**-$72**	
Rainy Day Fund Balance	$682	$739	$763	$803	$841	$880	
Balance Over 5% of GF Revenues	4	14	0	1	1	1	
As % of GF Revenues	5.03%	5.10%	5.00%	5.01%	5.01%	5.00%	
Structural Balance	**-$719**	**-$351**	**-$466**	**-$575**	**-$225**	**-$39**	

Note: Chapter 7 of the 2007 special session expresses the intent that the expansion of health care services continues beyond fiscal 2009 subject to specified general fund and education trust fund (from VLTs) revenue attainments. Current revenue estimates fall well short of the attainments specified in the bill.

Budget Reconciliation and Financing Legislation

In lieu of legislation proposed by the Administration, the General Assembly passed a package of budget reconciliation bills which provide mandate relief, alter revenue dedications, transfer special fund balances to the general fund and other funds, repeal the sales tax expansion to computer services in lieu of a new income tax rate and other actions, and implement transfers of unallocated balances from the Maryland Housing Fund.

Spending Mandate and Revenue Dedication Relief

Senate Bill 527 contains six provisions designed to provide relief to the general fund by eliminating or modifying mandates and altering the use of dedicated revenues. The bill:

- caps the State payment to counties for the costs of circuit court rents at $500,000, eliminating the per-square-foot formula;

- delays the planned enhancement to the county library formula by one year, retaining the fiscal 2008 level of $14 per capita in fiscal 2009, and then increasing to $15 per capita in fiscal 2010;

- delays the planned enhancement to the regional library resource centers by one year, retaining the fiscal 2008 level of $6.50 per capita in fiscal 2009, and then increasing to $7.50 per capita in fiscal 2010;

- removes the mandate that the CCIF receive general funds in the same amount as prior year savings under the federal Rehab Options Waiver;

- modifies the dedication of motor fuel taxes and sales tax on rental cars so that the first $6.5 million and $18.5 million, respectively, are directed to the general fund rather than the Chesapeake Bay 2010 Trust Fund for fiscal 2009; and

- modifies the provisions of Chapter 6 of the 2007 special session to dedicate $50 million, rather than $110 million, to the State Police Helicopter Replacement Fund in fiscal 2008 and to provide that, during fiscal 2010 through 2012 an additional $70 million (in aggregate) be appropriated for the procurement of Medevac helicopters in fiscal 2010, 2011, and 2012. These funds may be from any budgetary fund that receives sales and use tax, and appropriations may be reduced by the amount of capital debt that may be authorized for helicopters or by any contribution, transfer, or financing acquired from the Maryland Automobile Insurance Fund as authorized by an Act of the General Assembly.

The General Assembly rejected an Administration proposal to alter the statutory Joseph A. Sellinger Formula for Aid to Non-Public Institutions of Higher Education. That proposal would have level-funded the grants in fiscal 2009 and reduced the formula for fiscal 2010.

Transfer of Special Fund Balances

Senate Bill 540 ***(passed)*** contains three provisions:

- transfers $25 million from the balance of the CCU fund to the general fund before the end of fiscal 2009;
- transfers $100 million from the Dedicated Purpose Account that was set aside in prior fiscal years to begin to offset future liability for OPEB to the general fund; and
- abolishes the Joseph Fund and transfers the remaining balance of just under $16,000 to the Rainy Day Fund.

Health Care Funds – Transfers and Disbursements

Senate Bill 545 ***(passed)*** focuses on funds in the Maryland Health Care Provider Rate Stabilization Account and the Medical Care Programs Administration (Medicaid). The bill specifies the uses for the medical malpractice insurance subsidy payment rebate from the Medical Mutual Liability Insurance Society of Maryland that was received in December 2007. Companion budget bill language reduces general funds by $21.3 million, contingent on this legislation. From the Rate Stabilization Account, the bill:

- allocates $7 million to increase the rates paid to dental providers in the State's Medicaid program;
- transfers $3 million to the Health Care Coverage Fund, established by Chapter 7 of the 2007 special session, to support the expansion of Medicaid coverage to parents up to 116 percent of the federal poverty level; and
- transfers $73.3 million to the Health Care Coverage Fund to support the health care expansion costs in fiscal 2010 and 2011.

Senate Bill 545 also authorizes up to $2 million in over-attainment in the Cigarette Restitution Fund to be transferred to Medicaid. Companion budget bill language authorizes $1 million to be transferred from Medicaid to the Maryland State Department of Education (MSDE) to supplement the fiscal 2009 appropriation for the Non-public Student Textbook Program. The budget bill also authorizes that, after this distribution, up to $1 million may be transferred to the Maryland Technology Development Corporation (TEDCO) to supplement the fiscal 2009 appropriation to the Stem Cell Research Fund.

Senate Bill 545, and companion budget bill language, provides for an increase of $13 million to the Medicaid program, contingent on the over-attainment of fiscal 2008 lottery revenues, to supplement the funds already in DHMH for inflationary adjustments for community health care providers. This will allow the inflationary adjustment to increase from 1.5 to 3.0 percent.

Finally, ***Senate Bill 545*** authorizes DHMH to use $17 million in funds appropriated in Medicaid for nursing home reimbursements to cover an expected increase in costs due to a broadening of eligibility standards for long-term care coverage.

Budget Financing Act

Senate Bill 46, repeals application of the sales and use tax to computer services and establishes, for three years, a personal income tax rate of 6.25 percent on taxable income over $1 million effective January 1, 2008. Although this tax is expected to generate approximately $100 million less for the general fund annually, the lost revenues are recovered in the short term by reducing the distribution of sales and use tax to the TTF for five years (from $51 million in fiscal 2009 to an estimated $61 million by fiscal 2013), and intent language directing the Governor to present to the Board of Public Works by July 1, 2008, a schedule for reductions of at least $50 million in ongoing general fund expenditures from the fiscal 2009 budget.

Senate Bill 983 ***(passed)*** transfers $10 million from the Maryland Housing Fund's unallocated reserves to DHCD to be used in lieu of general funds for the Homeownership, Rental Housing, and Special Loans programs. This action allowed for a $5.1 million general fund reduction in the operating budget. The bill further requires an automatic transfer to these programs in any year that the unallocated reserve balance exceeds $10 million.

Senate Bill 536 ***(failed)*** would have raised the DDMP Fee by $10 per month, and the fiscal 2009 budget as introduced planned for a $1.4 million reduction in general funds as a result. ***House Bill 1614*** ***(failed)***) would have altered the requirements for calculating and paying overtime to correctional officers, resulting in an estimated general fund savings of $8.6 million.

Selected Budgetary Initiatives and Enhancements

Corrections, Crimes, and Public Safety

Monitoring High Risk Offenders: The fiscal 2009 budget includes $3.1 million to help fill parole and probation agent vacancies and to enhance the implementation of the statewide Violence Prevention Initiative. The initiative is a statewide program to identify adult offenders, whose risk factors and criminal histories indicate a propensity for violence and then provide those offenders with enhanced supervision. Referral into the program is based on factors such as age, number of prior arrests, and gang affiliation. Currently, 1,219 cases, of which 957 are in the Violence Prevention Unit in Baltimore City, have been identified for participation in the program. The additional funds will provide more intensive supervision through the enhanced use of Global Positioning System (GPS) monitoring and lower caseload ratios.

The budget also provides just over $700,000 for DJS to use GPS equipment to track up to 200 youth who, in the opinion of the department, are at-risk of committing or becoming victims of violent crime. The equipment differs from existing electronic monitoring equipment used by the department in that if the current electronic monitoring device is disabled, the department does not know the last whereabouts of the youth.

Health and Human Services

Closure of Rosewood Center: On January 15, 2008, Governor O'Malley announced plans to close the Rosewood Center, a State residential center for developmentally disabled individuals, by June 2009. The decision to close the facility was precipitated by repeated findings issued to the facility by the Office of Health Care Quality, which called into question the quality of care being provided at the facility as well as the potential loss of significant Medicaid recoveries. There are currently 165 individuals residing at the Rosewood Center; 30 of whom are committed by the court to be treated by DDA and 135 are non-court committed. DDA has produced a detailed plan for the closure of the Rosewood Center, transitioning the non-court committed individuals to the community and identifying an alternate facility for court-involved individuals in the DDA system.

The closure of Rosewood will cost the State an additional $1.8 million in fiscal 2008 and $4.9 million in fiscal 2009. The additional cost is attributed to the continued operation of Rosewood through the end of fiscal 2009 while also serving those individuals who have moved from Rosewood to the community. The State also loses Medicaid revenues associated with operating Rosewood as an Intermediate Care Facility for the Mentally Retarded.

Medicaid Assistance Program – Expansion/Day Limits: Chapter 7 of the 2007 special session enacted the Working Families and Small Business Health Coverage Act, which expands access to health care in the following ways:

- expands Medicaid eligibility to parents and caretaker relatives with household income up to 116 percent of the federal poverty level (FPL), which will be implemented in fiscal 2009;
- incrementally expands the Primary Adult Care program benefits over three years to childless adults with household income up to 116 percent of the FPL, which will phase in from fiscal 2010 through 2013; and
- establishes a Small Employer Health Insurance Premium Subsidy Program, which will be administered by the Maryland Health Care Commission and funded with $15 million in fiscal 2009.

Special funds, including savings from averted uncompensated care (***Senate Bill 974***/***House Bill 1587*** ***(both passed)*** and matching federal funds, will cover the costs of the expansion in fiscal 2009 and 2010. General funds will be needed beginning in fiscal 2011. The fiscal 2009 budget includes $113 million to fund the first year of the expansion. Additional discussion of the health care expansion funding can be found in Part J – Health and Human Services of this *90 Day Report*.

Oral Health Initiative: Legislation passed at the 2007 regular session established the Oral Health Safety Net Program, and DHMH formed a Dental Action Committee. The fiscal 2009 budget includes $16.1 million to implement many of the committee's recommendations. Low provider participation has been identified as the main barrier to comprehensive oral health services for Medicaid enrollees. As a result, the Medicaid budget for fiscal 2009 includes $14 million ($7 million in State funds and $7 million in federal funds) to increase dental reimbursement rates. This is the first year of a three-year plan to get Medicaid dental rates up to the fiftieth percentile of the American Dental Association's South Atlantic charges.

DHMH receives $1.4 million in the fiscal 2009 budget to improve access to dental care. Most of the funding ($900,000) is provided through the operating budget, and the remaining $500,000 consists of general obligation bonds in the capital budget. All of the funds will be provided as grants to local health departments, federally qualified health centers, or non-profit community health organizations. The office plans to target the geographic areas of the Upper Eastern Shore and Southern Maryland. DHMH also receives $700,000 for school-based dental health services because providing oral health services in a school setting eliminates problems with transportation and no-show appointments. Remaining funds will be used to establish two school-linked portable dental programs. Programs at the schools will include screenings, education, and prevention services.

Veterans Mental Health Initiative: The fiscal 2009 budget includes just over $2.8 million in the Mental Hygiene Administration to improve access to behavioral health services for veterans. Separate legislation (***Senate Bill 210***/***House Bill 372*** ***(both passed)*** formally establishes the program for a three-year period. The intent of the program is two-fold: to link veterans to mental health services provided by the U.S. Department of Veterans Affairs (VA) through the employment of six full-time equivalent contractual resource coordinators; and to provide gap services if there is delay in services available from the VA. The State envisages providing crisis intervention; individual, group, and family therapy; substance abuse early intervention and detoxification services; and medications until a veteran can access VA care.

The funding is aimed at the significant numbers of military personnel returning from recent overseas operations in Iraq and Afghanistan that have mental disorders. The VA's web site identifies one-third of all combat veterans as having a mental disorder. Data indicates that 10 to 15 percent of combat veterans have post-traumatic stress disorder and another 10 percent have signs of the disorder, depression, or anxiety and may benefit from some type of care. Co-occurring substance abuse problems are also common among this population as are high suicide rates and levels of homelessness.

Natural Resources, Environment, and Agriculture

State Park Funding Enhancement: In recent years, budget constraints have limited funding for Maryland's state parks. Chapter 2 of the 2007 special session allocated the greater of 20 percent, or $21.0 million, of the State transfer tax for the Maryland Park Service. As a result, the Maryland Park Service's fiscal 2009 appropriation increases by $4.7 million, which allows for the funding of equipment, such as picnic tables, grills, fire rings and heavy machinery, and contractual repairs ($1.3 million); 58 positions, 39 of which are contractual conversions ($1.3 million); additional seasonal contractual full-time equivalent positions ($1.1 million); and the formation of a Civic Justice Corps program for 100 at-risk youth to perform environmental restoration work in the parks ($1.0 million).

Primary/Secondary Education

K-12 Funding Increases – Geographic Cost of Education Index: State aid for primary and secondary education will increase by $185.1 million to a total of $5.35 billion in fiscal 2009, a boost of 3.6 percent over the fiscal 2008 funding level of $5.17 billion. The additional State aid includes growth of $129.8 million in funding that is provided directly to local boards of education, increasing direct State aid from $4.60 billion in fiscal 2008 to $4.73 billion in fiscal 2009, a 2.8 percent increase. Teachers' retirement, which is paid by the State on behalf of local school systems, will grow from $566.4 million to $621.8 million, an increase of $55.4 million or 9.8 percent.

A significant proportion of the direct aid increases are due to two programs receiving funding for the first time in fiscal 2009, the GCEI and the supplemental grants. These two programs account for a total of $112.6 million in fiscal 2009, 86.7 percent of the $129.8 million increase in direct aid. Due in part to Chapter 2 of the 2007 special session, which eliminated the fiscal 2009 and 2010 inflation factors for per pupil funding amounts used in the major State aid formulas, other direct State aid programs increase by just $17.3 million combined. The increase of nearly 10 percent in the teachers' retirement program is mostly due to an 8.8 percent increase in the salary bases for local boards of education.

Despite the more modest growth in aid relative to the years when the Bridge to Excellence legislation was being phased in, State funding for primary and secondary education will still increase by 3.6 percent even in a constrained fiscal 2009 State budget.

Higher Education

Every segment of higher education receives a general fund increase. Overall, new general and special funds, comprised chiefly of the HEIF, total $135.0 million in fiscal 2009, or 9.4 percent.

Higher Education Investment Fund: Chapter 3 of the 2007 special session increased the corporate income tax rate and dedicated part of the revenue to the newly created HEIF. In fiscal 2009, HEIF supports a portion of mandatory costs ($30.7 million), program enhancements ($3.3 million), workforce development initiatives ($8.0 million), enrollment support ($11.6 million), and as discussed below, an in-state undergraduate tuition freeze ($16.3 million).

Tuition Freeze: In an effort to continue to make college affordable for Maryland residents, the tuition freeze is extended for a third year for resident undergraduate students at USM institutions and MSU. The HEIF funds equate to approximately a 4.0 percent increase at

USM institutions and a 5.0 percent increase at MSU. SMCM is unaffected by the freeze, and tuition will increase by 5.0 percent in fall 2008, up from a 2.1 percent increase in fall 2007.

Community College Funding: Fiscal 2009 funding through the Cade formula grows by 4.0 percent per full-time equivalent student (FTES) over fiscal 2008. This amounts to an 8.4 percent, or $16.4 million increase. The fiscal 2009 appropriation represents 25.3 percent of funds for public four-year institutions in the previous year, short of the statutorily mandated 26.25 percent. When additional State funds for fringe benefits and other programs are included, the overall increase is $21.2 million, or 8.8 percent. BCCC, as the only State-run community college, has its own formula, which for fiscal 2009 sets State support at 67.25 percent of the prior year State appropriations per FTES at selected four-year public institutions. BCCC receives a $1.3 million, or 3.3 percent, increase in general funds in fiscal 2009.

Cigarette Restitution Fund

The Cigarette Restitution Fund (CRF) was established by Chapter 173 of 1999 and is supported by payments made under the Master Settlement Agreement (MSA). Through the MSA, the settling manufacturers will pay the litigating parties approximately $206 billion over the next 25 years and beyond, as well as conform to a number of restrictions on marketing to youth and the general public. **Exhibit A-1.7** details CRF budget data for fiscal 2007 through 2009. Two points can be made from the chart:

- The fiscal 2008 working appropriation has changed significantly from that originally approved during the 2007 session. Specifically, in a July 2007 action taken by BPW, an across the board reduction of 8 percent was taken to all CRF-supported programs with the exception of legal expenses and substance abuse treatment programs. This reduction, amounting to just over $14.1 million, was made to address potential shortfalls in payments to the CRF due to legal issues surrounding payments by participating manufacturers based on market share and the diligent enforcement of the State's qualifying statute.

- The fiscal 2009 allowance utilizes slightly less CRF funds than in fiscal 2008, primarily due to the anticipated lower available opening balance. Spending changes are minimal, primarily a reduction in CRF funds devoted to Medicaid.

Language adopted in the fiscal 2009 budget bill and ***Senate Bill 545*** authorizes the Governor to transfer up to $2 million in CRF over-attainment in fiscal 2009 to Medicaid to back-fill the transfer from Medicaid of up to $1 million in over-attainment to MSDE to support the purchase of non-public text books and up to $1 million in over-attainment to TEDCO to support stem cell research. The transfers are subject to the realization of over-attained CRF revenues.

Exhibit A-1.7
Cigarette Restitution Fund
Fiscal 2007-2009
($ in Millions)

	2007 Actual	2008 Working	2009 Budget
Beginning Fund Balance	$4.5	$12.9	$4.2
Settlement Payments	154.5	150.7	151.5
NPM and Other Shortfalls in Payments[1]	-16.1	-16.5	-16.5
Other Adjustments	7.7	36.1	35.7
Subtotal	**$150.7**	**$183.2**	**$175.0**
Prior Year Recoveries	1.1	1.0	
Total Available Revenue	**$151.8**	**$184.2**	**$175.0**
Health			
Tobacco Use Prevention/Cessation	$17.8	$17.3	$18.4
Cancer Prevention, Evaluation, and Treatment	28.1	25.4	27.5
Substance Abuse	17.1	17.1	17.1
Medicaid	63.7	106.7	97.5
Administration	0.5	1.0	1.0
Subtotal	**$127.1**	**$167.5**	**$161.5**
Other			
Aid to Nonpublic Schools	$4.0	$3.7	$3.7
Crop Conversion	7.6	8.3	8.5
Attorney General	0.2	0.4	0.5
Subtotal	**$11.8**	**$12.4**	**$12.7**
Total Expenses	**$138.9**	**$179.9**	**$174.2**
Ending Fund Balance	**$12.9**	**$4.2**	**$0.8**

NPM: Nonparticipating Manufacturer

[1]The NPM adjustment represents $15.7 million of this $16.1 million in fiscal 2007; an estimate of $16.5 million is used in fiscal 2008 and 2009.

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services; Department of Budget and Management

Transportation

Maryland Department of Transportation

Transportation Trust Fund: TTF revenues are modified by ***Senate Bill 46***, which repeals the sales tax on computer services. In fiscal 2009, revenues are reduced by $14 million which was the TTF share of this revenue. The legislation also provides that the share of the sales tax to be distributed to the TTF is reduced from 6.5 to 5.3 percent for five years. This results in a revenue loss of $51 million in fiscal 2009. **Exhibit A-1.8** summarizes the impact of ***Senate Bill 46*** on the TTF through fiscal 2013.

Exhibit A-1.8
Impact of SB 46 on State Share of Transportation Trust Fund Revenue
Fiscal 2009-2013
($ in Millions)

Fiscal Year	2009	2010	2011	2012	2013
Estimated Revenue to TTF from Special Session	**$413**	**$430**	**$448**	**$467**	**$489**
Less Repeal of Sales Tax on Computer Services	-14	-14	-15	-15	-16
Less Reduced Sales Tax Share (6.5% to 5.3%)	-51	-54	-56	-59	-61
Subtotal Revenue Loss to TTF	**-65**	**-68**	**-71**	**-74**	**-77**
Revised Additional Revenue to State Share of TTF	**$348**	**$362**	**$377**	**$393**	**$412**

Net special fund revenue to the TTF is expected to total $2.9 billion in fiscal 2009, including $370 million in estimated Consolidated Transportation Bonds (CTBs). This is a net increase of approximately $373 million compared to fiscal 2008 largely due to the additional revenue provided for in the 2007 special session. Operating expenses for all modes totals $1.56 billion; an increase of $122.3 million or 9 percent.

Budget Enhancements: Excluding debt service growth, MDOT's total operating and capital budgets increase in fiscal 2009 by a net $359 million in special funds, with approximately $300 million in new spending enhancements as a result of the additional revenue provided during the special session. However, due to ***Senate Bill 46***, the amount of revenue the department will receive is reduced by an estimated $65 million, thus it is unclear what impact this will have. As introduced, the operating budget allowance proposed a number of enhancements to transit services provided by the MTA for Core Bus, Light Rail, and MARC service as well as grants to locally operating transit systems. The majority of the additional revenue was provided for in the capital budget appropriation for MTA and SHA. The funding was largely used for a number of system preservation projects for rail cars, roads, and bridges.

Transportation Debt Limit: The budget establishes a ceiling for maximum debt outstanding for CTBs as of June 30, 2009, at $1.62 billion. A ceiling on non-traditional debt issued is set at $693.8 million for all debt that are not CTBs or Grant Anticipation Revenue Vehicle bonds.

Transit Farebox Recovery: ***House Bill 1185*** ***(passed)*** alters the farebox recovery requirement for Baltimore area transit services and MARC services from 50 to 35 percent, and adds specified efficiency measures that would be reported annually. This includes operating expenses per revenue vehicle mile, operating expenses per passenger trip, and passenger trips per revenue vehicle mile. The bill also adjusted the farebox recovery requirement rate to 35 percent for eligible bus service in Montgomery and Prince George's County.

Oversight of Public-private Partnerships (P3) and Transit Oriented Development: Under current law the Maryland Transportation Authority is required to report to the General Assembly before entering into any arrangement or procurement to lease or construct any transportation facility involving the private sector. These so called public-private partnerships, or P3 arrangements, have gained popularity nationally because transportation revenues have not kept pace with infrastructure needs. As introduced, ***House Bill 1238*** ***(failed)*** would have created new oversight capabilities of P3 arrangements involving MdTA and MDOT, by requiring reporting of any proposed project involving any of a number of creative financing mechanisms.

Senate Bill 204/House Bill 373 ***(both passed)*** define "transit-oriented development" (TOD) and establish TOD as a transportation purpose in the Transportation Article. The enacted bills generally codify current practice and are part of a deliberate development strategy involving property located within one-half mile of a transit facility which may involve private sector development. TODs are considered by MDOT to be P3 projects.

Maryland Transportation Authority

Debt Limit: Chapters 471 and 472 of 2005 established a debt limit of $1.9 billion for all toll-backed revenue bonds. ***Senate Bill 182*** ***(passed)*** increases this limit to $3.0 billion and requires that any loans or draws on a line of credit that MdTA utilizes under the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) also be counted within this overall cap.

InterCounty Connector Funding Changes: Chapter 203 of 2003 (the Budget Reconciliation and Financing Act of 2003) transferred $314.9 million from the TTF to the general fund as part of the budget balancing plan following the economic downturn of 2001. The legislature expressed the intent that the general fund repay the TTF, and the first payment of $50.0 million was made in fiscal 2006. The remaining repayment of $264.9 million was applied toward construction of the ICC, through Chapters 471 and 472 of 2005, as part of the financing plan for the $2.4 billion project. The financing plan required repayment of at least $50.0 million from the general fund in each year from fiscal 2007 through 2010 with a total repayment of $264.9 million. The first payment of $53.0 million was made in fiscal 2007, but no payment was made in fiscal 2008 due to cash flow changes in the project and the State's fiscal condition.

The fiscal 2009 budget bill includes a payment of $85.0 million, leaving a balance of $126.9 million to be repaid in fiscal 2010. Given the size of the final payment and based on concern over fiscal conditions, ***Senate Bill 182*** restructures the repayment plan for the general fund repayment to the ICC and requires that $85.0 million be paid in fiscal 2009, $63.0 million in fiscal 2010, and $63.9 million in fiscal 2011. **Exhibit A-1.9** below summarizes the changes made to the repayment plan.

Exhibit A-1.9
General Fund Payments for the InterCounty Connector
Fiscal 2007-2012
($ in Millions)

Fiscal Year	2007	2008	2009	2010	2011	2012
Current Law	$53	$0	$85	$126.9	$0	$0
Under SB 46	53	0	85	63	63.9	0

Senate Bill 182 also permits MdTA additional financial flexibility to address project cash flow needs. This includes a total of $75 million from one of the following sources: (1) bond anticipation notes with maturities of three years secured by a TIFIA line of credit; (2) use of MdTA's unencumbered cash balance; or (3) an interest-free loan from the TTF. Finally, it modifies annual reporting language for the ICC and authorizes MdTA to utilize federal TIFIA loans or lines of credit.

State Reserve Fund

The Rainy Day Fund, DPA, Catastrophic Event Account, and The Joseph Fund Account have a combined $747.2 million fund balance projected at the end of fiscal 2009. Activity in fiscal 2009 is listed in **Exhibit A-1.10** and detailed below.

Exhibit A-1.10
State Reserve Fund Activity
Fiscal 2008 and 2009
($ in Millions)

	Rainy Day Fund	Dedicated Purpose Acct.	Catastrophic Event Acct.	Joseph Fund Acct.
Estimated Balances 6/30/07	**$1,432.2**	**$142.6** [1]	**$8.3**	**$0.0**
Fiscal 2008 Appropriations	162.8	100.0	0.0	0.0
Expenditures				
Energy Subsidies for Low-income Residents		-20.6		
Transfer OPEB Funds to Special Fund		-200.0		
Prince George's County Hospital		-20.0 [2]		
Substance Abuse Case Mgmt. Compact		-1.0		
Transfers to General Fund	-978.0	0.0		
Estimated Interest	64.7			0.0
Estimated Balances 6/30/08	**$681.7**	**$1.0**	**$8.3**	**$0.0** [3]
Fiscal 2009 Appropriations	146.5	85.0 [4]	0.0	
Expenditures				
Transfer to MdTA for ICC		-85.0		
Substance Abuse Case Mgmt. Compact		-1.0		
Transfers to Rainy Day Fund	0.0	0.0		
Transfers to General Fund (GF)	-125.0			
Estimated Interest	35.7			
Estimated Balances 6/30/09	**$738.9**	**$0.0**	**$8.3**	**$0.0**
Balance in Excess of 5% GF Revenues	**$1.7**			

ICC: InterCounty Connector
MdTA: Maryland Transportation Authority
OPEB: Other Post Employment Benefits

[1] This includes $100.0 million toward OPEB obligations, $20.0 million for the Prince George's County Hospital, $20.6 million for low income energy assistance, and $2.0 million for substance abuse services.

[2] House Bill 1039 establishes a Prince George's County Hospital Authority and authorizes the transfer of these funds by budget amendment to the Department of Health and Mental Hygiene to support the operation of the Prince George's County health care system.

[3] The Joseph Fund Account has an estimated balanced of $15,476 at the end of fiscal 2008. Senate Bill 540 repeals the account and transfers the balance as of May 31, 2008, to the Revenue Stabilization Account.

[4] Senate Bill 182 modifies the general fund repayment for the ICC to require an appropriation of $85 million in fiscal 2009, $63 million in fiscal 2010, and $63.9 million in fiscal 2011.

Source: Department of Budget and Management

Fiscal 2009 Actions

- ***Rainy Day Fund***

  - $146.5 million is appropriated to the Rainy Day Fund. Section 7-311 of the State Finance and Procurement Article requires that in the budget for the second subsequent fiscal year, the Governor appropriate an amount equal to the unappropriated general fund balance at closeout exceeding $10.0 million into the Rainy Day Fund. At the end of fiscal 2007, the unappropriated general fund balance totaled $156.5 million; and

  - $125.0 million is transferred to the general fund from the Rainy Day Fund to support fiscal 2009 operations.

- ***Dedicated Purpose Account***

$85.0 million is appropriated in the DPA to support continued construction of the InterCounty Connector (ICC), with $32 million of this amount contingent upon enactment of legislation to increase the State income tax rate applicable to net taxable income of individuals in excess of $1,000,000 to at least 6.25 percent beginning January 1, 2008. The remaining general fund repayment for the ICC per ***Senate Bill 182***, is described in greater detail under the "Transportation" subheading of this part.

Rainy Day Fund Outlook

The end-of-year fiscal 2009 Rainy Day Fund balance is projected to be $738.9 million, which is 5.0 percent of general fund revenues. State law provides that if the fund balance is less than 7.5 percent of general fund revenues, a $50.0 million appropriation is required. The forecast assumes that these appropriations will be made in the out-years.

Personnel

State expenditures for employee compensation, estimated to be $7.1 billion in fiscal 2009, constitute a major component of the budget. Regular employee expenditures increase $410.1 million, or 6.5 percent, to $6.7 billion while contractual employee expenditures for fiscal 2009 total $408.5 million.

Health Insurance

To meet rising health insurance costs, the Administration has budgeted State health insurance payments of $744.2 million in fiscal 2009, a $95 million, or 14.6 percent, increase over the $649.2 million budgeted in fiscal 2008. This level of funding in the budget requires that $100.0 million be transferred from the balance of the nonbudgeted State Employees and Retirees Health and Welfare Benefits fund to cover the State's share of the remainder of the growth in claims costs. The Department of Legislative Services estimates that the fiscal 2010 balance in the nonbudgeted account, over that necessary to pay any pending claims, will be approximately $9.2 million.

Employee Compensation

The regular employee compensation package funded for fiscal 2009 reflects enhancements available to the entire workforce. Benefits available to State employees include the required State match of $600 for those employees participating in individual deferred compensation plans, and salary increments worth from 1.7 to 3.9 percent on the standard salary schedule for employees who are performing at or above established standards for their classification. The fiscal 2009 cost-of-living increase is 2.0 percent, applied uniformly across all positions.

Other Post Employment Benefits

The fiscal 2009 proposed budget allocated $207.8 million across all fund types to pre-fund the OPEB liability, which chiefly represents the estimated value of health insurance subsidies for future retirees. Revenue write downs prompted reductions to this level of funding and $105.2 million will be appropriated for transfer to an irrevocable OPEB trust, where the monies will be invested by the State Retirement Agency. ***Senate Bill 540*** ***(passed)*** moves $100.0 million from the DPA leaving $100 million as the fiscal 2008 contribution to OPEB pre-funding, thus creating continuity in the State's approach to addressing this future financial obligation.

Workforce Growth

In fiscal 2009, the size of the regular State workforce increases by 0.19 percent, or 154 positions. The deletion of 500.15 vacant positions in response to legislative direction given during the 2007 special session was included in the Governor's fiscal 2009 budget submission. Adjustments to individual agency workforces made during the 2008 session are illustrated in **Exhibit A-1.11.**

Exhibit A-1.11
Regular Full-time Equivalent Positions
Fiscal 2008 and 2009

Department	FY 2008 Wkg. Approp.	FY 2009 Allowance	Legis. Reduction	FY 2009 Legis. Approp.
Legislature	747	747	0.0	747
Judiciary	3,498	3,656	-86.5	3,569
Executive Branch				
Legal (Excluding Judiciary)	1,593	1,590	0.0	1,590
Executive and Administrative Control	1,674	1,689	-10.0	1,679
Financial and Revenue Administration	2,034	2,047	-1.0	2,046
Budget and Management	443	449	0.0	449
Retirement	205	203	0.0	203
General Services	645	638	0.0	638
Transportation	9,091	9,204	-3.0	9,201
Natural Resources	1,357	1,405	-1.0	1,404
Agriculture	447	437	0.0	437
Health and Mental Hygiene	7,638	7,510	-79.5	7,430
Human Resources	7,051	6,955	0.0	6,955
Labor, Licensing, and Regulation	1,473	1,461	0.0	1,461
Public Safety and Correctional Services	11,642	11,837	-53.0	11,784
MSDE and Other Education	2,209	2,182	0.0	2,182
Housing and Community Development	316	311	0.0	311
Business and Economic Development	283	276	-1.0	275
Environment	945	932	0.0	932
Juvenile Services	2,237	2,297	0.0	2,297
Police and Fire Marshal	2,473	2,457	-1.0	2,456
Subtotal	**53,753**	**53,877**	**-149.5**	**53,727**
Higher Education	23,584	23,700	-8.0	23,692
Grand Total	**81,582**	**81,980**	**-244.0**	**81,736**

MSDE: Maryland State Department of Education

Source: Department of Budget and Management

By the Numbers

A number of exhibits summarize the legislative budget action. These exhibits are described below.

Exhibit A-1.12 shows the impact of the legislative budget on the general fund balance for fiscal 2008 and 2009. The fiscal 2008 balance is estimated to be $533.7 million. At the end of fiscal 2009, the closing balance is estimated to be $226.4 million.

Exhibit A-1.12
Final Budget Status
Status as of April 7, 2008

	FY 2008	FY 2009
Starting General Fund Balance	**$284,711,236**	**$533,684,363**
Revenues		
BRE Estimated Revenues – December 2007	$13,632,442,900	$14,743,139,700
BRE Revenue Revision – March 2008	-74,655,000	-258,217,000
Supplemental Budget No. 1	-1,560,000	0
Supplemental Budget No. 2	406,000	0
Budget Reconciliation Legislation – Revenues	60,000,000	25,000,000
Budget Reconciliation Legislation – Transfers	100,000,000	25,000,000
Other Legislation	-2,500,000	-3,339,500
Additional Revenues	20,159,442	35,706,085
	$13,734,293,342	**$14,567,289,285**
Net Transfer to the GF from the Rainy Day Fund	815,222,858	-21,543,342
Subtotal Available Revenues	**$14,834,227,436**	**$15,079,430,306**
Appropriations		
General Fund Appropriations Net of Rainy Day Fund	$14,428,066,816	$15,149,907,235
Deficiencies	60,397,109	0
Supplemental Budget No. 1	0	-1,107,759
Supplemental Budget No. 2	17,486,550	11,175,539
Board of Public Works Withdrawn Appropriations	-128,430,816	0
Legislative Reductions/Contingent Legislation	-431,000	-276,960,073
Estimated Agency Reversions	-76,545,586	-30,000,000
Subtotal Appropriations	**$14,300,543,073**	**$14,853,014,942**
Closing General Fund Balance	**$533,684,363**	**$226,415,364**

BRE: Board of Revenue Estimates

Exhibit A-1.13, the fiscal note on the budget bill, depicts the Governor's allowance, funding changes made through Supplemental Budgets No. 1 and 2, legislative reductions, and final appropriations for fiscal 2008 and 2009 by fund source. The Governor's original request provided for $31.7 billion (net of projected general fund reversions) in fiscal 2009 expenditures and fiscal 2008 deficiencies.

Exhibit A-1.13
Fiscal Note
Summary of the Budget Bill – Senate Bill 90

	General Funds	Special Funds	Federal Funds	Education Funds	Total Funds
Governor's Request					
FY 2008 Deficiency Budget	$13,851,523 [1]	$26,301,289	$38,282,379	$750,000	$79,185,191
FY 2009 Budget	15,266,450,577 [2]	6,250,048,476	6,899,991,043	3,169,008,842	31,585,498,938
Original Budget Request	**$15,280,302,100**	**$6,276,349,765**	**$6,938,273,422**	**$3,169,758,842**	**$31,664,684,129**
Supplemental Budget No. 1					
FY 2008 Deficiency Budget	$0	$0	$46,000	$0	$46,000
FY 2009 Budget	-1,107,759	3,566,760	0	0	2,459,001
Subtotal	**-$1,107,759**	**$3,566,760**	**$46,000**	**$0**	**$2,505,001**
Supplemental Budget No. 2					
FY 2008 Deficiency Budget	$17,486,550	$43,712,745	$59,912,946	$49,000,425	$170,112,666
FY 2009 Budget	11,175,539	10,336,073	1,154,592	48,215,569	70,881,773
Subtotal	**$28,662,089**	**$54,048,818**	**$61,067,538**	**$97,215,994**	**$240,994,439**
Legislative Reductions					
FY 2008 Deficiency Budget	$431,000	$810,000	$0	$0	$1,241,000
FY 2009 Contingent Reductions	32,068,024 [3]	0	0	0	32,068,024
FY 2009 Budget	194,892,049	171,452,908	32,511,381	8,936,293	407,792,631
Total Reductions	**$227,391,073**	**$172,262,908**	**$32,511,381**	**$8,936,293**	**$441,101,655**
Appropriations					
FY 2008 Deficiency Budget	$30,907,073	$69,204,034	$98,241,325	$49,750,425	$248,102,857
FY 2009 Budget	15,049,558,284	6,092,498,401	6,868,634,254	3,208,288,118	31,218,979,057
Total Appropriation	**$15,080,465,357**	**$6,161,702,435**	**$6,966,875,579**	**$3,258,038,543**	**$31,467,081,914**

[1] Reflects $46.5 million in targeted reversions.

[(2] Reflects estimated general fund reversion of $30 million.

[3] Includes $2,355,621 in the Department of Labor, Licensing, and Regulation's Financial Regulation (P00C01.02) contingent on HB 752, $7,000,000 in Medicaid (M00Q01.03) contingent on SB 545, $14,275,000 in Medicaid (M00Q01.10) contingent on SB 545, $2,479,730 in Public Libraries (R00A02.31) contingent on SB 527, $907,673 in State Library Network (R00A02.32) contingent on SB 527, $2,850,000 in the Department of Housing and Community Development (DHCD) PAYGO capital (S00A25.07) contingent on SB 983/HB 1594, $900,000 in DHCD PAYGO capital (S00A25.08) contingent on SB 983/HB 1594, and $1,300,000 in DHCD PAYGO capital (S00A25.09) contingent on SB 983/HB 1594.

The Governor added $243.5 million in fiscal 2008 and 2009 spending via two supplemental budgets. Many of the items in the supplemental budgets for fiscal 2008 represented special, federal, and higher education funds that typically would have been appropriated throughout the year through budget amendments. Annual budget bill language expresses legislative intent that additional funding be provided through deficiency appropriations in order to reflect a more accurate budget.

The legislature made $441.1 million in reductions to the total budget request, resulting in a net change in appropriations of $248.1 million for fiscal 2008 and total appropriations of $31.2 billion for fiscal 2009.

Exhibit A-1.14 illustrates budget changes by major expenditure category by fund. Total spending grows 4.0 percent. Debt service grows 8.1 percent; aid to local governments increases by 0.7 percent; entitlements grow 8.0 percent, and State agency spending (net of reversions and contingent reductions) rises 3.4 percent. PAYGO capital expenditures increase by 4.7 percent.

Exhibit A-1.14
State Expenditures – General Funds
($ in Millions)

Category	Actual FY 2007	Work. Appr. FY 2008	Leg. Appr. FY 2009	FY 2008 to FY 2009 $ Change	FY 2008 to FY 2009 % Change
Debt Service	$0.0	$29.3	$0.0	-$29.3	-100.0%
Aid to Local Governments					
County/Municipal	228.2	242.6	215.5	-27.1	-11.2%
Community Colleges	205.9	241.7	262.9	21.2	8.8%
Education/Libraries	4,530.9	5,224.0	5,418.9	195.0	3.7%
Health	63.7	67.0	68.8	1.8	2.6%
Total Aid to Local Governments	**$5,028.6**	**$5,775.2**	**$5,966.0**	**$190.8**	**3.3%**
Entitlements					
Foster Care Payments	248.8	246.3	239.6	-6.7	-2.7%
Assistance Payments	43.1	35.5	35.5	0.0	0.0%
Medical Assistance	2,203.5	2,236.0	2,368.3	132.3	5.9%
Property Tax Credits	56.2	61.0	64.3	3.3	5.3%
Total Entitlements	**$2,551.6**	**$2,578.9**	**$2,707.7**	**$128.8**	**5.0%**
State Agencies					
Health	1,320.8	1,371.0	1,404.8	33.8	2.5%
Human Resources	278.0	294.8	320.4	25.6	8.7%
Systems Reform Initiative	32.2	44.7	39.4	-5.3	-11.8%
Juvenile Services	238.5	265.2	256.5	-8.7	-3.3%
Public Safety/Police	1,212.7	1,218.7	1,264.2	45.5	3.7%
Higher Education	1,047.5	1,129.4	1,142.6	13.2	1.2%
Other Education	401.3	387.4	417.3	29.9	7.7%
Agric./Natl Res./Environment	139.9	147.9	135.5	-12.5	-8.4%
Other Executive Agencies	604.4	565.8	656.5	90.7	16.0%
Leglislative	68.2	72.3	73.5	1.2	1.7%
Judiciary	325.5	347.1	366.2	19.2	5.5%
OPEB	100.0	100.0	66.5	-33.5	-33.5%
Total State Agencies	**$5,768.9**	**$5,944.2**	**$6,143.4**	**$199.2**	**3.4%**
Subtotal	**$13,349.1**	**$14,327.6**	**$14,817.1**	**$489.5**	**3.4%**
Capital/Heritage Reserve Fund	163.9	41.9	30.9	-11.0	-26.3%
Transfer to MdTA	53.0	0.0	85.0	85.0	n/a
Reserve Funds [(1)]	638.4	162.8	146.5	-16.3	-10.0%
Appropriations	**$14,204.4**	**$14,532.3**	**$15,079.6**	**$547.2**	**3.8%**
Cost Containment [(2)]	0.0	0.0	-50.0	-50.0	n/a
Reversions	0.0	-69.0	-30.0	39.0	-56.5%
Grand Total	**$14,204.4**	**$14,463.3**	**$14,999.6**	**$536.2**	**3.7%**

MdTA: Maryland Transportation Authority

OPEB: Other Post Employment Benefits

Note: Fiscal 2008 includes $46.5 million in targeted reversions and $77.5 million in deficiencies reflecting $0.4 million in cuts to the deficiencies.

[(1)] Excludes $85 million in fiscal 2009 appropriated to the Dedicated Purpose Account that is to be transferred to the Maryland Transportation Authority. These monies are included in the transfer to MdTA line. Also excludes $100 million in fiscal 2008 for OPEB costs which are included under the State agencies.

[(2)] SB 46 expresses legislative intent that the Governor via the Board of Public Works reduce the fiscal 2009 budget by $50 million on or before July 1, 2008.

Exhibit A-1.14 (Continued)
State Expenditures – Special and Higher Education Funds*
($ in Millions)

Category	Actual FY 2007	Work. Appr. FY 2008	Leg. Appr. FY 2009	FY 2008 to FY 2009 $ Change	FY 2008 to FY 2009 % Change
Debt Service	$768.7	$791.7	$887.4	$95.8	12.1%
Aid to Local Governments					
County/Municipal	724.5	699.9	606.5	-93.4	-13.3%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	0.0	0.0	0.9	0.9	n/a
Health	0.0	0.0	0.0	0.0	n/a
Total Aid to Local Governments	**$724.5**	**$699.9**	**$607.5**	**-$92.5**	**-13.2%**
Entitlements					
Foster Care Payments	0.1	0.1	0.1	0.0	-30.8%
Assistance Payments	12.9	13.3	13.4	0.1	0.9%
Medical Assistance	131.3	228.6	295.6	67.0	29.3%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Total Entitlements	**$144.3**	**$242.0**	**$309.1**	**$67.1**	**27.7%**
State Agencies					
Health	216.9	241.6	259.7	18.1	7.5%
Human Resources	75.2	75.3	54.7	-20.6	-27.4%
Systems Reform Initiative	0.6	0.6	0.7	0.1	18.3%
Juvenile Services	4.1	0.5	0.2	-0.3	-57.2%
Public Safety/Police	192.2	197.8	211.0	13.3	6.7%
Higher Education	2,876.6	3,195.4	3,241.6	46.2	1.4%
Other Education	27.9	39.1	40.8	1.7	4.4%
Transportation	1,315.2	1,370.7	1,454.8	84.2	6.1%
Agric./Natl Res./Environment	120.9	140.8	166.6	25.7	18.3%
Other Executive Agencies	468.3	522.0	538.3	16.3	3.1%
Legislative	0.1	0.3	0.1	-0.2	-66.7%
Judiciary	37.4	45.9	52.8	6.9	15.0%
OPEB	0.0	0.0	26.9	26.9	n/a
Total State Agencies	**$5,335.5**	**$5,829.8**	**$6,048.2**	**$191.5**	**3.7%**
Subtotal	**$6,972.9**	**$7,563.4**	**$7,852.2**	**$288.8**	**3.8%**
Capital	1,215.7	1,263.7	1,448.6	184.9	14.6%
Grand Total	**$8,188.6**	**$8,827.1**	**$9,300.8**	**$473.7**	**5.4%**

* Includes higher education fund (current unrestricted and current restricted) net of general and special funds.

OPEB: Other Post Employment Benefits

Note: Fiscal 2008 deficiencies include $107.2 million in operating and $11.0 million in capital for total special and higher education fund deficiencies of $118.2 million. These figures reflect legislative reductions of $0.8 million.

Exhibit A-1.14 (Continued)
State Expenditures – Federal Funds
($ in Millions)

Category	Actual FY 2007	Work. Appr. FY 2008	Leg. Appr. FY 2009	FY 2008 to FY 2009 $ Change	FY 2008 to FY 2009 % Change
Debt Service	$0.0	$0.0	$0.0	$0.0	n/a
Aid to Local Governments					
County/Municipal	37.1	60.7	45.5	-15.2	-25.0%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	665.0	727.5	694.4	-33.1	-4.6%
Health	4.5	4.5	4.5	0.0	0.0%
Total Aid to Local Governments	**$706.7**	**$792.7**	**$744.4**	**-$48.3**	**-6.1%**
Entitlements					
Foster Care Payments	95.2	104.6	122.7	18.1	17.3%
Assistance Payments	432.9	437.8	462.1	24.3	5.5%
Medical Assistance	2,342.2	2,444.1	2,670.7	226.6	9.3%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
Total Entitlements	**$2,870.2**	**$2,986.6**	**$3,255.6**	**$269.0**	**9.0%**
State Agencies					
Health	774.2	817.6	849.6	32.0	3.9%
Human Resources	471.1	515.6	522.1	6.4	1.3%
Systems Reform Initiative	14.9	14.9	7.3	-7.6	-50.9%
Juvenile Services	10.5	14.7	11.7	-3.0	-20.7%
Public Safety/Police	15.8	20.7	16.4	-4.3	-20.7%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	212.4	228.9	234.5	5.7	2.5%
Transportation	72.6	78.1	79.6	1.5	1.9%
Agric./Natl Res./Environment	55.6	65.9	60.8	-5.1	-7.7%
Other Executive Agencies	405.8	426.6	448.2	21.6	5.1%
Judiciary	4.3	3.8	4.1	0.3	7.0%
OPEB	0.0	0.0	11.8	11.8	n/a
Total State Agencies	**$2,037.4**	**$2,186.8**	**$2,246.1**	**$47.5**	**2.7%**
Subtotal	**$5,614.3**	**$5,966.0**	**$6,246.0**	**$280.0**	**4.7%**
Capital	749.2	701.9	622.6	-79.2	-11.3%
Grand Total	**$6,363.5**	**$6,667.9**	**$6,868.6**	**$200.7**	**3.0%**

OPEB: Other Post Employment Benefits

Note: Fiscal 2008 deficiencies include $92.5 million in operating and $5.7 million in capital for total federal fund deficiencies of $98.2 million.

Exhibit A-1.14 (Continued)
State Expenditures – State Funds
($ in Millions)

Category	Actual FY 2007	Work. Appr. FY 2008	Leg. Appr. FY 2009	FY 2008 to FY 2009 $ Change	FY 2008 to FY 2009 % Change
Debt Service	$768.7	$821.0	$887.4	$66.4	8.1%
Aid to Local Governments					
County/Municipal	952.7	942.5	822.0	-120.5	-12.8%
Community Colleges	205.9	241.7	262.9	21.2	8.8%
Education/Libraries	4,530.9	5,224.0	5,419.9	195.9	3.8%
Health	63.7	67.0	68.8	1.8	2.6%
Total Aid to Local Governments	**$5,753.2**	**$6,475.2**	**$6,573.5**	**$98.3**	**1.5%**
Entitlements					
Foster Care Payments	248.9	246.4	239.7	-6.7	-2.7%
Assistance Payments	56.0	48.8	48.9	0.1	0.2%
Medical Assistance	2,334.8	2,464.6	2,663.9	199.3	8.1%
Property Tax Credits	56.2	61.0	64.3	3.3	5.3%
Total Entitlements	**$2,695.9**	**$2,820.9**	**$3,016.8**	**$195.9**	**6.9%**
State Agencies					
Health	1,537.8	1,612.6	1,664.4	51.9	3.2%
Human Resources	353.3	370.1	375.1	5.0	1.4%
Systems Reform Initiative	32.8	45.3	40.1	-5.2	-11.4%
Juvenile Services	242.7	265.6	256.7	-8.9	-3.4%
Public Safety/Police	1,404.8	1,416.5	1,475.3	58.8	4.2%
Higher Education	3,924.0	4,324.7	4,384.2	59.4	1.4%
Other Education	429.3	426.4	458.1	31.6	7.4%
Transportation	1,315.2	1,370.7	1,454.8	84.2	6.1%
Agric./Natl Res./Environment	260.8	288.8	302.1	13.3	4.6%
Other Executive Agencies	1,072.7	1,087.8	1,194.8	107.0	9.8%
Legislative	68.3	72.6	73.6	1.0	1.4%
Judiciary	362.8	392.9	419.0	26.0	6.6%
OPEB	100.0	100.0	93.4	-6.6	-6.6%
Total State Agencies	**11,104.3**	**$11,774.0**	**$12,191.6**	**$417.6**	**3.5%**
Subtotal	**$20,322.1**	**$21,891.0**	**$22,669.3**	**$778.3**	**3.6%**
Capital/Heritage Reserve Fund	1,379.6	1,305.6	1,479.5	173.9	13.3%
Transfer to MdTA	53.0	0.0	85.0	85.0	n/a
Reserve Funds [1]	638.4	162.8	146.5	-16.3	-10.0%
Appropriations	**$22,393.0**	**$23,359.4**	**$24,380.3**	**$1,020.9**	**4.4%**
Cost Containment [2]	0.0	0.0	-50.0	-50.0	n/a
Reversions	0.0	-69.0	-30.0	39.0	-56.5%
Grand Total	**$22,393.0**	**$23,290.4**	**$24,300.3**	**$1,009.9**	**4.3%**

MdTA: Maryland Transportation Authority

OPEB: Other Post Employment Benefits

Note: Fiscal 2008 includes $46.5 million in targeted reversions. Fiscal 2008 deficiencies include $184.7 million in operating and $11.0 million in capital for total deficiencies of $195.7 million. These figures reflect legislative reductions of $1.2 million.

[1] Excludes $85 million in fiscal 2009 appropriated to the Dedicated Purpose Account that is to be transferred to the Maryland Transportation Authority. These monies are included in the transfer to MdTA. Also excludes $100 million in fiscal 2008 for OPEB costs which are included under the State agencies.

[2] SB 46 expresses legislative intent that the Governor via the Board of Public Works reduce the fiscal 2009 budget by $50 million on or before July 1, 2008.

Exhibit A-1.14 (Continued)
State Expenditures – All Funds
($ in Millions)

Category	Actual FY 2007	Work. Appr. FY 2008	Leg. Appr. FY 2009	FY 2008 to FY 2009 $ Change	FY 2008 to FY 2009 % Change
Debt Service	$768.7	$821.0	$887.4	$66.4	8.1%
Aid to Local Governments					
County/Municipal	989.8	1,003.2	867.5	-135.7	-13.5%
Community Colleges	205.9	241.7	262.9	21.2	8.8%
Education/Libraries	5,196.0	5,951.5	6,114.2	162.8	2.7%
Health	68.2	71.5	73.3	1.8	2.5%
Total Aid to Local Governments	**$6,459.8**	**$7,267.8**	**$7,317.9**	**$50.1**	**0.7%**
Entitlements					
Foster Care Payments	344.1	351.1	362.5	11.4	3.2%
Assistance Payments	488.9	486.6	511.0	24.4	5.0%
Medical Assistance	4,677.0	4,908.8	5,334.6	425.9	8.7%
Property Tax Credits	56.2	61.0	64.3	3.3	5.3%
Total Entitlements	**$5,566.1**	**$5,807.5**	**$6,272.4**	**$464.9**	**8.0%**
State Agencies					
Health	2,312.0	2,430.2	2,514.0	83.9	3.5%
Human Resources	824.4	885.7	897.2	11.5	1.3%
Systems Reform Initiative	47.7	60.2	47.4	-12.8	-21.2%
Juvenile Services	253.2	280.4	268.4	-12.0	-4.3%
Public Safety/Police	1,420.6	1,437.2	1,491.7	54.5	3.8%
Higher Education	3,924.0	4,324.7	4,384.2	59.4	1.4%
Other Education	641.7	655.3	692.6	37.3	5.7%
Transportation	1,387.8	1,448.8	1,534.5	85.7	5.9%
Agric./Natl Res./Environment	316.4	354.6	362.8	8.2	2.3%
Other Executive Agencies	1,478.5	1,514.4	1,643.0	128.6	8.5%
Legislative	68.3	72.6	73.6	1.0	1.4%
Judiciary	367.2	396.7	423.0	26.3	6.6%
OPEB	100.0	100.0	105.2	5.2	5.2%
Total State Agencies	**$13,141.7**	**$13,960.7**	**$14,437.6**	**$476.9**	**3.4%**
Subtotal	**$25,936.3**	**$27,857.0**	**$28,915.3**	**$1,058.3**	**3.8%**
Capital/Heritage Reserve Fund	2,128.8	2,007.5	2,102.1	94.6	4.7%
Transfer to MdTA	53.0	0.0	85.0	85.0	n/a
Reserve Funds [(1)]	638.4	162.8	146.5	-16.3	-10.0%
Appropriations	**$28,756.5**	**$30,027.3**	**$31,249.0**	**$1,221.7**	**4.1%**
Cost Containment [(2)]	0.0	0.0	-50.0	-50.0	n/a
Reversions	0.0	-69.0	-30.0	39.0	-56.5%
Grand Total	**$28,756.5**	**$29,958.3**	**$31,169.0**	**$1,210.7**	**4.0%**

MdTA: Maryland Transportation Authority

OPEB: Other Post Employment Benefits

Note: Fiscal 2008 includes $46.5 million in targeted reversions. Fiscal 2008 deficiencies include $277.2 million in operating and $16.7 million in capital for total deficiencies of $293.9 million. These figures reflect legislative reductions of $1.2 million.

[(1)] Excludes $85 million in fiscal 2009 appropriated to the Dedicated Purpose Account that is to be transferred to the Maryland Transportation Authority. These monies are included in the transfer to MdTA line. Also excludes $100 million in fiscal 2008 for OPEB costs which are included under the State agencies.

[(2)] SB 46 expresses legislative intent that the Governor via the Board of Public Works reduce the fiscal 2009 budget by $50 million on or before July 1, 2008.

Capital Budget

The 2008 General Assembly passed a capital budget program totaling $3.257 billion, including $1.739 billion for the transportation program which is discussed in more detail in the Operating Budget Section of this *90 Day Report*. Of the total $1.517 billion non-transportation capital program, $937.6 million is funded with general obligation (GO) bonds authorized in the Maryland Consolidated Capital Bond Loan of 2008 (MCCBL), the 2008 capital budget bill ***Senate Bill 150*** ***(passed)***; $431.3 million is funded on a pay-as-you-go (PAYGO) basis in the operating budget; $118.0 million is funded with revenue bonds to be issued by the Maryland Department of the Environment to support State and local efforts to upgrade wastewater treatment plants; and $33.0 million is funded with academic revenue bonds for University of Maryland System facilities authorized in ***House Bill 1444*** ***(passed)***.

Exhibit A-2.1 presents an overview of the State's capital program for fiscal 2009, **Exhibit A-2.2** lists capital projects and programs by function and fund source, and **Exhibit A-2.3** provides the individual legislative initiative projects funded in the 2008 MCCBL. The 2008 MCCBL includes funding for:

- State facilities, including colleges and universities, hospitals, District Court facilities, Department of Disabilities accessibility modifications, and correctional facilities;
- grants to local governments for school constructions, community college facilities, and local detention centers;
- health and social services facilities such as senior citizen centers, juvenile services facilities, community health and addiction facilities, and low-income housing;
- environmental programs, such as the Chesapeake Bay Water Quality, underground heating and oil storage tank replacement, Community Parks and Playgrounds, Agricultural Cost-Share and Tobacco Transition programs, and Drinking and Stormwater programs; and
- local projects and legislative initiatives.

In addition to GO debt, the State's capital program is funded with PAYGO funds which are used primarily to support economic development, housing, and environmental programs, for which the use of tax-exempt debt is limited under federal tax guidelines. The PAYGO portion of the capital program also included $33.6 million for the replacement of three of the State's Medevac helicopters.

Exhibit A-2.1
Summary of the Capital Program
($ in Millions)

	Bonds		Current Funds (PAYGO)			
Function	**General Obligation**	**Revenue**	**General**	**Special**	**Federal**	**Total**
State Facilities						**$70.7**
Facilities Renewal	$14.3	$0.0	$0.0	$0.0	$0.0	
Other	53.9	0.0	0.0	0.7	1.8	
Health/Social						**$73.6**
State Facilities	$50.9	$0.0	$0.0	$0.0	$0.0	
Private Hospitals	5.0	0.0	0.0	0.0	0.0	
Other	17.7	0.0	0.0	0.0	0.0	
Environment						**$475.9**
Energy	$0.0	$0.0	$0.0	$2.2	$0.0	
Natural Resources	13.0	0.0	0.0	87.0	4.3	
Agriculture	4.8	0.0	0.0	42.0	10.0	
Environment	28.6	118.0	8.4	112.0	33.7	
MD Environmental Services	11.9	0.0	0.0	0.0	0.0	
Public Safety						**$76.1**
State Corrections	$20.2	$0.0	$0.0	$0.0	$0.0	
State Police	2.5	0.0	0.0	33.6	0.0	
Local Jails	19.8	0.0	0.0	0.0	0.0	
Education						**$331.5**
School Construction	$327.4	$0.0	$0.0	$0.0	$0.0	
Other	4.1	0.0	0.0	0.0	0.0	
Higher Education						**$323.0**
University System	$157.4	$33.0	$0.0	$0.0	$0.0	
Morgan State University	11.9	0.0	0.0	0.0	0.0	
St. Mary's College	4.6	0.0	0.0	0.0	0.0	
Community Colleges	81.1	0.0	0.0	0.0	0.0	
Private Colleges/Universities	9.0	0.0	0.0	0.0	0.0	
Medical System	26.0	0.0	0.0	0.0	0.0	
Housing/Community Development						**$67.5**
Housing	$7.5	$0.0	$6.5	$37.0	$15.4	
Other	0.7	0.0	0.2	0.2	0.0	

Function	Bonds: General Obligation	Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total
Economic Development						**$18.5**
Economic Development	$0.0	$0.0	$0.0	$3.8	$0.0	
Other	0.0	0.0	14.7	0.0	0.0	
Local Projects						**$66.4**
Administration	$39.1	$0.0	$1.0	$0.0	$0.0	
Legislative	26.3	0.0	0.0	0.0	0.0	
Deauthorizations						**-$2.6**
Deauthorization	-$2.6	$0.0	$0.0	$0.0	$0.0	
Total Fiscal 2009	**$935.0**	**$151.0**	**$30.9**	**$318.5**	**$65.2**	**$1,500.6**
Fiscal 2008 Deficiencies	**$0.0**	**$0.0**	**$0.0**	**$11.0**	**$5.7**	**$16.7**
Transportation	$0.0	$370.0	$0.0	$763.9	$605.5	$1,739.4
Grand Total 2008	**$935.0**	**$521.0**	**$30.9**	**$1,093.4**	**$676.4**	**$3,256.7**

Exhibit A-2.2
Capital Program – 2008 Session

Budget Code	Project Title	Bonds: General Obligation	Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
	State Facilities						
D55P00.04	Veterans Affairs Cemetery – Garrison Forest	$0	$0	$0	$0	$1,810,000	$1,810,000
DA02.01A	DOD: Accessibility Modification	1,600,000	0	0	0	0	1,600,000
DE02.01A	BPW: Lowe House Building Alterations	701,000	0	0	0	0	701,000
DE02.01B	BPW: State House Old House Chamber	650,000	0	0	0	0	650,000
DE02.01C	BPW: 2100 Guilford Avenue State Office	3,000,000	0	0	0	0	3,000,000
DE02.01D	BPW: DGS Facility Renewal Fund	10,000,000	0	0	0	0	10,000,000
DE02.01E	BPW: DGS Construction Contingency Fund	500,000	0	0	0	0	500,000
DE02.01F	BPW: DGS Asbestos Abatement Program	2,000,000	0	0	0	0	2,000,000
DE02.01G	BPW: DGS Underground Storage Tank	1,000,000	0	0	0	0	1,000,000
DE02.01H	BPW: DGS Ethanol Fueling Stations	621,000	0	0	0	0	621,000
DE02.01I	BPW: Rockville District Court	47,535,000	0	0	0	0	47,535,000 [1]
DW01.08	Planning: Jefferson Patterson – Renovations	554,000	0	0	0	0	554,000
P00A01.10	DLLR: Eastern Shore Regional Call Center	0	0	0	744,000	0	744,000
	Subtotal	**$68,161,000**	**$0**	**$0**	**$744,000**	**$1,810,000**	**$70,715,000**

Budget Code	Project Title	Bonds: General Obligation	Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
	Health/Social						
DA07A	Aging: Senior Centers Activities Grant Program	$1,845,000	$0	$0	$0	$0	$1,845,000
MA01A	DHMH: Community Health Facilities	8,511,000	0	0	0	0	8,511,000
MA01B	DHMH: Federally Qualified Health Centers	1,072,000	0	0	0	0	1,072,000
MF03A	DHMH: Oral Health Safety Net Program	500,000	0	0	0	0	500,000
MF05A	DHMH: New Forensic Medical Center	47,807,000	0	0	0	0	47,807,000
MJ02	DHMH: New Public Health Laboratory	0	0	0	0	0	0 [2]
ML10A	DHMH: Clifton T. Perkins – Max. Security Wing	3,137,000	0	0	0	0	3,137,000
VE01A	DJS: Cheltenham Facility – Treatment Ctr.	4,074,000	0	0	0	0	4,074,000
VE01B	DJS: Cheltenham Facility – Detention Ctr.	1,661,000	0	0	0	0	1,661,000
ZA03A	MHA: Adventist HealthCare – Potomac Ridge	430,000	0	0	0	0	430,000
ZA03B	MHA: Civista Medical – Pharmacy Expansion	375,000	0	0	0	0	375,000
ZA03C	MHA: Franklin Square – Emergency Dept.	1,130,000	0	0	0	0	1,130,000
ZA03D	MHA: MD General – ICU Expansion/Renov.	875,000	0	0	0	0	875,000
ZA03E	MHA: Montgomery General – Emergency Dept.	900,000	0	0	0	0	900,000
ZA03F	MHA: Sinai Hospital – Obstetrical Unit Renov.	320,000	0	0	0	0	320,000
ZA03G	MHA: St. Joseph – Cardiac Area Renovation	450,000	0	0	0	0	450,000
ZA03H	MHA: Suburban Hospital – Nursing Unit	410,000	0	0	0	0	410,000
ZA03I	MHA: Union Hosp. – Outpatient Infusion Ctr.	110,000	0	0	0	0	110,000
	Subtotal	**$73,607,000**	**$0**	**$0**	**$0**	**$0**	**$73,607,000**

		Bonds		Current Funds (PAYGO)			
Budget Code	**Project Title**	**General Obligation**	**Revenue**	**General**	**Special**	**Federal**	**Total Funds**
	Environment						
D13A13.02	MEA: Community Energy Loan Program	$0	$0	$0	$1,200,000	$0	$1,200,000
D13A13.03	MEA: State Agency Loan Program	0	0	0	1,000,000	0	1,000,000
K00A05.10A	DNR: Rural Legacy Program	5,000,000	0	0	13,468,000	0	18,468,000 [3]
K00A05.10B	DNR: Program Open Space	0	0	0	42,547,000	3,000,000	45,547,000
K00A05.10C	DNR: Natural Resources Development	0	0	0	3,993,000	0	3,993,000
K00A05.10D	DNR: Critical Maintenance Projects	0	0	0	4,000,000	0	4,000,000
K00A05.10E	DNR: Dam Rehabilitation Program	0	0	0	500,000	0	500,000
K00A05.11	DNR: Waterway Improvement Fund	0	0	0	20,000,000	1,300,000	21,300,000
K00A05.14	DNR: Shore Erosion Control Program	0	0	0	500,000	0	500,000
K00A09.06	DNR: Ocean City Beach Replenishment	0	0	0	2,000,000	0	2,000,000
KA05A	DNR: Community Parks and Playgrounds	5,000,000	0	0	0	0	5,000,000
KA17A	DNR: Habitat Restoration & Aquaculture Program	3,000,000	0	0	0	0	3,000,000
L00A11.11	MDA: Agricultural Land Preservation	0	0	0	35,705,000	10,000,000	45,705,000
L00A12.13	MDA: Tobacco Transition Program	3,000,000	0	0	6,330,000	0	9,330,000
LA15A	MDA: Agricultural Cost-Share Program	1,800,000	0	0	0	0	1,800,000
U00A01.04	MDE: Hazardous Substance Cleanup	0	0	1,000,000	0	0	1,000,000
U00A01.05	MDE: Drinking Water Loan Program	0	18,000,000	2,265,000	4,000,000	7,814,000	32,079,000
U00A01.11A	MDE: Chesapeake Bay Restoration – ENR	0	70,000,000	0	68,000,000	0	138,000,000
U00A01.11B	MDE: Chesapeake Bay Restoration – Sewer	0	0	0	5,000,000	0	5,000,000
U00A01.12	MDE: Chesapeake Bay Restoration – Septic	0	0	0	6,000,000	0	6,000,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			
		General Obligation	Revenue	General	Special	Federal	Total Funds
U00A1.03	MDE: Water Quality Loan Program	0	30,000,000	5,180,000	28,920,000	25,900,000	90,000,000
UA04A(1)	MDE: CBWQ Nutrient Removal – BNR	18,448,000	0	0	0	0	18,448,000
UA04A(2)	MDE: Supplemental Assistance Program	5,000,000	0	0	0	0	5,000,000
UA04A(3)	MDE: Small Creek and Estuary Restoration	648,000	0	0	0	0	648,000
UA04A(4)	MDE: CBWQ Stormwater Pollution Control	838,000	0	0	0	0	838,000
UA04B	MDE: Water Supply Assistance Program	3,650,000	0	0	0	0	3,650,000
UB00A1	MES: Water/Sewer Infrastructure – Green Ridge	1,056,000	0	0	0	0	1,056,000
UB00A2	MES: Water/Sewer Infrastructure – Jessup	248,000	0	0	0	0	248,000
UB00A3	MES: Water/Sewer Infrastructure – ECI WTP	3,609,000	0	0	0	0	3,609,000
UB00A4	MES: Water/Sewer Infrastructure – ECI WWTP	6,961,000	0	0	0	0	6,961,000
	Subtotal	**$58,258,000**	**$118,000,000**	**$8,445,000**	**$243,163,000**	**$48,014,000**	**$475,880,000**
	Public Safety						
D06E02SP	BPW: State Police Helicopter Replacement	$0	$0	$0	$33,606,000	$0	$33,606,000
QB04A	DPSCS: 192-Cell Medium Security Housing	10,141,000	0	0	0	0	10,141,000
QB08A	DPSCS: WCI – Vocational Education Bldg.	1,099,000	0	0	0	0	1,099,000
QP00A	DPSCS: Baltimore Correctional – Women's	5,500,000	0	0	0	0	5,500,000
QP00B	DPSCS: Baltimore Correctional – Youth Ctr.	3,400,000	0	0	0	0	3,400,000
	DSP: New Hagerstown Barrack and Garage	0	0	0	0	0	0 [4]
WA01A	DSP: Tactical Services Facility – Garage	2,498,000	0	0	0	0	2,498,000
ZB02A	Local Jails: Cecil County – Additions/Alterations	788,000	0	0	0	0	788,000

Budget Code	Project Title	Bonds: General Obligation	Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
ZB02B	Local Jails: Frederick – Adult Detention Ctr.	7,401,000	0	0	0	0	7,401,000
ZB02C	Local Jails: Harford – Housing Unit Expansion	6,336,000	0	0	0	0	6,336,000
ZB02D	Local Jails: St. Mary's – Minimum Security	698,000	0	0	0	0	698,000
ZB02E	Local Jails: Worcester – Renovation/ Expansion	4,606,000	0	0	0	0	4,606,000
	Subtotal	**$42,467,000**	**$0**	**$0**	**$33,606,000**	**$0**	**$76,073,000**
	Education						
DE02.02A	Public School Construction	$327,400,000	$0	$0	$0	$0	$327,400,000 [5]
RA01A	MSDE: County Library Capital Grants	4,000,000	0	0	0	0	4,000,000
RE01A	MD School for Deaf – Parking/Athletic Field	122,000	0	0	0	0	122,000
	Subtotal	**$331,522,000**	**$0**	**$0**	**$0**	**$0**	**$331,522,000**
	Higher Education						
RB21A	UMB: Pharmacy Hall Addition and Renovation	$57,250,000	$4,977,000	$0	$0	$0	$62,227,000
RB22A	UMCP: Tawes Building Conversion	2,450,000	0	0	0	0	2,450,000
RB22B	UMCP: Maryland Fire & Rescue Institute	650,000	0	0	0	0	650,000
RB22C	UMCP: Physical Sciences Complex I	4,000,000	0	0	0	0	4,000,000
RB22D	UMCP: School of Public Health	7,500,000	0	0	0	0	7,500,000
RB22E	UMCP: Biology – Psychology Building	1,500,000	0	0	0	0	1,500,000
RB22rb	UMCP: New Journalism Building	0	6,000,000	0	0	0	6,000,000

Budget Code	Project Title	Bonds: General Obligation	Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
RB24A	TU: Campuswide Safety and Circulation	13,251,000	5,023,000	0	0	0	18,274,000
RB24B	TU: New College of Liberal Arts Complex	9,339,000	0	0	0	0	9,339,000
RB27A	CSU: New Physical Education Complex	39,439,000	0	0	0	0	39,439,000
RB27B	CSU: Campuswide Utilities/Security Imp.	6,960,000	0	0	0	0	6,960,000
RB27C	CSU: Science and Technology Center	6,291,000	0	0	0	0	6,291,000
RB27D	CSU: New Health and Human Services Bldg.	3,482,000	0	0	0	0	3,482,000
RB28A	UB: New Law School	4,033,000	0	0	0	0	4,033,000
RB34A	UMCES: Oyster Production Facility	1,343,000	0	0	0	0	1,343,000
RB36rb	USM: Facility Renewal	0	17,000,000	0	0	0	17,000,000
RD00A	SMC: Anne Arundel Hall Reconstruction	1,050,000	0	0	0	0	1,050,000
RD00B	SMC: Bruce Davis Theatre Renovation	2,402,000	0	0	0	0	2,402,000
RD00C	SMC: Student Services Building	1,195,000	0	0	0	0	1,195,000
RI00A	MHEC: Community College Facilities Program	81,028,000	0	0	0	0	81,028,000
RM00A	MSU: Campuswide Utilities Upgrade	7,723,000	0	0	0	0	7,723,000
RM00B	MSU: New Business School Complex	3,100,000	0	0	0	0	3,100,000
RM00C	MSU: Campuswide Site Improvements	1,050,000	0	0	0	0	1,050,000
RQ00A	UMMS: New Ambulatory Care Center	10,000,000	0	0	0	0	10,000,000
RQ00B	UMMS: R Adams Cowley Shock Trauma Ctr.	13,500,000	0	0	0	0	13,500,000
RQ00C	UMMS: New Diagnostic & Treatment Facilities	2,500,000	0	0	0	0	2,500,000
ZA00J	MICUA: Johns Hopkins – Gilman Hall	1,250,000	0	0	0	0	1,250,000

Budget Code	Project Title	Bonds: General Obligation	Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
ZA00K	MICUA: Loyola College – Science Center	3,250,000	0	0	0	0	3,250,000
ZA00L	MICUA: Mount St. Mary's – Performing Arts	1,250,000	0	0	0	0	1,250,000
ZA00M	MICUA: Sojourner-Douglass Allied Health	3,250,000	0	0	0	0	3,250,000
	Subtotal	**$290,036,000**	**$33,000,000**	**$0**	**$0**	**$0**	**$323,036,000**
	Housing/Community Development						
D40W01.11	Planning: Maryland Historical Trust Loan	$0	$0	$250,000	$200,000	$0	$450,000
DW01.10A	Planning: Historical Trust Capital Grant Fund	700,000	0	0	0	0	700,000
S00A24.02A	DHCD: Community Legacy Program	0	0	6,500,000	0	0	6,500,000
S00A24.02B	DHCD: Neighborhood Business Development	0	0	0	5,000,000	0	5,000,000
S00A24.02C	DHCD: Community Development Block Grants	0	0	0	0	9,000,000	9,000,000
S00A25.07	DHCD: Rental Housing Programs	0	0	0	15,500,000 [6]	4,750,000	20,250,006
S00A25.08	DHCD: Homeownership Programs	0	0	0	8,500,000 [6]	100,000	8,600,006
S00A25.09	DHCD: Special Loan Programs	0	0	0	8,000,000 [6]	1,500,000	9,500,006
SA25A	DHCD: Partnership Rental Housing Program	6,000,000	0	0	0	0	6,000,000
SA25B	DHCD: Shelter and Transitional Housing Facil.	1,500,000	0	0	0	0	1,500,000
	Subtotal	**$8,200,000**	**$0**	**$6,750,000**	**$37,200,000**	**$15,350,000**	**$67,500,018**

		Bonds		Current Funds (PAYGO)			
Budget Code	Project Title	General Obligation	Revenue	General	Special	Federal	Total Funds
	Economic Development						
D40W01.12	Planning: Historic Tax Credit Fund	$0	$0	$14,700,000	$0	$0	$14,700,000
T00F00.10	DBED: Rural Broad Band Assistance Fund	0	0	0	3,800,000	0	3,800,000 [7]
	Subtotal	**$0**	**$0**	**$14,700,000**	**$3,800,000**	**$0**	**$18,500,000**
	Local Projects						
D06E02JC	Misc.: CASA Multicultural Center	$0	$0	$1,000,000	$0	$0	$1,000,000
ZA00A	Misc.: Charles E. Smith Life Communities	760,000	0	0	0	0	760,000
ZA00B	Misc.: East Baltimore Biotechnology Park	5,000,000	0	0	0	0	5,000,000
ZA00C	Misc.: Homeless Shelter and Resource Ctr.	2,000,000	0	0	0	0	2,000,000
ZA00E	Misc.: Jewish Council for the Aging	1,000,000	0	0	0	0	1,000,000
ZA00F	Misc.: Johns Hopkins Medicine/Critical Care	5,000,000	0	0	0	0	5,000,000
ZA00G	Misc.: Johns Hopkins Medicine/Pediatric Center	10,000,000	0	0	0	0	10,000,000
ZA00H	Misc.: Kennedy Krieger/Clinical Research Bldg.	1,000,000	0	0	0	0	1,000,000
ZA00I	Misc.: Live Nation	2,000,000	0	0	0	0	2,000,000
ZA00N	Misc: MD Zoo – Facilities Renewal	1,000,000	0	0	0	0	1,000,000
ZA00O	Misc.: MD Zoo – Infrastructure Improvements	2,000,000	0	0	0	0	2,000,000
ZA00P	Misc.: Park Heights Redevelopment	3,000,000	0	0	0	0	3,000,000
ZA00Q	Misc.: Southern Maryland Stadium	1,333,000	0	0	0	0	1,333,000
ZA00R	Misc.: WestSide Revitalization	5,000,000	0	0	0	0	5,000,000
ZA00S	Misc.: Annapolis Underground Wiring	600,000	0	0	0	0	600,000

		Bonds		Current Funds (PAYGO)			
Budget Code	**Project Title**	**General Obligation**	**Revenue**	**General**	**Special**	**Federal**	**Total Funds**
ZA00T	Misc.: Baltimore County Agricultural Center	450,000	0	0	0	0	450,000
ZA00U	Misc.: Emmart-Pierpont House	100,000	0	0	0	0	100,000
ZA00V	Misc.: School for the Blind	150,000	0	0	0	0	150,000
ZA01	Legislative Initiative Grants – Senate	12,500,000	0	0	0	0	12,500,000
ZA02	Legislative Initiative Grants – House	12,500,000	0	0	0	0	12,500,000
	Subtotal	**$65,393,000**	**$0**	**$1,000,000**	**$0**	**$0**	**$66,393,000**
	De-authorizations						
ZF00	De-authorizations	-$2,644,000	$0	$0	$0	$0	-$2,644,000
	Total	**$935,000,000**	**$151,000,000**	**$30,895,000**	**$318,513,000**	**$65,174,000**	**$1,500,582,018**
	Fiscal 2008 Deficiencies						
D13A13.01	MEA: Community Energy Loan Program	$0	$0	$0	$500,000	$0	$500,000
D13A13.03	MEA: State Agency Loan Program	0	0	0	500,000	0	500,000
D40W01.12	Planning: Historic Tax Credit Fund	0	0	0	10,000,000	0	10,000,000
K00A05.10	DNR: Harriet Tubman Underground Railroad	0	0	0	1,600,000	0	1,600,000 [8]
K00A05.10	DNR: Program Open Space	0	0	0	-1,600,000	0	-1,600,000 [8]
U00A01.05	MDE: Drinking Water Revolving Loan Fund	0	0	0	0	5,745,000	5,745,000
	Subtotal	**0**	**0**	**0**	**11,000,000**	**$5,745,000**	**$16,745,000**

Budget Code	Project Title	Bonds: General Obligation	Bonds: Revenue	Current Funds (PAYGO): General	Current Funds (PAYGO): Special	Current Funds (PAYGO): Federal	Total Funds
	Grand Non-transportation Total	**$935,000,000**	**$151,000,000**	**$30,895,000**	**$329,513,000**	**$70,919,000**	**$1,517,327,018**
	Transportation	**$0**	**$370,000,000**	**$0**	**$763,916,142**	**$605,488,000**	**$1,739,404,142**
	Grant Total	**$935,000,000**	**$521,000,000**	**$30,895,000**	**$1,093,429,142**	**$676,407,000**	**$3,256,731,160**

[1] This amount des not include $23,838,000 pre-authorized in the 2008 Maryland Consolidated Capital Bond Loan (MCCBL) for fiscal 2010. The $47,535,000 authorization in addition to the pre-authorization amount will allow the project to be bid for construction during fiscal 2009.

[2] The 2007 MCCBL included a $7.8 million pre-authorization for fiscal 2009 to fund initial design - final action by the General Assembly de-authorized this pre-authorization.

[3] Language added to the 2008 MCCBL restricts the use of the $5.0 million of GO bond funds for the purpose of funding DNR capital development projects partially funded in the fiscal 2008 operating budget with transfer tax PAYGO special funds.

[4] Language in the 2008 MCCBL pre-authorizes $14.8 million to fund the construction of the this project in fiscal 2010.

[5] This does not include $5.6 million from the Interagency Committee on School Construction Contingency Fund which brings the total funding for school construction projects to $333.0 million.

[6] The general fund appropriation for the DHCD Rental Housing Program, Homeownership Program, and Special Loans Programs are reduced by a total of $5.1 million contingent upon the enactment of legislation transferring unallocated reserve funds from the Maryland Housing Fund to each of these programs. Authorization to increase the special fund appropriation for each of these programs by a combined $5.1 million is also contingent upon the same legislation.

[7] Language in the 2008 operating budget bill authorizes the Governor to fund this project from the Maryland Economic Development Authority Assistance Fund special fund appropriation.

[8] This deficiency supplemented the fiscal 2008 appropriation to provide design funds for the Harriet Tubman Underground Railroad State Park development. The appropriation for the DNR Capital Development Improvements is increased by $1.6 million and the appropriation for the State portion of Program Open Space land acquisition is decreased by $1.6 million.

BNR: Biological Nutrient Removal
BPW: Board of Public Works
CBWQ: Chesapeake Bay Water Quality
CSU: Coppin State University
DBED: Department of Business and Economic Development
DGS: Department of General Services
DHCD: Department of Housing and Community Development
DHMH: Department of Health and Mental Hygiene
DJS: Department of Juvenile Services
DLLR: Department of Labor, Licensing, and Regulation
DNR: Department of Natural Resources
DOD: Department of Disabilities
DPSCS: Department of Public Safety and Correctional Services
DSP: Department of State Police
ECI: Eastern Correctional Institution
ENR: Enhanced Nutrient Removal
ICU: Intensive Care Unit
MDA: Maryland Department of Agriculture
MDE: Maryland Department of the Environment
MEA: Maryland Energy Administration
MES: Maryland Environmental Service
MHA: Maryland Hygiene Administration
MHEC: Maryland Higher Education Commission
MICUA: Maryland Independent College and University Association
MSDE: Maryland State Department of Education
MSU: Morgan State University
SMCM: St. Mary's College of Maryland
TU: Towson University
UB: University of Baltimore
UMB: University of Maryland, Baltimore
UMCES: University of Maryland Center for Environmental Science
UMCP: University of Maryland, College Park
UMMS: University of Maryland Medical System
USM: University System of Maryland
WCI: Western Correctional Institution
WTP: Water Treatment Plant
WWTP: Wastewater Treatment Plant

Exhibit A-2.3
Legislative Projects/Local Initiatives – 2008 Session

Project Title	House Initiative	Senate Initiative	Other	Total Funding	Match/ Requirements
Statewide					
Baltimore Museum of Industry	$150,000	$150,000		$300,000	Soft(all) Hist. Ease.
Capital Area Food Bank	250,000	250,000		500,000	Soft(all)
Easter Seals Inter-Generational Center*	425,000			425,000	Hard
Lyric Opera House		300,000		300,000	Hard Hist. Ease.
Maryland Fire-Rescue Services Memorial		75,000		75,000	Soft(all)
Maryland Food Bank		250,000		250,000	Hard
Maryland School for the Blind	475,000	475,000	$150,000	1,100,000	Hard Hist. Ease.
National Children's Museum	1,000,000	1,000,000		2,000,000	Soft(1,3)
Port Discovery	200,000			200,000	Hard Hist. Ease.
Subtotal				**$5,150,000**	
Allegany					
Allegany County Museum		$50,000		$50,000	Soft(all) Hist. Ease.
Greenway Avenue Stadium		50,000		50,000	Hard
Virginia Avenue Corridor Revitalization	$100,000	100,000		200,000	Hard
Subtotal				**$300,000**	

Project Title	House Initiative	Senate Initiative	Other	Total Funding	Match/ Requirements
Anne Arundel					
Annapolis Summer Garden Theatre		$50,000		$50,000	Hard Hist. Ease.
Children's Theatre of Annapolis		100,000		100,000	Soft(2,3)
Deale Elementary School Baseball Fields	$25,000	100,000		125,000	Hard
Galesville Rosenwald School	100,000	100,000		200,000	Hard Hist. Ease.
Goshen House	150,000			150,000	Soft(all) Hist. Ease.
Hammond-Harwood House		100,000		100,000	Hard Hist. Ease.
Light House Shelter	222,000			222,000	Hard
Maryland Hall for the Creative Arts	200,000	50,000		250,000	Soft(All)
Opportunity Builders	65,000			65,000	Soft(1,3)
Subtotal				**$1,262,000**	
Baltimore City					
Beans and Bread	$150,000			$150,000	Soft(3)
Center for Urban Families		$50,000		50,000	Hard
Community Mediation Program	175,000			175,000	Soft(2,3)
Dayspring Facility	200,000			200,000	Soft(all)
Everyman Theatre	50,000	50,000		100,000	Soft(2)
Gaudenzia at Park Heights		50,000		50,000	Hard
Girl Scout Urban Program and Training Center		200,000		200,000	Soft(3)
Health Care for the Homeless	10,000			10,000	Hard
Helping Up Mission	200,000			200,000	Hard
Historic East Baltimore Community Action Coalition	150,000			150,000	Hard Hist. Ease.
Junior League of Baltimore Thrift Store	100,000			100,000	Hard

Project Title	House Initiative	Senate Initiative	Other	Total Funding	Match/ Requirements
Learning, Inc. Facility	175,000			175,000	Soft(2,3) Hist. Ease.
Long Term Care at Stadium Place		100,000		100,000	Soft(2,3)
Mary Harvin Transformation Center		150,000		150,000	Soft(all)
Maryland State Boychoir Facility		150,000		150,000	Hard Hist. Ease.
NACA Education and Community Center		200,000		200,000	Hard, Hist. Ease.
Newborn Community Center	175,000	175,000		350,000	Soft(1,3)
Parks & People Headquarters at Auchentoroly Terrace		100,000		100,000	Hard
Roberta's House	250,000	50,000		300,000	Soft(all)
Sandi's Learning Center	125,000			125,000	Soft(3)
School 33 Art Center		150,000		150,000	Soft(3) Hist. Ease.
Southwest Senior and Community Multipurpose Center	90,000	25,000		115,000	Soft(all)
The Trinity Family Life Center		100,000		100,000	Soft(1,2)
Youth Sports Program Facility	100,000			100,000	Soft(all)
Subtotal				**$3,500,000**	
Baltimore					
Catonsville YMCA	$200,000	$125,000		$325,000	Hard
Community Post	175,000	125,000		300,000	Soft(1,3)
Family Life Intergenerational Center		250,000		250,000	Soft(all)
Heritage Trail and Saint Helena Park		$175,000		175,000	Soft(3)
Irvine Nature Center	250,000			250,000	Hard
The Baltimore County Center for Maryland Agriculture	275,000	275,000	$450,000	1,000,000	Soft(3)
Weinberg Village V Senior Apartment Building		250,000		250,000	Hard
Subtotal				**$2,550,000**	

Project Title	House Initiative	Senate Initiative	Other	Total Funding	Match/ Requirements
Calvert					
Chesapeake Cares Food Pantry		$75,000		$75,000	Soft(3)
North Beach Town Hall Construction		250,000		250,000	Hard
	Subtotal			**$325,000**	
Caroline					
Old Caroline High School		$50,000		$50,000	Soft(1,3) Hist. Ease.
	Subtotal			**$50,000**	
Carroll					
Agriculture Center		$100,000		$100,000	Soft(3)
Friendship School		20,000		20,000	Hard
South Branch Park Phase 1		100,000		100,000	Soft(2)
	Subtotal			**$220,000**	
Cecil					
4-H Animal Display Barn	$250,000			$250,000	Soft(all)
Mount Harmon Plantation Education and Discovery Center		$40,000		40,000	Soft(3) Hist. Ease.
	Subtotal			**$290,000**	
Charles					
Hospice House		$100,000		$100,000	Soft(2)
Indian Head Center for the Arts		57,500		57,500	Soft(2,3)
Lions Camp Merrick	$48,000	102,500		150,500	Soft(1,2)
	Subtotal			**$308,000**	

Project Title	House Initiative	Senate Initiative	Other	Total Funding	Match/ Requirements
Dorchester					
Dorchester County Family YMCA		$25,000		$25,000	Soft(all)
Galestown Community Center		50,000		50,000	Soft(2,3)
WaterLand Fisheries	$100,000	75,000		175,000	Soft(1,3)
	Subtotal			**$250,000**	
Frederick					
Agriculture and Education Complex		$200,000		$200,000	Soft(3)
Montevue Home	$200,000			200,000	Hard
Weinberg Center for the Arts	50,000	55,000		105,000	Hard Hist. Ease.
	Subtotal			**$505,000**	
Garrett					
Adventure Sports Center International	$100,000	$125,000		$225,000	Soft(3)
	Subtotal			**$225,000**	
Harford					
Churchville Library Green Building and Science Center		$100,000		$100,000	Hard
Lower Susquehanna Greenway Trail Development	$150,000	100,000		250,000	Soft(2)
Maryland Fire and Rescue Institute Renovation			$650,000	650,000	Grant
	Subtotal			**$1,000,000**	

Project Title	House Initiative	Senate Initiative	Other	Total Funding	Match/ Requirements
Howard					
Blandair Regional Park	$300,000			$300,000	Hard Hist. Ease.
North Laurel Community Center	125,000	$175,000		300,000	Hard
Robinson Nature Center	50,000	250,000		300,000	Hard
Subtotal				**$900,000**	
Kent					
Camp Fairlee Manor	$110,000	$40,000		$150,000	Soft(2) Hist. Ease.
Prince Theatre		40,000		40,000	Soft(all) Hist. Ease.
Subtotal				**$190,000**	
Montgomery					
Button Farm Historic Preservation and Rehabilitation	$175,000	$125,000		$300,000	Soft(2,3)
Camp Bennett Renovations	75,000	50,000		125,000	Hard
Centro Familia Child Care and Training Center	100,000	75,000		175,000	Hard
CentroNia Facility	200,000			200,000	Hard
Easter Seals Inter-Generational Center*	125,000			125,000	Hard
Gaithersburg Upcounty Senior Center		200,000		200,000	Hard
Group Home Renovations		250,000		250,000	Soft(all)
Imagination Stage	200,000			200,000	Soft(3)
MacDonald Knolls Center	250,000	175,000		425,000	Hard
Mansfield Kaseman Health Center		250,000		250,000	Soft(2)
Maryland Youth Ballet	100,000	100,000		200,000	Soft(All)
Metropolitan Washington Ear Facility	50,000			50,000	Soft(1)

Project Title	House Initiative	Senate Initiative	Other	Total Funding	Match/ Requirements
Plum Gar Neighborhood Recreation Center	150,000	100,000		250,000	Hard
Sharp Street United Methodist Church Modular Building	50,000	50,000		100,000	Soft(2) Hist. Ease.
The Arc of Montgomery County Group Homes	125,000	125,000		250,000	Soft(2,3)
The Muslim Community Center Medical Clinic		150,000		150,000	Soft(all)
Waters Barn Rehabilitation	250,000			250,000	Soft(2) Hist. Ease.
YMCA Youth and Family Services Center	100,000	100,000		200,000	Hard
Subtotal				**$3,700,000**	
Prince George's					
Aquaculture and Seafood Retail and Distribution Market		$100,000		$100,000	Soft(all)
Belair Bath and Tennis Club		20,000		20,000	Hard
Belair Swim and Racquet Club		20,000		20,000	Hard
Bladensburg Market Square		20,000		20,000	Soft(2) Hist. Ease.
Bowie Lions Club Renovation	$10,000			10,000	Soft(2,3)
Capitol Heights Municipal Building	150,000			150,000	Hard
Children's Guild Multipurpose Room and Play Field	120,000	130,000		250,000	Soft(3)
Cornerstone Assembly Gymnasium		20,000		20,000	Hard
Delta Alumnae Community Development Center	150,000			150,000	Soft(2)
District Heights Commercial Area Facade and Infrastructure Improvement Program		200,000		200,000	Grant
Forest Heights Municipal Building	100,000	100,000		200,000	Grant
Gwendolyn T. Britt Memorial Safe Passage Emergency Shelter Expansion	75,000	125,000		200,000	Hard
Hard Bargain Farm Environmental Center	150,000			150,000	Soft(all) Hist. Ease.
Henson Valley Montessori School	100,000			100,000	Hard

Project Title	House Initiative	Senate Initiative	Other	Total Funding	Match/ Requirements
Historic Laurel Mill Ruins	100,000	75,000		175,000	Soft (All)
Lanham Boys and Girls Club Sports Park Renovation	150,000	100,000		250,000	Soft(1,2)
Laurel Armory Anderson Murphy Community Center		75,000		75,000	Soft(3) Hist. Ease.
Laurel Boys and Girls Club		100,000		100,000	Soft(all) Hist. Ease.
Multicultural Use Center	150,000	150,000		300,000	Hard
New Carrollton Recreation Center	150,000			150,000	Soft(1)
Palmer Park Boys and Girls Club		200,000		200,000	Soft(1)
Pointer Ridge Swim and Racquet Club		20,000		20,000	Hard
Rosaryville Conservancy Tack House and Stables	100,000			100,000	Soft(2) Hist. Ease.
South County Sports and Technology Learning Complex		100,000		100,000	Hard
Suitland Technology Center	100,000	50,000		150,000	Hard
United Communities Against Poverty	200,000			200,000	Soft(all)
Walker Mill Daycare and Training Center	150,000	150,000		300,000	Soft(1,2)
Whitehall Pool and Tennis Club		15,000		15,000	Hard
Subtotal				**$3,725,000**	
Queen Anne's					
Chesterwye Center		$40,000		$40,000	Soft(3)
Hospice Center		40,000		40,000	Soft(all)
Subtotal				**$80,000**	
Somerset					
Bending Water Park	$200,000			$200,000	Soft(all)
Subtotal				**$200,000**	

Project Title	House Initiative	Senate Initiative	Other	Total Funding	Match/ Requirements
St. Mary's					
Leah's House, Inc.		$145,000		$145,000	Soft(all) Hist. Ease.
St. Mary's Agricultural Service Center		125,000		125,000	Soft(1)
Tudor Hall	$55,000			55,000	Hard, Hist. Ease.
St. Mary's College Amphitheater	300,000			300,000	Soft(1,3)
	Subtotal			**$625,000**	
Talbot					
Oxford Community Center		$50,000		$50,000	Soft(2,3) Hist. Ease.
	Subtotal			**$50,000**	
Washington					
Conococheague Aqueduct		$50,000		$50,000	Soft(2)
Maryland Theatre	$125,000			125,000	Hard Hist. Ease.
Museum of Fine Arts	75,000	75,000		150,000	Hard Hist. Ease.
Springfield Barn		100,000		100,000	Hard Hist. Ease.
	Subtotal			**$425,000**	
Wicomico					
Epilepsy Association Facility		$170,000		$170,000	Soft(1,3)
	Subtotal			**$170,000**	

Project Title	House Initiative	Senate Initiative	Other	Total Funding	Match/ Requirements
Worcester					
Rackliffe House	$145,000	$105,000		$250,000	Soft(all)
Subtotal				**$250,000**	
Grand Total	**$12,500,000**	**$12,500,000**		**$26,250,000**	

Match Key:

1 = real property

2 = in kind contributions

3 = prior expenditure

U = unequal match

* This project is funded in both Statewide and Montgomery County but represents only one bond bill project request.

Debt Affordability

As shown in **Exhibit A-2.4**, the long range plan adopted by the Capital Debt Affordability Committee (CDAC) in September 2007 provides for a total of over $4.3 billion in debt authorizations from 2008 to 2012. This is an increase of $500 million over the amount recommended by CDAC in its September 2006 report for the five-year planning period considered by the committee. The revised debt limits included an additional $100 million to permanently expand the capital program.

For the 2008 session, CDAC recommended $935.0 million of new GO bond authorizations to support the capital program. The 2008 MCCBL passed by the General Assembly is consistent with the level of new GO debt authorizations recommended by CDAC. An additional $2.6 million in GO bonds from prior years is deauthorized in the capital budget of 2008, thereby increasing the amount of new GO debt included in the capital program to $937.6 million. Included in the $937.6 million of new debt is $30.0 million authorized in the 2007 MCCBL to complete the New Physical Education Complex at Coppin State University; $7.6 million authorized in the 2007 MCCBL for the 192-Cell Medium Security Housing Unit and Support Spaces project at the Maryland Correctional Training Center; $3.1 million authorized in the 2007 MCCBL for the New Maximum Security Wing at the Clifton T. Perkins Hospital Center; and $3.0 million authorized in the Southern Maryland Regional Strategy-Action Plan for Agriculture Loan of 2001 for the Tobacco Transition Program as amended by Chapter 46 of 2006, the capital budget of 2006.

Exhibit A-2.4

Capital Debt Affordability Committee Recommended Levels of General Obligation Bond Authorizations

2008-2012 Legislative Sessions

($ in Millions)

Session	2006 Report Recommended Authorizations	2007 Report Recommended Authorizations	Increased Authorization
2008	$835	$935	$100
2009	860	960	100
2010	890	990	100
2011	920	1,020	100
2012	950	1,050	100
Total	**$4,455**	**$4,955**	**$500**

Source: *Report of the Capital Debt Affordability Committee on Recommended Debt Authorizations*, September 2006 and October 2007

The State's capital program for fiscal 2009 also includes other actions that affect debt management and future capital budgets.

- The Maryland Department of the Environment plans to issue $118 million in revenue bonds to fund the upgrades of wastewater treatment plants and water supply improvements and upgrades. Title 9 of the Environment Article authorizes the Maryland Water Quality Financing Administration to issue bonds and lend the proceeds to local governments for the construction, acquisition, or refinancing of wastewater facilities and water supply facilities. The issuance of bonds by the Administration does not create or constitute any indebtedness or obligation of the State or any political subdivision. Bonds are payable solely from the revenue of the Administration received in connection with the respective projects financed or refinanced. The Administration plans to issue $48 million under this authority. In addition, Chapter 428 of 2004 established the Bay Restoration Fund and authorized the Administration to issue bonds to be used to provide grants to upgrade wastewater treatment plants. Security for the bonds is the revenues from a fee imposed on users of wastewater facilities, septic systems, and sewage holding tanks. The Administration plans to issue $70 million in revenue bonds, and the bonds are considered State tax supported debt and are, therefore, incorporated in the CDAC's annual debt affordability analysis.

- The 2008 MCCBL includes four general obligation bond authorizations that will not take effect until fiscal 2010. The pre-authorized debt totals $38.7 million and includes $23.8 million for the New Rockville District Court, and $14.8 million for the Department of State Police New Hagerstown Barrack and Garage. The fiscal 2009 authorization for the New Rockville District Court includes language added by the General Assembly that allows for the contracts to be bid without the full authorization needed to fully fund the contract. The pre-authorization for the Hagerstown Police Barrack and Garage does not include this language since the project will not commence during fiscal 2009.

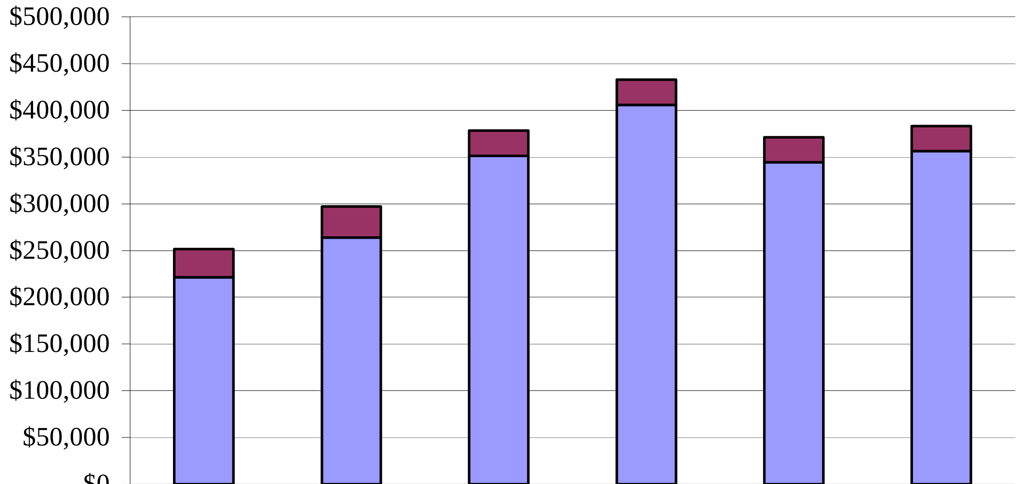
Higher Education

The fiscal 2009 capital program for all segments of higher education is $297 million, including GO bonds and academic revenue bonds. Of the total funding, four-year public institutions receive $207 million and independent colleges receive $9 million. Community colleges receive $81 million in fiscal 2009, the highest funding level in a single year for community colleges. The *Capital Improvement Program* (CIP), after legislative changes to the fiscal 2009 capital budget, shows $1.863 billion in capital spending for higher education projects from fiscal 2009 through 2013. **Exhibit A-2.5** shows the fiscal 2008 and 2009 legislative appropriations for higher education capital projects and the funds anticipated in the CIP for fiscal 2010 through 2013. **Exhibit A-2.6** shows the fiscal 2009 capital funding by institution.

Exhibit A-2.5

Higher Education Fiscal 2008-2013 Authorized and Planned Out-year Capital Funding

($ in Thousands)



	2008	2009	2010 Est.	2011 Est.	2012 Est.	2013 Est.
Academic Rev. Bonds	$30,000	$33,000	$27,000	$27,000	$27,000	$27,000
GO Bonds	221,516	264,036	351,200	405,900	344,250	356,250

Exhibit A-2.6

Higher Education Fiscal 2009 Capital Funding by Institution

($ in Thousands)

Institution	**Fiscal 2009 Capital Funding**
University of Maryland, Baltimore	$62,227
University of Maryland, College Park	22,100
Towson University	27,613
Coppin State University	56,172
University of Baltimore	4,033
University of Maryland Center for Environmental Science	1,343
University System of Maryland – Facility Renewal	17,000
St. Mary's College of Maryland	4,647
Morgan State University	11,873
Independent Colleges	9,000
Community Colleges	81,028
Total	**$297,036**[1]

[1]This does not include $26 million authorized for the University of Maryland Medical System.

Public School Construction Funding Remains a High Priority for the General Assembly

The capital budget of 2008 contains $333.4 million for public school construction. The budget includes $327.4 million in GO bonds and $5.9 million from the Public School Construction Program's Statewide Contingency Fund. In the contingency fund, $1.9 million is reserved for specific local education agencies in accordance with capital budget bill language.

The Public School Facilities Act of 2004 established a State goal to provide $2.0 billion in State funding over the following eight years to address deficiencies, or $250.0 million per year through fiscal 2013. Fiscal 2009 will be the fourth consecutive year that the goal has been met or exceeded. The $333.0 million funding level is the second highest in the program's history, following the record high $401.8 million reached in fiscal 2008. Since fiscal 2006, the State has committed over $1.3 billion for public school construction.

Seventy-five percent of the preliminary $300.0 million school construction allocation announced by the Governor in October, or $225.0 million, was recommended for specific projects by the Interagency Committee on School Construction (IAC) and approved by the Board of Public Works (BPW) in January 2008. For the first time in three years the capital budget bill does not detail the distribution of the remaining 25 percent of fiscal 2009 school construction funds. The IAC, in accordance with a new requirement codified in the fiscal 2008 capital budget bill language, made recommendations equal to 90 percent of the total allowance, an additional $75.06 million, in late February 2008. This was presented to the General Assembly and will be reviewed by BPW for approval after May 1, 2008. For additional information on school construction, see Part L – Education, Subpart – Primary and Secondary Education.

Transfer Tax

The property transfer tax is the primary funding source for State land conservation programs. The fiscal 2009 budget allocates the full amount of estimated transfer tax revenue to programs as required in statute. This is the third consecutive fiscal year that the full amount of estimated revenue was distributed according to the statutory formula for land conservation programs after several years of diversion to the State's general fund. A total of $109.4 million will be available for local and State land conservation projects, as shown in **Exhibit A-2.7**. The decrease in funds available for fiscal 2009 is due primarily to lower transfer tax estimates that reflect a slow down in real estate transactions. In addition, the fiscal 2008 budget was increased by $75.0 million of over-attainment revenues from fiscal 2006, while the fiscal 2009 budget is impacted by a negative $52.0 million revenue under-attainment from fiscal 2007. The local Program Open Space (POS) share is reduced in the fiscal 2009 budget as a result of Chapter 2 of the 2007 special session which allocates $21.0 million from the local POS share to fund the operations of State parks.

Exhibit A-2.7
Land Conservation and Property Transfer Tax
($ in Millions)

	FY 2007 Legislative Appropriation	FY 2008 Legislative Appropriation
Program Open Space (POS)	$194.2	$82.2
POS Local	95.6	18.6
POS State	95.6	39.6
Additional State Land Acquisition	2.6	1.1
Maryland Agricultural Land Preservation Program (MALPP)	44.1	18.6
Rural Legacy*	12.9	5.5
Heritage Conservation Fund	4.7	2.0
Maryland Heritage Areas Authority	3.0	3.0
Forest and Park Service	0.0	21.0
Total	**$258.4**	**$109.4**

Note: POS and MALPP receive funding from other sources (federal funds, agricultural transfer tax, and matching funds from local jurisdictions).

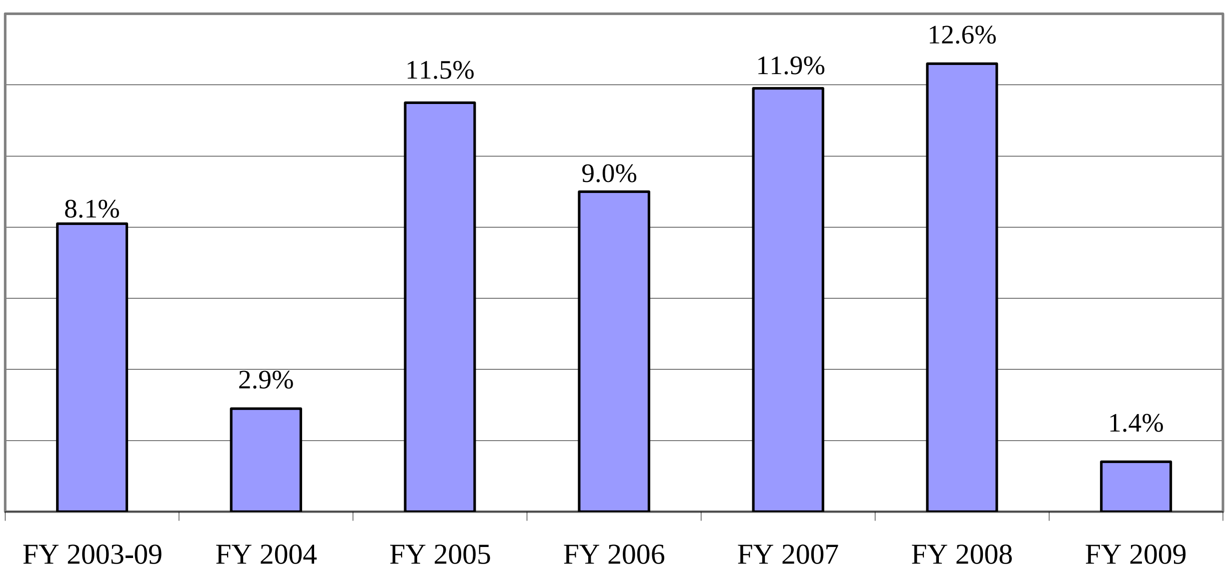
*The fiscal 2008 and 2009 legislative appropriations earmark $8.0 million in State POS funds each year for the Rural Legacy Program.

State Aid to Local Governments

Overview

Local governments will realize a small increase in State aid in fiscal 2009, most of which is targeted to public schools, libraries, and community colleges. State aid to local governments will total $6.6 billion in fiscal 2009, representing a 1.4 percent or $90.2 million increase over the prior year. Local school systems will receive $5.4 billion in State support, a $185.6 million increase over fiscal 2008. State aid for libraries and local community colleges will increase by 3.5 and 8.8 percent, respectively, in fiscal 2009, resulting in an additional $2.1 million for public libraries and $21.2 million in additional funding for local community colleges. Local health departments will receive an additional $1.8 million, a 2.6 percent increase over the prior year. State aid for counties and municipalities, however, will decrease by $120.5 million or 12.8 percent. This decrease is due primarily to lower State transfer tax collections which affect Program Open Space funding and the elimination of the electric utility grants. **Exhibit A-3.1** shows the annual increase in State aid over the last six years. **Exhibit A-3.2** shows the increase in State aid in fiscal 2009 by governmental entity.

Exhibit A-3.1
Annual Growth in State Aid to Local Governments



Source: Department of Legislative Services

Exhibit A-3.2
State Aid to Local Governments in Fiscal 2008 and 2009
($ in Millions)

	FY 2008	FY 2009	Difference	% Difference
Public Schools	$5,168.1	$5,353.7	$185.6	3.6%
Libraries	61.6	63.8	2.1	3.5%
Community Colleges	241.7	262.9	21.2	8.8%
Health	67.0	68.8	1.8	2.6%
County/Municipal	942.5	822.0	-120.5	-12.8%
Total	**$6,480.9**	**$6,571.1**	**$90.2**	**1.4%**

Source: Department of Legislative Services

State Support for Local Governments Impacted by Cost Containment

After several years of record increases in State aid, the General Assembly approved legislation at the 2007 special session that reduced funding for several State aid programs beginning in fiscal 2009. Education aid was reduced by $169.4 million from statutory funding levels, whereas State aid to counties and municipalities was reduced by $63.9 million. The General Assembly made additional State aid reductions at the 2008 session as part of the State's cost containment measures. State funding for public schools, public libraries, local community colleges, and a special public safety grant for Baltimore City was reduced by $14.8 million in fiscal 2009 as shown in **Exhibit A-3.3**. Even with these reductions, most local governments will still realize an increase in State aid in fiscal 2009, with most increases targeted to public schools, libraries, and local community colleges.

Reliance on State Aid

State aid is the largest revenue source for most county governments in Maryland, accounting for 26.5 percent of total county revenues. In five counties (Anne Arundel, Baltimore, Queen Anne's, Talbot, and Worcester), State aid is the second largest revenue source after property taxes. In Howard and Montgomery counties, State aid is the third largest revenue source after both property and income taxes. For municipal governments, State aid is the third largest revenue source representing 8.5 percent of total municipal revenues. As with counties, the reliance on State aid varies for municipalities, ranging from 2.1 percent of total revenues for municipalities in Talbot County to 27.9 percent for municipalities in Garrett and Kent counties. State aid to municipalities is targeted primarily to highway maintenance, police and fire services, and parks and recreation. Municipalities receive approximately 70.0 percent of their State aid through four programs: highway user revenues, police and fire aid formulas, and Program Open Space.

Exhibit A-3.3
Legislative Reductions to State Aid Programs in Fiscal 2009

County	Community Colleges	Libraries	Infant and Toddlers	Environmental Education	Baltimore City War Room	Total Effect
Allegany	-$186,590	-$55,079	-$42,767	$0	$0	-$284,436
Anne Arundel	-1,088,109	-144,537	-304,856	0	0	-1,537,502
Baltimore City	0	-471,407	-382,613	0	-286,000	-1,140,020
Baltimore	-1,404,928	-389,789	-445,963	0	0	-2,240,680
Calvert	-73,091	-32,227	-44,825	0	0	-150,143
Caroline	-44,756	-20,056	-20,354	0	0	-85,166
Carroll	-260,720	-74,775	-84,619	0	0	-420,114
Cecil	-176,081	-52,554	-54,202	0	0	-282,837
Charles	-263,293	-61,437	-64,493	0	0	-389,223
Dorchester	-41,109	-17,832	-21,040	0	0	-79,981
Frederick	-311,996	-81,953	-119,838	0	0	-513,787
Garrett	-90,145	-11,839	-7,776	0	0	-109,760
Harford	-395,619	-117,016	-128,757	0	0	-641,392
Howard	-483,046	-54,490	-151,627	0	0	-689,163
Kent	-20,695	-7,477	-3,659	0	0	-31,831
Montgomery	-1,467,352	-186,426	-635,554	0	0	-2,289,332
Prince George’s	-888,954	-468,231	-325,667	0	0	-1,682,852
Queen Anne’s	-57,712	-9,733	-26,529	0	0	-93,974
St. Mary’s	-84,904	-47,381	-49,399	0	0	-181,684
Somerset	-26,580	-18,849	-6,404	0	0	-51,833
Talbot	-49,308	-7,212	-16,695	0	0	-73,215
Washington	-266,154	-81,485	-58,776	0	0	-406,415
Wicomico	-168,564	-58,172	-43,681	0	0	-270,417
Worcester	-63,280	-9,773	-12,121	0	0	-85,174
Unallocated	0	-907,673	0	-150,000	0	-1,057,673
Total	**-$7,912,986**	**-$3,387,403**	**-$3,052,216**	**-$150,000**	**-$286,000**	**-$14,788,605**

Note: The Governor proposed a $7.6 million, or 131.3 percent increase in the Infant and Toddlers Program. The General Assembly reduced the program’s increase to $4.6 million resulting in a 78.8 percent increase in funding over the prior year.

Source: Department of Legislative Services

Dependence on State aid varies across Maryland with less affluent jurisdictions relying on State aid as their primary revenue source and more affluent jurisdictions relying more heavily on local property and income taxes. For example, State aid accounts for 16 percent of total revenues in Montgomery County but 50 percent in Caroline County. This difference reflects the State's policy of targeting resources to less affluent jurisdictions that have a lower capacity to raise revenues from local sources. Utilizing local wealth measures to distribute State aid improves the fiscal equity among counties by making certain counties less dependent on their own tax base to fund public services thereby offsetting the inequalities in the revenue capacity among local governments. Currently, nearly 70 percent of State aid is distributed inversely to local wealth. The disparity in local tax capacities among counties in Maryland is illustrated in **Exhibit A-3.4** which shows the per capita local wealth and State aid amounts for each county for fiscal 2009.

Changes by Program

State aid increases in fiscal 2009 range from less than 1 percent in Garrett, Kent, and Somerset counties to at least 5 percent in Howard, St. Mary's, and Wicomico counties. Three counties and Baltimore City will realize a net decrease in State aid. **Exhibit A-3.5** summarizes the distribution of direct aid by governmental unit and shows the estimated State retirement payments for local government employees. **Exhibit A-3.6** compares total State aid in fiscal 2008 and 2009 by program.

Exhibit A-3.4
Comparison of Local Wealth Measures and State Aid Allocation
Fiscal 2009

County	Per Capita Property Base	Per Capita Income Base	Per Capita Total Wealth	Percent of State Avg.	Per Capita Ranking	Per Capita State Aid	Per Capita Ranking
Allegany	$17,483	$11,340	$28,823	43.1%	24	$1,636	3
Anne Arundel	56,697	23,167	79,865	119.5%	6	813	21
Baltimore City	18,885	10,400	29,285	43.8%	23	1,952	1
Baltimore	36,952	20,720	57,671	86.3%	14	898	19
Calvert	54,202	21,280	75,483	112.9%	7	1,252	11
Caroline	30,406	12,213	42,619	63.7%	20	1,754	2
Carroll	42,778	20,358	63,136	94.4%	12	1,133	16
Cecil	37,539	15,399	52,937	79.2%	16	1,278	10
Charles	46,218	17,880	64,099	95.9%	11	1,374	9
Dorchester	36,127	12,427	48,554	72.6%	19	1,409	6
Frederick	47,522	21,380	68,902	103.1%	8	1,195	14
Garrett	53,217	12,429	65,647	98.2%	10	1,432	5
Harford	38,916	19,847	58,763	87.9%	13	1,150	15
Howard	61,970	28,301	90,271	135.0%	4	1,022	17
Kent	51,151	17,334	68,485	102.4%	9	854	20
Montgomery	79,638	28,940	108,577	162.4%	3	708	22
Prince George's	36,232	14,205	50,437	75.4%	17	1,375	8
Queen Anne's	63,492	21,272	84,764	126.8%	5	968	18
St. Mary's	39,402	17,618	57,021	85.3%	15	1,198	13
Somerset	21,861	8,246	30,107	45.0%	22	1,391	7
Talbot	87,912	24,475	112,387	168.1%	2	591	24
Washington	33,417	15,334	48,751	72.9%	18	1,250	12
Wicomico	27,589	14,520	42,109	63.0%	21	1,500	4
Worcester	141,273	18,523	159,796	239.0%	1	695	23
Total	**$47,115**	**$19,744**	**$66,859**	**100.0%**		**$1,170**	

Source: Department of Legislative Services

Exhibit A-3.5
State Assistance to Local Governments
Fiscal 2009 Legislative Appropriation
($ in Thousands)

	Direct State Aid								Change	
County	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal	Retirement	Total	Over FY 2008	Percent Change
Allegany	$15,627	$6,120	$86,627	$770	$1,648	$110,790	$7,960	$118,750	$3,834	3.3%
Anne Arundel	42,420	30,997	281,168	1,991	5,797	362,373	54,125	416,499	5,841	1.4%
Baltimore City	319,928	0	841,279	6,586	12,301	1,180,092	64,093	1,244,186	-220	0.0%
Baltimore	56,716	40,200	519,410	5,422	7,993	629,741	78,423	708,164	8,155	1.2%
Calvert	7,908	2,094	86,473	446	693	97,614	12,827	110,441	-2,935	-2.6%
Caroline	8,155	1,359	43,014	280	972	53,780	3,950	57,729	1,563	2.8%
Carroll	16,859	7,683	143,962	1,038	2,254	171,796	19,885	191,681	3,312	1.8%
Cecil	9,504	5,325	98,721	732	1,478	115,760	11,653	127,413	1,976	1.6%
Charles	12,417	7,634	152,242	853	1,828	174,974	18,056	193,030	5,097	2.7%
Dorchester	8,630	1,248	30,616	248	778	41,521	3,353	44,874	551	1.2%
Frederick	22,579	8,943	205,553	1,135	2,772	240,983	27,629	268,612	9,406	3.6%
Garrett	9,042	3,467	25,424	164	791	38,888	3,547	42,435	187	0.4%
Harford	20,698	10,988	211,114	1,627	3,186	247,613	28,471	276,084	2,947	1.1%
Howard	21,678	14,321	196,877	763	2,256	235,895	43,694	279,589	13,195	5.0%
Kent	3,478	628	10,358	104	606	15,174	1,898	17,071	38	0.2%
Montgomery	64,843	44,779	407,689	2,610	5,682	525,602	133,571	659,173	10,385	1.6%
Prince George’s	83,816	24,598	920,580	6,522	9,287	1,044,803	94,738	1,139,541	11,076	1.0%
Queen Anne’s	6,741	1,752	30,685	133	762	40,073	5,004	45,077	1,056	2.4%
St. Mary’s	9,382	2,433	95,010	659	1,479	108,962	11,292	120,254	5,989	5.2%
Somerset	8,515	770	23,575	263	775	33,898	2,281	36,179	40	0.1%
Talbot	5,553	1,497	10,533	101	599	18,285	3,118	21,402	-15	-0.1%
Washington	14,544	8,060	140,637	1,135	2,518	166,894	14,466	181,359	5,266	3.0%
Wicomico	11,738	4,880	110,321	811	1,727	129,478	10,927	140,405	6,996	5.2%
Worcester	8,518	1,832	17,161	137	579	28,227	6,071	34,299	-267	-0.8%
Unallocated	30,499	7,108	42,874	16,353	0	96,835	0	96,835	-3,312	-3.3%
Total	**$819,789**	**$238,717**	**$4,731,901**	**$50,883**	**$68,760**	**$5,910,050**	**$661,031**	**$6,571,081**	**$90,162**	**1.4%**

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

State Assistance to Local Governments
Fiscal 2008 Working Appropriation
($ in Thousands)

	Direct State Aid							
County	**County - Municipal**	**Community Colleges**	**Public Schools**	**Libraries**	**Health**	**Subtotal**	**Retirement**	**Total**
Allegany	$16,855	$5,924	$82,476	$764	$1,625	$107,644	$7,272	$114,916
Anne Arundel	59,878	28,631	265,185	1,941	5,649	361,284	49,373	410,657
Baltimore City	339,018	0	828,291	6,594	11,965	1,185,869	58,536	1,244,405
Baltimore	69,822	38,521	507,153	5,222	7,751	628,470	71,540	700,010
Calvert	14,837	2,082	83,670	423	669	101,681	11,695	113,375
Caroline	8,291	1,244	41,796	267	962	52,560	3,606	56,166
Carroll	19,248	7,193	140,595	981	2,210	170,227	18,143	188,370
Cecil	10,701	5,051	96,907	695	1,449	114,804	10,632	125,436
Charles	16,936	7,008	144,896	839	1,789	171,468	16,465	187,932
Dorchester	9,202	1,143	29,904	245	767	41,261	3,061	44,323
Frederick	25,137	8,074	196,980	1,105	2,716	234,012	25,194	259,206
Garrett	9,685	3,106	25,278	160	781	39,009	3,239	42,248
Harford	24,920	9,976	207,603	1,544	3,120	247,162	25,975	273,137
Howard	27,466	12,892	183,233	754	2,190	226,536	39,858	266,394
Kent	3,760	575	10,266	101	600	15,302	1,731	17,033
Montgomery	82,148	40,296	397,110	2,597	5,454	527,606	121,183	648,788
Prince George’s	101,241	22,511	902,756	6,566	8,999	1,042,073	86,392	1,128,465
Queen Anne’s	7,403	1,604	29,572	126	749	39,454	4,567	44,021
St. Mary’s	10,556	2,316	89,014	626	1,453	103,966	10,299	114,265
Somerset	8,879	727	23,423	265	765	34,059	2,080	36,139
Talbot	6,195	1,371	10,313	100	589	18,567	2,849	21,417
Washington	16,715	7,479	135,124	1,103	2,477	162,899	13,195	176,093
Wicomico	12,235	4,608	104,130	770	1,699	123,442	9,966	133,409
Worcester	9,647	1,730	16,948	137	563	29,025	5,541	34,565
Unallocated	29,548	5,336	49,000	16,263	0	100,147	0	100,147
Total	**$940,322**	**$219,397**	**$4,601,626**	**$50,192**	**$66,991**	**$5,878,529**	**$602,391**	**$6,480,919**

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

State Assistance to Local Governments

Dollar Difference Between Fiscal 2009 Legislative Appropriation and Fiscal 2008 Working Appropriation
($ in Thousands)

	Direct State Aid							
County	**County - Municipal**	**Community Colleges**	**Public Schools**	**Libraries**	**Health**	**Subtotal**	**Retirement**	**Total**
Allegany	-$1,228	$196	$4,150	$5	$23	$3,146	$688	$3,834
Anne Arundel	-17,457	2,366	15,982	50	148	1,089	4,752	5,841
Baltimore City	-19,090	0	12,987	-9	335	-5,777	5,557	-220
Baltimore	-13,106	1,679	12,257	199	242	1,271	6,883	8,155
Calvert	-6,928	12	2,802	23	23	-4,067	1,132	-2,935
Caroline	-137	115	1,219	12	10	1,220	344	1,563
Carroll	-2,389	490	3,367	58	44	1,569	1,743	3,312
Cecil	-1,196	273	1,814	36	28	955	1,021	1,976
Charles	-4,520	626	7,346	15	39	3,506	1,591	5,097
Dorchester	-572	106	711	3	11	259	292	551
Frederick	-2,558	869	8,573	30	57	6,971	2,435	9,406
Garrett	-642	360	147	4	10	-121	308	187
Harford	-4,222	1,013	3,511	83	66	451	2,496	2,947
Howard	-5,788	1,429	13,643	8	66	9,359	3,836	13,195
Kent	-282	53	93	2	6	-128	167	38
Montgomery	-17,306	4,483	10,579	13	228	-2,003	12,388	10,385
Prince George’s	-17,425	2,087	17,823	-44	289	2,730	8,346	11,076
Queen Anne’s	-661	148	1,113	7	13	619	437	1,056
St. Mary’s	-1,174	117	5,996	32	25	4,996	993	5,989
Somerset	-364	43	151	-2	10	-161	201	40
Talbot	-642	127	221	1	10	-283	268	-15
Washington	-2,171	581	5,512	32	41	3,995	1,271	5,266
Wicomico	-496	272	6,191	41	28	6,036	961	6,996
Worcester	-1,129	102	213	0	16	-798	531	-267
Unallocated	951	1,772	-6,125	90	0	-3,312	0	-3,312
Total	**-$120,533**	**$19,320**	**$130,274**	**$691**	**$1,769**	**$31,521**	**$58,640**	**$90,162**

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

State Assistance to Local Governments

Percent Change: Fiscal 2009 Legislative Appropriation over Fiscal 2008 Working Appropriation

County	*Direct State Aid* County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal	Retirement	Total
Allegany	-7.3%	3.3%	5.0%	0.7%	1.4%	2.9%	9.5%	3.3%
Anne Arundel	-29.2%	8.3%	6.0%	2.6%	2.6%	0.3%	9.6%	1.4%
Baltimore City	-5.6%	n/a	1.6%	-0.1%	2.8%	-0.5%	9.5%	0.0%
Baltimore	-18.8%	4.4%	2.4%	3.8%	3.1%	0.2%	9.6%	1.2%
Calvert	-46.7%	0.6%	3.3%	5.4%	3.5%	-4.0%	9.7%	-2.6%
Caroline	-1.6%	9.2%	2.9%	4.6%	1.1%	2.3%	9.5%	2.8%
Carroll	-12.4%	6.8%	2.4%	5.9%	2.0%	0.9%	9.6%	1.8%
Cecil	-11.2%	5.4%	1.9%	5.2%	2.0%	0.8%	9.6%	1.6%
Charles	-26.7%	8.9%	5.1%	1.7%	2.2%	2.0%	9.7%	2.7%
Dorchester	-6.2%	9.2%	2.4%	1.2%	1.5%	0.6%	9.5%	1.2%
Frederick	-10.2%	10.8%	4.4%	2.7%	2.1%	3.0%	9.7%	3.6%
Garrett	-6.6%	11.6%	0.6%	2.8%	1.2%	-0.3%	9.5%	0.4%
Harford	-16.9%	10.2%	1.7%	5.4%	2.1%	0.2%	9.6%	1.1%
Howard	-21.1%	11.1%	7.4%	1.1%	3.0%	4.1%	9.6%	5.0%
Kent	-7.5%	9.2%	0.9%	2.1%	1.0%	-0.8%	9.6%	0.2%
Montgomery	-21.1%	11.1%	2.7%	0.5%	4.2%	-0.4%	10.2%	1.6%
Prince George's	-17.2%	9.3%	2.0%	-0.7%	3.2%	0.3%	9.7%	1.0%
Queen Anne's	-8.9%	9.2%	3.8%	5.2%	1.7%	1.6%	9.6%	2.4%
St. Mary's	-11.1%	5.0%	6.7%	5.2%	1.7%	4.8%	9.6%	5.2%
Somerset	-4.1%	5.9%	0.6%	-0.6%	1.3%	-0.5%	9.7%	0.1%
Talbot	-10.4%	9.2%	2.1%	1.1%	1.8%	-1.5%	9.4%	-0.1%
Washington	-13.0%	7.8%	4.1%	2.9%	1.6%	2.5%	9.6%	3.0%
Wicomico	-4.1%	5.9%	5.9%	5.3%	1.7%	4.9%	9.6%	5.2%
Worcester	-11.7%	5.9%	1.3%	0.2%	2.8%	-2.7%	9.6%	-0.8%
Unallocated	3.2%	33.2%	-12.5%	0.6%	n/a	-3.3%	n/a	-3.3%
Total	**-12.8%**	**8.8%**	**2.8%**	**1.4%**	**2.6%**	**0.5%**	**9.7%**	**1.4%**

Note: County/Municipal includes the municipal share of police aid, highway user revenue, and fire aid.

Exhibit A-3.6
Total State Assistance to Local Governments

Program	FY 2008	FY 2009	Difference
Foundation Aid	$2,782,717,322	$2,756,823,404	-$25,893,918
Supplemental Program	0	36,750,512	36,750,512
Geographic Cost of Education Index	0	75,759,290	75,759,290
Compensatory Education	902,134,366	914,220,909	12,086,543
Student Transportation – Regular	194,387,786	200,438,351	6,050,565
Student Transportation – Special Education	24,636,000	24,640,000	4,000
Special Education – Formula	280,044,286	272,742,283	-7,302,003
Special Education – Nonpublic Placements	125,162,836	127,604,164	2,441,328
Special Education – Infants and Toddlers	5,810,781	10,389,106	4,578,325
Limited English Proficiency Grants	126,174,693	144,032,662	17,857,969
Aging Schools	12,508,986	11,108,986	-1,400,000
Teacher Quality Incentives	6,420,000	6,424,000	4,000
Adult Education	6,933,622	7,433,622	500,000
Food Service	7,468,664	7,468,664	0
Gifted and Talented Grants	534,829	534,829	0
Out-of-county Placements	5,200,003	5,200,003	0
Head Start	3,000,000	3,000,000	0
School Reconstitution	11,379,600	11,379,600	0
Judy Hoyer Centers	10,575,000	10,575,000	0
Guaranteed Tax Base	78,889,864	90,032,287	11,142,423
Other Programs	17,647,656	15,342,985	-2,304,671
Total Primary and Secondary Education	**$4,601,626,294**	**$4,731,900,657**	**$130,274,363**
Library Formula	$33,929,179	$34,529,807	$600,628
Library Network	16,262,596	16,353,054	90,458
Total Libraries	**$50,191,775**	**$50,882,861**	**$691,086**
Community College Formula	$194,454,851	$210,820,791	$16,365,940
Grants for ESOL Programs	3,454,772	3,695,689	240,917
Optional Retirement	11,306,002	11,983,999	677,997
Small College Grant/Allegany and Garrett Grant	3,598,460	3,743,011	144,551
Statewide Programs	6,583,339	8,473,596	1,890,257
Total Community Colleges	**$219,397,424**	**$238,717,086**	**$19,319,662**
Highway User Revenue	$566,782,241	$548,674,120	-$18,108,121
Elderly and Handicapped Transportation Aid	4,315,789	6,315,789	2,000,000
Paratransit	2,806,000	2,806,000	0
Total Transportation	**$573,904,030**	**$557,795,909**	**-$16,108,121**

Program	FY 2008	FY 2009	Difference
Police Aid	$65,931,447	$66,435,967	$504,520
Fire and Rescue Aid	10,000,000	10,000,000	0
Vehicle Theft Prevention	2,325,000	2,336,450	11,450
9-1-1 Grants	13,550,000	13,550,000	0
Community Policing	2,000,000	2,000,000	0
Foot Patrol/Drug Enforcement Grants	4,462,500	4,462,500	0
Law Enforcement Training Grants	100,000	100,000	0
Stop Gun Violence Grants	955,500	955,500	0
Violent Crime Grants	4,841,858	4,841,858	0
Baltimore City State's Attorney Grant	1,985,000	1,985,000	0
Domestic Violence Grants	200,000	200,000	0
War Room/Sex Offender Grants	1,554,982	1,554,982	0
Annapolis Crime Grant	0	174,000	174,000
School Vehicle Safety Grant	550,000	550,000	0
Body Armor	50,000	50,000	0
Total Public Safety	**$108,506,287**	**$109,196,257**	**$689,970**
Program Open Space	$97,103,982	$20,089,207	-$77,014,775
Critical Area Grants	703,000	645,000	-58,000
Total Recreation/Environment	**$97,806,982**	**$20,734,207**	**-$77,072,775**
Local Health Formula	**$66,991,283**	**$68,760,355**	**$1,769,072**
Utility Property Tax Grant	**$29,615,199**	**$0**	**-$29,615,199**
Disparity Grant	**$114,783,852**	**$115,489,636**	**$705,784**
Horse Racing Impact Aid	$1,485,600	$1,205,600	-$280,000
Payments in Lieu of Taxes	1,005,222	1,005,222	0
Security Interest Filing Fees	2,925,000	3,075,000	150,000
Senior Citizens Activities Center	500,000	500,000	0
Statewide Voting Systems	9,789,817	10,787,218	997,401
Total Other Direct Aid	**$15,705,639**	**$16,573,040**	**$867,401**
Total Direct Aid	**$5,878,528,765**	**$5,910,050,008**	**$31,521,243**
Retirement – Teachers	$566,447,691	$621,769,420	$55,321,729
Retirement – Libraries	11,451,276	12,887,508	1,436,232
Retirement – Community Colleges	22,303,280	24,179,168	1,875,888
Retirement – Local Employees	2,188,307	2,194,900	6,593
Total Payments-in-behalf	**$602,390,554**	**$661,030,996**	**$58,640,442**
Total State Assistance	**$6,480,919,319**	**$6,571,081,004**	**$90,161,685**

Source: Department of Legislative Services

Primary and Secondary Education

State funding for public schools remains a high priority. Over the last seven years, State funding for public schools has increased by almost $2.5 billion, even though the State government was confronted with major fiscal challenges during most of this period. On a per pupil basis, State funding has increased from $3,432 in fiscal 2002 to $6,538 in fiscal 2009, a 90.5 percent increase. Moreover, local school systems will receive modest increases in State funding in fiscal 2009 for operating programs and significant funding for school construction projects. In fiscal 2009, local school systems will receive $5.4 billion in State funding – a $185.6 million, or 3.6 percent increase. State funding for public school construction projects will total around $333 million in fiscal 2009. Over the last seven years, State funding for public school construction has totaled approximately $1.7 billion. This historic funding for both operating and capital programs demonstrates the State's financial commitment to adequately fund public schools and to provide a quality educational program.

Foundation Program: The foundation program is the basic State education funding mechanism for public schools which ensures a minimum per pupil funding level and requires county governments to provide a local match. The formula is calculated based on a per pupil foundation amount and student enrollment. Less affluent school systems, as measured by assessable base and net taxable income, receive relatively more aid per pupil than wealthier school systems. State aid under the foundation program will total $2.8 billion in fiscal 2009, representing a $10.9 million, or 0.4 percent increase over the prior year. This amount includes $36.8 million in supplemental grants for five local school systems. The supplemental grants – enacted at the 2007 special session to mitigate the impact of eliminating annual inflationary adjustments to the per pupil funding levels in fiscal 2009 and 2010 – ensure that each local school system will receive at least a 1.0 percent annual increase in State funding. The per pupil foundation amount for fiscal 2009 is set at $6,694, and the student enrollment count used for the program totals 815,740.5 students. Enrollment for the formula is based on the September 30, 2007, full-time equivalent student enrollment count. The State provides funding for roughly 50.0 percent of the program's cost.

Compensatory Education: The compensatory education program provides additional funding based on the number of economically disadvantaged students. The formula recognizes disparities in local wealth by adjusting the grants per eligible student by local wealth. The formula is calculated based on 97.0 percent of the annual per pupil amount used in the foundation program and the number of students eligible for free and reduced price meals. The State provides funding for 50.0 percent of the program's cost. State aid under the compensatory education program will total $914.2 million in fiscal 2009, representing a $12.1 million, or 1.3 percent increase over the prior year. The per pupil State funding amount for fiscal 2009 is set at $3,247, and the student enrollment count used for the program totals 265,452.

Special Education: State aid for special education recognizes the additional costs associated with providing programs for students with disabilities. Most special education students receive services in the public schools; however, if an appropriate program is not available in the public schools, students may be placed in a private school offering more specialized services. The State and local school systems share the costs of these nonpublic placements. The special education formula is calculated based on 74.0 percent of the annual per pupil foundation amount and the number of special education students from the prior fiscal year. The per pupil State funding amount for fiscal 2009 is set at $2,477, and the student enrollment count used for the program totals 103,769. State funding for public special education programs will total $272.7 million in fiscal 2009, representing a $7.3 million, or 2.6 percent decrease over the prior year. Funding for nonpublic placements is $127.6 million in fiscal 2009, representing a $2.4 million, or 2.0 percent increase over the prior year.

Student Transportation: The State provides grants to assist local school systems with the cost of transporting students to and from school. The grants consist of three components: regular student ridership funds; special education student ridership funds; and additional enrollment funds. The regular student ridership funds are based on the local school system's grant in the previous year increased by inflation; increases cannot exceed 8.0 percent or be less than 3.0 percent. Local school systems with enrollment increases receive additional funds. The special education student ridership funds are based on a $1,000 per student grant for transporting disabled students. The fiscal 2009 budget includes $200.4 million for regular transportation services and $24.6 million for special transportation services. This represents a $6.0 million, or 2.8 percent increase from the prior year.

Limited English Proficiency: The State provides grants based on non- and limited-English proficient (LEP) students using a definition consistent with federal guidelines. The LEP formula is based on 99.0 percent of the annual per pupil foundation amount, with the State providing funding for 50.0 percent of the program's cost. The fiscal 2009 grant per LEP student is $3,314. State funding for the program will total $144.0 million in fiscal 2009, representing a $17.9 million, or 14.2 percent increase over the prior year. The number of LEP students in Maryland totals 40,382 for the 2007-2008 school year, a 13.2 percent increase from the prior year.

Geographic Cost of Education Index: This is a discretionary formula that accounts for differences in the costs of educational resources among the local school systems. While the index was part of the Bridge to Excellence in Public Schools legislation in 2002, the formula has never been funded until this year when the Governor included 60 percent of the full formula amount in the fiscal 2009 State budget. Thirteen local school systems will receive grants totaling $75.8 million in fiscal 2009.

Guaranteed Tax Base Program: The Bridge to Excellence in Public Schools Act included an add-on grant for jurisdictions with less than 80 percent of statewide per pupil wealth that contributed more than the minimum required local share under the foundation program in the prior year. The grant equals the difference between actual and required spending per pupil, up to 20 percent of the per pupil foundation amount. Eleven local school systems will qualify for grants totaling $90.0 million in fiscal 2009.

Aging Schools Program: The Aging Schools program provides State funding to local school systems for improvements, repairs, and deferred maintenance of public school buildings. These repairs are generally not covered by the capital school construction program and are necessary to maintain older public schools. State funding for the Aging Schools program will total $11.1 million in fiscal 2009 with an additional $8.1 million for school wiring.

Judy Hoyer and Head Start Programs: These programs provide financial support for the establishment of centers that provide full-day, comprehensive, early education programs, and family support services that will assist in preparing children to enter school ready to learn. This program also provides funding to support childhood educators, and statewide implementation of an early childhood assessment system. The fiscal 2009 State budget includes $7.6 million for Judy Center grants, $3.0 million for school readiness and program accreditation, and $3.0 million for head start programs.

School Improvement Grants: Grants are provided to schools and local school systems that are low-performing in meeting adequate yearly progress targets. Schools and local school systems receiving grants may be categorized in three stages – in improvement, corrective action, or restructuring. State funding for school improvement grants will total $11.4 million in fiscal 2009. The grants support technical assistance and professional development for school personnel to improve school performance.

Teacher Quality Incentives: The State provides salary enhancements for teachers obtaining national certification, a signing bonus for teachers graduating in the top of their class, and a stipend for teachers and other non-administrative certificated school employees working in low-performing schools. The fiscal 2009 State budget includes $5.7 million for these teacher quality incentives; $96,000 for the Governor's Teacher Excellence Award Program which distributes awards to teachers for outstanding performance; and $720,000 for teacher quality and national certification grants.

Food and Nutrition Services: In addition to federal funds provided under the School Lunch Act of 1946, the State provides matching funds to support food and nutrition programs for low-income children. The programs provide free and reduced price breakfasts, lunches, and snacks to public or private nonprofit school students. All public schools in the State are required to provide subsidized or free nutrition programs for eligible students. The fiscal 2009 State budget includes $7.5 million for food and nutrition services.

Infants and Toddlers Program: This program involves a statewide community-based interagency system of comprehensive early intervention services for eligible children who are less than three years old. Eligible children include those who have developmental delays or disabilities. State funding for infants and toddlers programs will total $10.4 million in fiscal 2009, a $4.6 million increase over the prior year.

Adult Education: The State provides funding for adult education services through four programs: adult general education, external diploma program, literacy works grant, and adult education and literacy works. The State budget includes $7.4 million for adult education programs in fiscal 2009, a $0.5 million increase over the prior year.

School-based Health Centers: The fiscal 2009 State budget includes $2.9 million for school-based health centers, which provide primary medical care as well as social, mental health, and health education services for students and their families. The funding for these centers was transferred from the Subcabinet Fund to the Maryland State Department of Education in fiscal 2007.

Science and Math Education Initiative: This program includes summer sessions for teachers and an equipment incentive fund to strengthen science and math education. The State budget includes $2.5 million for this initiative in fiscal 2009.

Environmental Education: The fiscal 2009 State budget includes $1.6 million for student participation in an outdoor education program that opened in August 2005 at North Bay in Cecil County. The program, which can serve 11,000 students per year, is structured as a four-night stay for sixth graders that provides an outdoor education experience aligned with the State curriculum.

Principal Development Program: Chapter 408 of 2005 established a statewide Principal Fellowship and Leadership Development Program, which provides incentive payments for distinguished principals to work in low-performing schools. Funding for this program will total $160,000 in fiscal 2009.

Teachers' Retirement Payments: The State pays 100.0 percent of the employer's share of retirement costs for local school system employees in the Teachers' Retirement and Pension Systems maintained by the State. Rather than distributing the aid to the local boards of education and billing them for the retirement contributions, the State appropriates a lump-sum payment to the retirement system "on behalf of" the local boards. The appropriation is calculated by increasing the second prior year's salary base by 5.0 percent and applying the contribution rate certified by the retirement system. Teachers' retirement payments will total $621.8 million in fiscal 2009, representing a 9.8 percent increase over the prior year due to an increase in the salary base.

Local Libraries

Local libraries receive over 20.0 percent of their funding from the State government. In fiscal 2009, State aid to local libraries will total $63.8 million, representing a $2.1 million, or 3.5 percent increase over the prior year.

Minimum Per Capita Library Program: The State provides assistance to public libraries through a formula that determines the State and local shares of a minimum per capita library program. The minimum library program is specified in statute. Overall, the State provides 40.0 percent of the minimum program, and the counties provide 60.0 percent. However, the State/local share of the minimum program varies by county depending on local wealth. The program is based on a $14 per capita grant for fiscal 2008 and was scheduled to increase to $15 per capita grant in fiscal 2009. However, due to cost containment measures adopted by the General Assembly, the library aid program will be based on a $14 per capita grant for fiscal 2009. This results in a $2.5 million reduction in State funding for local libraries. Due to this reduction, State funding for the library program will total $34.5 million in fiscal 2009, representing a $0.6 million, or 1.8 percent increase over the prior year.

State Library Network: The network consists of the Central Library of the Enoch Pratt Free Library System in Baltimore City, three regional resource centers, and metropolitan cooperative service programs. The Enoch Pratt Free Library operates as the designated State Library Resource Center. It will receive $10.4 million in State funding in fiscal 2009, which equals $1.85 per State resident. In addition to the State center, regional resource centers serve Western Maryland (Hagerstown), Southern Maryland (Charlotte Hall), and the Eastern Shore (Salisbury). The regional centers will receive $5.9 million in fiscal 2009, which equates to $6.50 per resident in the region served. Regional resource centers were scheduled to receive $7.50 per resident in fiscal 2009; however, due to cost containment measures adopted by the General Assembly, grants were based on fiscal 2008 funding levels. This results in a $0.9 million reduction in State funding for local libraries.

Retirement Payments: The State pays 100 percent of the employer's share of retirement costs for local library employees in the Teachers' Retirement and Pension Systems maintained by the State. State funding for library retirement payments will total $12.9 million in fiscal 2009, a $1.4 million increase from the prior year.

Community Colleges

Local community colleges receive about 25.0 percent of their funding from the State government. In fiscal 2009, State aid to local community colleges will total $262.9 million – a $21.2 million, or 8.8 percent increase from the prior year. Baltimore City Community College, which is operated by the State, will receive a State appropriation of $41.1 million in fiscal 2009.

Senator John A. Cade Funding Formula: In fiscal 2008, community colleges were to receive $2,331 per full-time equivalent student prior to cost containment. In the Governor's allowance, the per student funding amount increases 7.9 percent to $2,515. As part of cost containment measures adopted by the General Assembly, the growth in the per student funding amount was limited to 4.0 percent or $2,424 per student. Consequently, the overall funding growth for the community college funding formula slowed from 12.5 to 8.4 percent, resulting in a savings of $7.9 million in fiscal 2009. Due to this action, State funding under the formula will total $210.8 million in fiscal 2009 – a $16.4 million, or 8.4 percent increase from the prior year.

Special Programs: State funding in fiscal 2009 will total $3.1 million for the small college grants and $0.6 million for the Allegany/Garrett counties unrestricted grants. Funding for statewide and regional programs will total $7.1 million. The English as a Second Language program will receive $3.7 million. The Innovative Partnership for Technology program will receive $1.4 million in funding.

Retirement Payments: The State pays 100.0 percent of the employer's share of retirement costs for community college faculty in the Teachers' Retirement and Pension Systems maintained by the State. State funding for community college retirement payments will total $24.2 million in fiscal 2009 – a $1.9 million, or 8.4 percent increase. In addition, State funding for the optional retirement program will total $12.0 million in fiscal 2009, representing a $0.7 million, or 6.0 percent increase.

Local Health Departments

The State provides funds to support the delivery of public health services in each of Maryland's 24 jurisdictions. Support for this program is formula-driven, with increases based on inflation and population growth. State aid for local health departments will total $68.8 million in fiscal 2009, representing a $1.8 million, or 2.6 percent increase.

County and Municipal Governments

Approximately 12.5 percent of State aid goes to county and municipal governments. State funding for counties and municipalities will total $822.0 million in fiscal 2009, representing a $120.5 million, or 12.8 percent decrease over the prior year. State aid to county and municipal governments is targeted primarily to highway maintenance, police and fire services, and parks and recreation. The State also provides disparity grants to less affluent counties to address the differences in the abilities of counties to raise revenues from the local income tax.

Highway User Revenues: Local governments will receive $548.7 million in local highway user revenues in fiscal 2009, representing an $18.1 million decrease from the prior year. The decrease results primarily from legislation passed at the 2007 special session which adjusted the computation of the vehicle excise tax to allow for the value of a trade-in.

Other Transportation Aid: State funding for elderly/disabled transportation grants will increase to $6.3 million in fiscal 2009, and funding for paratransit grants will remain at $2.8 million.

Police Aid Formula: Maryland's counties and municipalities receive grants for police protection through the police aid formula. The police aid formula allocates funds on a per capita basis, and jurisdictions with a higher population density receive greater per capita grants. Municipalities receive additional grants based on the number of sworn officers. The Budget Reconciliation and Financing Act of 2003 directs the Maryland State Police to recover

30.0 percent of the State crime laboratories costs relating to evidence-testing services from local jurisdictions. After the crime laboratory adjustment, police aid will total $66.4 million in fiscal 2009, representing a $0.5 million, or 0.8 percent increase from the prior year.

Public Safety Grants: State funding for targeted public safety grants will total $14.9 million in fiscal 2009. These grants include violent crime grants for Baltimore City and Prince George's County, police foot patrol and community policing grants for Baltimore City, a drug enforcement grant for Prince George's County, S.T.O.P. gun violence grants, school bus traffic enforcement grants, domestic violence grants, law enforcement and correctional officers training grants, Baltimore City war room, sex offender and compliance enforcement, and the body armor grants. In addition, $2.0 million will be provided to the Baltimore City State's Attorney Office to assist in the prosecution of gun offenses and repeat violent offenders and $174,000 will be provided to the Annapolis Crime Project, a new initiative to fight crime in the City of Annapolis.

Vehicle Theft Prevention Program: This program provides grants to law enforcement agencies, prosecutors' offices, local governments, and community organizations for vehicle theft prevention, deterrence, and educational programs. Funds are used to enhance the prosecution and adjudication of vehicle theft crimes. Funding for the program is provided through the Vehicle Theft Prevention Fund, a non-lapsing dedicated fund that receives up to $2.0 million a year from penalties collected for lapsed or terminated insurance coverage. Additional funds are received from inspection fees collected for salvaged vehicle verification. State funding for this program will total $2.3 million in fiscal 2009.

Fire, Rescue, and Ambulance Services: The State provides formula grants to the counties, Baltimore City, and qualifying municipalities for local and volunteer fire, rescue, and ambulance services. The grants are for equipment and renovation projects, not operating costs. The program is funded through the Maryland Emergency Medical System Operations Fund. The grant level is set at $10.0 million in fiscal 2009.

9-1-1 Emergency Systems Grant: The State imposes a 25 cent fee per month on telephone subscribers that is deposited into a trust fund that provides reimbursements to counties for improvements and enhancements to their 9-1-1 systems. Counties may only use the trust fund money to supplement their spending, not to supplant it. State funding to local 9-1-1 emergency systems is estimated to remain at $13.6 million in fiscal 2009.

Program Open Space Grants: Under Program Open Space (POS), the State provides grants to local governments for land acquisition and the development of parks and recreation facilities. The State property transfer tax funds POS and related programs. Local POS grants will total $18.6 million in fiscal 2009, which represents a $77.0 million decrease from the prior year. In addition, Baltimore City continues to receive a $1.5 million special POS grant. The decrease in local POS grants is due primarily to the downturn in the real estate market. In the last two years, State transfer tax collections have decreased by over 35 percent. In addition, legislation passed at the 2007 special session redirected $21.0 million of local POS funds to the Maryland Park Service.

Disparity Grants: Disparity grants address the differences in the abilities of counties to raise revenues from the local income tax, which is the third largest revenue source for counties after State aid and property taxes. Counties with per capita local income tax revenues less than 75.0 percent of the State's average receive grants, assuming all counties impose a 2.54 percent local income tax rate. Aid received by a county equals the dollar amount necessary to raise the county's per capita income tax revenues to 75.0 percent of the State average. In fiscal 2009, Baltimore City and seven counties (Allegany, Caroline, Dorchester, Garrett, Prince George's, Somerset, and Wicomico) qualify for disparity grants. The fiscal 2009 State budget includes $115.5 million for disparity grants, a $0.7 million increase from the prior year. The fiscal 2009 grant under the statute is based on population estimates for July 2006 and calendar 2006 local income tax revenues raised from a 2.54 percent local income tax rate.

Local Voting Grants: The State budget includes $9.8 million in fiscal 2008 and $10.8 million in fiscal 2009 to purchase voting machines and support the statewide voting system.

State Assumed Functions in Baltimore City

The State assumption of functions or responsibilities performed by local governments is another aspect of State/local fiscal relationships. There was considerable activity in this area in the 1970s when the State assumed the responsibility for several programs including the District Court, Medical Assistance, public assistance, and property assessments. During the 1990s, the State assumed several local government functions in Baltimore City to help reduce the city's fiscal pressures. These services included the local community college, city detention center, and the central booking facility. The cost for these assumed functions will total $179.6 million in fiscal 2009 – an $11.2 million, or 6.6 percent increase from the prior year.

County Level Detail

This section includes information for each county on State aid, State funding of selected services, and capital projects in the county. The three parts included under each county are described below.

Direct Aid and Retirement Payments

Direct Aid: The State distributes aid or shares revenue with the counties, municipalities, and Baltimore City through over 40 different programs. The fiscal 2009 State budget includes $5.9 billion to fund these programs. Part A, section 1 of each county's statistical tables compares aid distributed to the county in fiscal 2008 and 2009.

Retirement Payments: County teachers, librarians, and community college faculty are members of either the teachers' retirement or pension systems maintained and operated by the State. The State pays the employer share of the retirement costs on behalf of the counties for these local employees as well as certain elected local officials such as sheriffs and State's attorneys. These payments total $661.0 million in fiscal 2009. Although these funds are not paid to the local governments, each county's allocation is estimated from salary information collected by the State retirement systems. These estimates are presented in Part A, section 2 of each county.

Estimated State Spending on Health and Social Services

The State funds the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Part B of each county shows fiscal 2009 allocation estimates of general and special fund appropriations for health services, social services, and senior citizen services.

Health Services: The Department of Health and Mental Hygiene, through its various administrations, funds in whole or part community health programs that are provided in the local subdivisions. These programs are described below. General fund spending totals $907.5 million statewide for these programs in fiscal 2009. In addition, $62.5 million from the Cigarette Restitution Fund will also be spent on these programs in fiscal 2009. This does not include spending at the State mental health hospitals, developmental disability facilities, or chronic disease centers.

- ***Alcohol and Drug Abuse:*** The Alcohol and Drug Abuse Administration funds community-based programs that include primary and emergency care, intermediate care facilities, halfway houses and long-term care programs, outpatient care, and prevention programs. The fiscal 2009 budget includes $88.4 million in general funds and $17.1 million in special funds for these programs. In addition, the budget includes $30.4 million in federal funds for addiction treatment services.

- ***Family Health and Primary Care Services:*** The Family Health Administration funds community-based programs through the local health departments in each of the subdivisions. These programs include maternal health (family planning, pregnancy testing, prenatal and perinatal care, etc.) and infant and child health (disease prevention, child health clinics, specialty services, etc.). Primary care services are funded for those people who previously received State-only Medical Assistance. Fiscal 2009 funding for these family health programs totals $15.7 million in general funds and $27.3 million in federal funds.

- ***Medical Care Services:*** The Medical Care Programs Administration provides support for the local health departments and funding for community-based programs that serve senior citizens. The geriatric services include operating grants to adult day care centers and an evaluation program administered by the local health departments to assess the physical and mental health needs of elderly individuals. This category also includes grants to local health departments related to eligibility determination for the Medicaid and Children's Health programs, transportation services for Medicaid recipients in non-emergency situations, and coordination and outreach services for Medicaid and special needs populations in the HealthChoice program. The fiscal 2009 funding for these programs totals $28.4 million in general funds and $28.9 million in federal funds.

- ***Mental Health:*** The Mental Hygiene Administration oversees a wide range of community mental health services that are developed and monitored at the local level by Core Service Agencies. The Core Service Agencies have the clinical, fiscal, and administrative responsibility to develop a coordinated network of services for all public mental health clients of any age within a given jurisdiction. These services include inpatient hospital and residential treatment facility stays, outpatient treatment, psychiatric rehabilitation services, counseling and targeted case management services. The fiscal 2009 budget includes $355.8 million in general funds and $267.2 million in federal funds for mental health services.

- ***Prevention and Disease Control:*** The Community Health Administration and the Family Health Administration are responsible for chronic and hereditary disease prevention (cancer, heart disease, diabetes, etc.). They also provide for the promotion of safe and effective immunization practices, the investigation of disease outbreaks, and continuous disease surveillance and monitoring with the support of local health departments and the medical community. General fund appropriations in fiscal 2009 total $9.3 million along with $15.9 million in federal funds. In addition, the budget includes $45.4 million from the Cigarette Restitution Fund for tobacco use prevention and cessation and for cancer prevention and screening at the local level.

- ***Developmental Disabilities:*** The Developmental Disabilities Administration's community-based programs include residential services, day programs, transportation services, summer recreation for children, individual and family support services, including respite care, individual family care, behavioral support services, and community supported living arrangements. The fiscal 2009 budget includes $408.1 million in general funds and $292.8 in federal funds for these programs.

- ***AIDS:*** The AIDS Administration funds counseling, testing, education, and risk reduction services through the local health departments. Fiscal 2009 funds for these services total $1.9 million in general funds. The budget for the AIDS Administration also includes $19.2 million in federal funds for these services.

Social Services: The Department of Human Resources provides funding for various social and community services in the subdivisions. Part B of each county's statistical tables shows fiscal 2009 estimates of funding for those programs that are available by subdivision. Note that fiscal 2009 funding for homeless and women's services is allocated among the subdivisions on the basis of each jurisdiction's share of fiscal 2008 funding and may change.

- ***Homeless Services:*** The Community Services Administration funds programs which provide emergency and transitional housing, food, and transportation for homeless families and individuals. Funding is available by county for the housing counselor, service-linked housing and emergency and transitional housing programs. The fiscal 2009 budget includes $5.2 million in general funds for these programs.

- ***Women's Services:*** The Community Services Administration provides funding for a variety of community-based programs for women. These include the battered spouse program, rape crisis centers, displaced homemakers program, and crime victim's services. Total fiscal 2009 funding for these programs equals $5.4 million in general funds. In addition, the fiscal 2009 budget includes $8.6 million in federal funds for women's services.

- ***Adult Services:*** The State social services departments in each of the subdivisions provide a variety of services to disabled, elderly, neglected, and exploited adults. Services include information and referral, crisis intervention, case management, protective services, in-home aid, and respite care for families. The fiscal 2009 budget includes $11.3 million in general funds and $33.7 million in federal funds for adult services.

- ***Child Welfare Services:*** The State social services departments in each of the subdivisions offer programs to support the healthy development of families, assist families and children in need, and protect abused and neglected children. Services include adoptive services, foster care programs, family preservation programs, and child protective services. The fiscal 2009 budget includes $86.8 million in general funds and $115.4 million in federal funds.

Senior Citizen Services: The Department of Aging funds a variety of services for senior citizens mostly through local area agencies on aging. In Part B of each county, these programs have been combined into two broad categories: long-term care and community services. The total fiscal 2009 funding is $13.6 million in general funds and $24.4 million in federal funds. In this report the fiscal 2009 general funds are allocated among the subdivisions on the basis of each jurisdiction's share of fiscal 2008 funding and may change.

- ***Long-term Care:*** This category includes the following programs: frail and vulnerable elderly, senior care, senior guardianship, the ombudsman program, and the innovations in aging program. The total fiscal 2009 funding is $10.0 million in general funds.

- ***Community Services:*** Included in this category are the senior information and assistance program, the senior nutrition program, and the insurance counseling program. Also included is a hold harmless grant for certain counties that received less federal funding under the Older Americans Act when 2000 census population figures were factored into the funding formula. Fiscal 2009 funding for these programs totals $3.6 million in general funds.

Capital Grants and Capital Projects for State Facilities

Selected State Grants for Capital Projects: The State provides capital grants for public schools, community colleges, local jails, community health facilities, water quality projects, waterway improvements, homeless shelters, and other cultural, historical, and economic development projects. Projects are funded from either bond sales or current revenues. Part C lists projects in the counties authorized by the fiscal 2009 State operating and capital budgets. Projects at regional community colleges are shown for each county that the college serves. The projects listed for the various loan programs are those currently anticipated for fiscal 2009. The actual projects funded and/or the amount of funding for specific projects could change depending on which projects are ready to move forward and final costs.

The fiscal 2009 budget includes $333.4 million in funding for local school construction: $6.0 million from the program's contingency fund and $327.4 million in general obligation bonds. As of the publication of this report, $225.0 million of the total fiscal 2009 funding has been allocated to specific projects. These projects are listed in Part C for each county.

Capital Projects for State Facilities Located in the County: Part D for each county shows capital projects, authorized by the fiscal 2009 operating and capital budgets, at State facilities and public colleges and universities by the county in which the facility is located. For facilities that are located in more than one county, such as a State park, the total amount of the capital project is shown for all relevant counties. For each capital project, the total authorized amount is given, regardless of funding source although federally funded projects are generally shown separately. For the universities, projects funded from both academic and auxiliary revenue bonds are included. The projects funded with auxiliary revenue bonds are those anticipated for fiscal 2009 but the actual projects funded could be different. This report does not include transportation projects.

Allegany County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$44,527	$44,991	$463	1.0
	Compensatory Education	20,819	21,639	819	3.9
	Student Transportation	3,902	4,009	107	2.7
	Special Education	6,596	7,164	568	8.6
	Limited English Proficiency Grants	87	165	78	88.8
	Guaranteed Tax Base	5,507	7,683	2,176	39.5
	Adult Education	173	173	0	0.0
	Aging Schools	238	178	-60	-25.3
	Other Education Aid	625	625	0	0.0
	Primary & Secondary Education	82,474	86,627	4,151	5.0
	Libraries	764	770	5	0.7
	Community Colleges	5,924	6,120	196	3.3
	Health Formula Grant	1,625	1,648	23	1.4
*	Transportation	7,725	7,566	-159	-2.1
*	Police and Public Safety	864	874	10	1.2
*	Fire and Rescue Aid	238	238	0	0.0
	Recreation and Natural Resources	1,056	205	-850	-80.6
	Disparity Grant	6,971	6,743	-228	-3.3
	Total Direct Aid	**$107,641**	**$110,791**	**$3,148**	**2.9**
	Aid Per Capita ($)	1,478	1,526	48	3.3
	Property Tax Equivalent ($)	3.37	3.18	-0.19	-5.6

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Allegany County for teachers, librarians, community college faculty, and local officials are estimated to be $7,960,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$1,773,000
Family Health and Primary Care	207,000
Medical Care Services	731,000
Mental Health	5,448,000
Prevention and Disease Control	626,000
Developmental Disabilities	5,291,000
AIDS	29,000
Social Services	
Homeless Services	101,000
Women's Services	116,000
Adult Services	245,000
Child Welfare Services	2,042,000
Senior Citizen Services	
Long-term Care	321,000
Community Services	162,000

C. Selected State Grants for Capital Projects

Allegany Community College

Automotive Technology and Physical Plant Building – renovation	$496,000

Senior Citizen Activity Centers

Cumberland Senior Center	280,000

Community Parks and Playgrounds

Frostburg Recreation Complex	57,000

Chesapeake Bay Water Quality Projects

Cumberland Combined Sewer – overflow improvements	500,000
Frostburg – stormwater retrofit	188,000
Frostburg Combined Sewer – overflow improvements	500,000
Westernport Combined Sewer – overflow improvements	900,000

Chesapeake Bay Restoration Fund

Cumberland WWTP – enhanced nutrient removal	14,564,000
George's Creek WWTP – enhanced nutrient removal	3,000,000

Water Supply Financial Assistance Program

Bowman's Addition – water project	300,000
Frostburg – water treatment plant filter upgrades	100,000
Lonaconing – water improvements	450,000
Ridgedale – reservoir replacement	200,000
Westernport – water treatment plant upgrade	300,000

Other Projects

Allegany County Museum	50,000
Greenway Avenue Stadium	50,000
Virginia Avenue Corridor Revitalization	200,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

C&O Canal National Park – boat ramp improvements	$99,000

Department of Public Safety & Corrections

Western Correctional Institution – vocational education building	1,099,000

Maryland Environmental Service

Green Ridge Youth Center – wastewater treatment plant	1,056,000

University System of Maryland

Frostburg State – Lane Center renovation and addition	15,020,000

Anne Arundel County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$174,966	$182,020	$7,054	4.0
	Compensatory Education	37,356	39,904	2,548	6.8
	Student Transportation	18,224	18,719	495	2.7
	Special Education	28,445	28,699	253	0.9
	Limited English Proficiency Grants	3,937	4,461	524	13.3
	Geographic Cost of Education Index	0	5,177	5,177	0.0
	Adult Education	328	328	0	0.0
	Aging Schools	989	920	-69	-7.0
	Other Education Aid	939	939	0	0.0
	Primary & Secondary Education	265,184	281,167	15,982	6.0
	Libraries	1,941	1,991	50	2.6
	Community Colleges	28,631	30,997	2,366	8.3
	Health Formula Grant	5,649	5,797	148	2.6
*	Transportation	32,973	32,134	-839	-2.5
*	Police and Public Safety	6,702	6,876	174	2.6
*	Fire and Rescue Aid	806	806	0	0.0
	Recreation and Natural Resources	11,236	2,185	-9,051	-80.6
	Utility Property Tax Grants	7,565	0	-7,565	-100.0
*	Other Direct Aid	596	420	-176	-29.5
	Total Direct Aid	**$361,283**	**$362,373**	**$1,089**	**0.3**
	Aid Per Capita ($)	709	708	-2	-0.3
	Property Tax Equivalent ($)	0.50	0.44	-0.06	-11.8

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Anne Arundel County for teachers, librarians, community college faculty, and local officials are estimated to be $54,125,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$3,390,000
Family Health and Primary Care	650,000
Medical Care Services	1,267,000
Mental Health	21,000,000
Prevention and Disease Control	1,842,000
Developmental Disabilities	36,998,000

Social Services	
Homeless Services	206,000
Women's Services	374,000
Adult Services	210,000
Child Welfare Services	4,594,000

Senior Citizen Services	
Long-term Care	649,000
Community Services	158,000

C. Selected State Grants for Capital Projects

Public Schools

Anne Arundel Middle School – renovations (HVAC)	$1,000,000
Gambrills Elementary School – construction	2,560,000
Glen Burnie Park Elementary School – renovations (HVAC/windows)	960,000
Meade High School – renovations (roof)	1,388,000
Oakwood Elementary School – renovations (HVAC/windows)	960,000
Odenton Elementary School – renovations (HVAC)	1,174,000
Severna Park Middle School – construction	8,730,000
Shipley's Choice Elementary School – renovations (HVAC)	1,174,000
Tyler Heights Elementary School – renovations (electrical)	66,000
Van Bokkelen Elementary School – renovations (electrical)	66,000

Public Libraries

Brooklyn Park/Linthicum/Provinces Libraries – ADA compliance	112,000

Anne Arundel Community College

Careers Building – renovation	1,477,000

Shelter & Transitional Facilities

Light House Shelter	600,000

Chesapeake Bay Water Quality Projects

Mayo WWTP – nutrient removal	1,000,000

Chesapeake Bay Restoration Fund

Annapolis WWTP – enhanced nutrient removal	6,800,000
Broadneck WWTP – enhanced nutrient removal	6,500,000

Broadwater WWTP – enhanced nutrient removal	500,000
Cox Creek WWTP – enhanced nutrient removal	27,000,000
Mayo Large Communal WWTP – enhanced nutrient removal	1,000,000

Waterway Improvement

Annapolis – public boating facilities improvements	99,000
Annapolis Maritime Museum – extend transient piers	99,000
Broadwater Creek – channel dredging	160,500
Carrs Creek – channel dredging	394,000
Parrish Creek – dredge material placement site	1,416,000
Truxton Park – boat ramp and miscellaneous improvements	99,000
Warehouse Creek – improve boating access	20,000

Other Projects

Annapolis Summer Garden Theatre	50,000
Children’s Theatre of Annapolis	100,000
City of Annapolis – underground utility wiring	600,000
Deale Elementary School Baseball Fields	125,000
Galesville Rosenwald School	200,000
Goshen House	150,000
Hammond-Harwood House	100,000
Light House Shelter	222,000
Maryland Fire-Rescue Services Memorial	75,000
Maryland Hall for the Creative Arts	250,000
Opportunity Builders, Inc.	65,000

D. Capital Projects for State Facilities in the County

General Government

Lowe House Office Building – renovations	$701,000
State House – Old House of Delegates Chamber restoration	650,000

Department of Natural Resources

Sandy Point State Park – repair boat ramps	75,000
Sandy Point State Park – replace bulkheads	1,600,000

Maryland Environmental Service

Jessup Correctional Complex – Dorsey WWTP improvements	248,000

Baltimore City

A. Direct Aid and Retirement Payments

1. Direct Aid

	FY 2008	FY 2009	$ Diff.	% Diff.
	($ in Thousands)			
Foundation Aid	$399,500	$406,678	$7,179	1.8
Compensatory Education	277,192	267,974	-9,218	-3.3
Student Transportation	17,084	17,241	157	0.9
Special Education	83,064	82,672	-392	-0.5
Limited English Proficiency Grants	8,487	9,357	870	10.3
Guaranteed Tax Base	36,344	37,894	1,550	4.3
Geographic Cost of Education Index	0	13,032	13,032	0.0
Adult Education	981	981	0	0.0
Aging Schools	2,714	2,524	-190	-7.0
Other Education Aid	2,927	2,927	0	0.0
Primary & Secondary Education	828,293	841,280	12,988	1.6
Libraries	6,594	6,586	-9	-0.1
Health Formula Grant	11,965	12,301	335	2.8
Transportation	233,378	225,345	-8,033	-3.4
Police and Public Safety	10,081	10,098	18	0.2
Fire and Rescue Aid	942	942	0	0.0
Recreation and Natural Resources	11,576	3,459	-8,116	-70.1
Disparity Grant	78,161	75,524	-2,636	-3.4
Utility Property Tax Grants	439	0	-439	-100.0
Other Direct Aid	4,443	4,559	116	2.6
Total Direct Aid	**$1,185,872**	**$1,180,094**	**-$5,776**	**-0.5**
Aid Per Capita ($)	1,878	1,851	-27	-1.4
Property Tax Equivalent ($)	4.09	3.55	-0.54	-13.2

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Baltimore City for teachers, librarians, community college faculty, and local officials are estimated to be $64,093,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$38,119,000
Family Health and Primary Care	4,458,000
Medical Care Services	7,467,000
Mental Health	121,059,000
Prevention and Disease Control	1,556,000
Developmental Disabilities	45,965,000
AIDS	407,000
Social Services	
Homeless Services	2,159,000
Women's Services	906,000
Adult Services	3,149,000
Child Welfare Services	28,564,000
Senior Citizen Services	
Long-term Care	1,907,000
Community Services	941,000

C. Selected State Grants for Capital Projects

Public Schools

Carver Vo-Tech High School #454 – construction	$10,400,000
Northwestern High School #401 – renovations (fire safety)	775,000
Paul L. Dunbar High School #414 – construction	5,704,000
Violetville Elementary/Middle School #226 – construction	2,303,000

Public Libraries

Edmondson Avenue Branch Library – renovation	264,000
Reisterstown Road Branch Library – repair and renovation	480,000

Community Mental Health/Addictions/Dev. Disabilities

Valley House, Inc.	259,000

Federally Qualified Health Centers Grant Program

Baltimore Medical System, Inc.	1,275,000

Shelter & Transitional Facilities

Carrington House	50,000
People’s Homesteading	50,000
Susannah Wesley House	50,000

Community Parks and Playgrounds

Andover and North Hill Park Playground	65,000
George Washington Elementary School Playground	120,000
William McAbee Park Playground	110,000

Chesapeake Bay Water Quality Projects

Patapsco WWTP – nutrient removal	10,000,000

Chesapeake Bay Restoration Fund

Back River WWTP – enhanced nutrient removal	3,000,000
Baltimore City – sewer rehabilitation	1,000,000
Patapsco WWTP – enhanced nutrient removal	12,000,000

Waterway Improvement

Boat ramps and parking areas – citywide renovations	50,000
Downtown Sailing Center – boating access improvements	99,000
Finger Pier Information Center – security lighting improvements	30,000
Fire Department – equipment for dive team and fire boats	10,000
Fort Armistead Park – replace breakwater	500,000
Inner Harbor – camera security/management system	25,000
Inner Harbor – purchase patrol vessel	25,000

Hazardous Substance Cleanup Program

Chemical Metals Site – remediation	200,000

Other Projects

Baltimore Museum of Industry	300,000
Baltimore Zoo – facilities renewal	1,000,000
Baltimore Zoo – infrastructure improvements	2,000,000
Beans and Bread	150,000
Center for Urban Families	50,000
Community Mediation Program	175,000
Dayspring Facility	200,000
East Baltimore Biotechnology Park	5,000,000
Everyman Theatre	100,000
Gaudenzia at Park Heights	50,000
Girl Scout Urban Program and Training Center	200,000

Health Care for the Homeless	10,000
Helping Up Mission	200,000
Historic East Baltimore Community Action Coalition	150,000
Homeless Shelter and Resource Center	2,000,000
Johns Hopkins Health System – Cardiovascular and Critical Care Tower	5,000,000
Johns Hopkins Health System – Pediatric Trauma Center	10,000,000
Johns Hopkins University – Gilman Hall renovation	1,250,000
Junior League of Baltimore Thrift Store	100,000
Kennedy Krieger Institute	1,000,000
Learning, Inc.	175,000
Long Term Care at Stadium Place	100,000
Loyola College – Donnelly Science Center	3,250,000
Lyric Opera House	300,000
Mary Harvin Transformation Center	150,000
Maryland General Hospital	875,000
Maryland School for the Blind	1,100,000
Maryland State Boychoir Facility	150,000
NACA Education and Community Center	200,000
Newborn Community Center	350,000
Park Heights Revitalization	3,000,000
Parks & People Headquarters at Auchentoroly Terrace	100,000
Port Discovery	200,000
Roberta’s House	300,000
Sandi’s Learning Center	125,000
School 33 Art Center	150,000
Sinai Hospital	320,000
Sojourner-Douglass College – Science and Allied Health Facility	3,250,000
Southwest Senior and Community Multipurpose Center	115,000
The Trinity Family Life Center	100,000
WestSide Revitalization Project	5,000,000
Youth Sports Program, Inc.	100,000

D. Capital Projects for State Facilities in the City

General Government

2100 Guilford Avenue – addition	$3,000,000

Department of Health & Mental Hygiene

Forensic Medical Center – construction	47,807,000

Department of Public Safety & Corrections

Baltimore City Detention Center – Women's Center	5,500,000
Baltimore City Detention Center – Youth Facility	3,400,000

Morgan State University

Campuswide – site improvements	1,050,000
Campuswide – utility upgrades	7,723,000
School of Business and Management – new complex	3,100,000

University System of Maryland

Baltimore – Pharmacy Hall addition and renovation	62,227,000
Coppin State – Health and Human Services Building	3,482,000
Coppin State – Physical Education Complex	39,439,000
Coppin State – Science and Technology Center	6,291,000
Coppin State – utilities and security systems improvements	6,960,000
University of Baltimore – Law School	4,033,000

Other

UMD Medical System – ambulatory care center	10,000,000
UMD Medical System – diagnostic and treatment facilities	2,500,000
UMD Medical System – shock trauma center	13,500,000

Baltimore County

A. Direct Aid and Retirement Payments

1. Direct Aid

	FY 2008	FY 2009	$ Diff.	% Diff.
	($ in Thousands)			
Foundation Aid	$334,624	$338,819	$4,195	1.3
Compensatory Education	86,201	88,843	2,642	3.1
Student Transportation	23,845	24,519	673	2.8
Special Education	43,724	45,125	1,401	3.2
Limited English Proficiency Grants	9,731	10,346	615	6.3
Geographic Cost of Education Index	0	3,214	3,214	0.0
Adult Education	693	693	0	0.0
Aging Schools	2,073	1,590	-484	-23.3
Other Education Aid	6,261	6,261	0	0.0
Primary & Secondary Education	507,152	519,410	12,256	2.4
Libraries	5,222	5,422	199	3.8
Community Colleges	38,521	40,200	1,679	4.4
Health Formula Grant	7,751	7,993	242	3.1
Transportation	44,360	43,229	-1,131	-2.5
Police and Public Safety	9,794	9,794	0	0.0
Fire and Rescue Aid	1,172	1,172	0	0.0
Recreation and Natural Resources	12,710	2,471	-10,239	-80.6
Utility Property Tax Grants	1,736	0	-1,736	-100.0
Other Direct Aid	50	50	0	0.0
Total Direct Aid	**$628,468**	**$629,741**	**$1,270**	**0.2**
Aid Per Capita ($)	798	798	0	0.0
Property Tax Equivalent ($)	0.87	0.77	-0.11	-12.1

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Baltimore County for teachers, librarians, community college faculty, and local officials are estimated to be $78,423,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$5,299,000
Family Health and Primary Care	353,000
Medical Care Services	2,415,000
Mental Health	50,547,000
Prevention and Disease Control	2,907,000
Developmental Disabilities	57,199,000
Social Services	
Homeless Services	229,000
Women's Services	560,000
Adult Services	747,000
Child Welfare Services	5,970,000
Senior Citizen Services	
Long-term Care	1,463,000
Community Services	250,000

C. Selected State Grants for Capital Projects

Public Schools

Arbutus Elementary School – renovations (roof)	$355,000
Cockeysville Middle School – construction	6,826,000
Hereford Middle School – construction	5,175,000
Hillcrest Elementary School – construction	1,789,000
Joppa View Elementary School – renovations (roof)	623,000
Kingsville Elementary School – renovations (roof)	514,000
Loch Raven High School – renovations (HVAC)	1,091,000
Red House Run Elementary School – renovations (windows)	125,000
Riderwood Elementary School – renovations (roof/windows)	451,000
Sandalwood Elementary School – renovations (HVAC)	815,000
Sandy Plains Elementary School – renovations (windows)	167,000
Western School of Technology – renovations (roof)	860,000
Winand Elementary School – renovations (windows)	233,000
Winfield Elementary School – renovations (windows)	118,000
Woodbridge Elementary School – renovations (roof)	517,000

Public Libraries

Cockeysville Library – addition and renovation	520,000
Perry Hall Library – library replacement	188,000

Baltimore Community College

Catonsville – new library	12,813,000

Community Mental Health/Addictions/Dev. Disabilities

Prologue, Inc.	252,000

Shelter & Transitional Facilities

Nehemiah House	59,730

Community Parks and Playgrounds

Catonsville Community Park Trail	100,000
Hawthorne Community Trail and Park	150,000

Chesapeake Bay Water Quality Projects

Lower Spring Branch – stream restoration	270,000

Chesapeake Bay Restoration Fund

Back River WWTP – enhanced nutrient removal	3,000,000

Waterway Improvement

Arbutus Volunteer Fire Department – purchase water rescue equipment	10,500
Bear Creek – maintenance dredging	100,000
Channel Marker Improvements – countywide	99,000
County Fire Department – swift water rescue equipment	15,000
Fort Howard Park – repair pier and moorings	25,000
Kingsville Volunteer Fire Department – purchase water rescue equipment	9,000
Middle River – maintenance dredging	700,000
Pleasure Island – maintenance dredging	750,000
Shallow Creek – maintenance dredging	75,000
Southwest Area Park – parking lot improvements	25,000
Submerged aquatic vegetation monitoring – countywide	75,000

Hazardous Substance Cleanup Program

Blenheim Road – site assessment	50,000

Other Projects

Baltimore County Center for Maryland Agriculture	1,000,000
Catonsville YMCA	325,000
Community Post – Dundalk	300,000

Family Life Intergenerational Center	250,000
Franklin Square Hospital Center	1,130,000
Heritage Trail and Saint Helena Park	175,000
Irvine Nature Center	250,000
St. Joseph Medical Center	450,000
The Emmart-Pierpoint Safe House	100,000
Weinberg Village V Senior Apartment Building	250,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Mill Pond – dam replacement	$115,000

Maryland Veterans Administration

Garrison Forest Veterans Cemetery – addition (federal funds)	1,810,000

University System of Maryland

Baltimore County – residence hall renovations	2,750,000
Towson University – Burdick Field Turf	2,500,000
Towson University – College of Liberal Arts Complex	9,339,000
Towson University – field hockey facility	3,000,000
Towson University – safety and circulation improvements	18,274,000
Towson University – Towson Center Arena improvements	8,600,000
Towson University – Ward Hall Health Center	3,300,000
Towson University – West Hall Counseling Center	3,300,000

Calvert County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$64,326	$65,070	$744	1.2
	Compensatory Education	6,882	7,327	444	6.5
	Student Transportation	4,840	4,994	154	3.2
	Special Education	6,094	6,030	-64	-1.0
	Limited English Proficiency Grants	518	618	100	19.2
	Geographic Cost of Education Index	0	1,430	1,430	0.0
	Adult Education	157	157	0	0.0
	Aging Schools	75	70	-5	-7.0
	Other Education Aid	778	778	0	0.0
	Primary & Secondary Education	83,670	86,474	2,803	3.4
	Libraries	423	446	23	5.4
	Community Colleges	2,082	2,094	12	0.6
	Health Formula Grant	669	693	23	3.5
*	Transportation	6,830	6,695	-135	-2.0
*	Police and Public Safety	795	797	1	0.2
*	Fire and Rescue Aid	200	200	0	0.0
	Recreation and Natural Resources	1,113	216	-897	-80.6
	Utility Property Tax Grants	5,897	0	-5,897	-100.0
	Total Direct Aid	**$101,679**	**$97,615**	**-$4,067**	**-4.0**
	Aid Per Capita ($)	1,145	1,106	-39	-3.4
	Property Tax Equivalent ($)	0.87	0.73	-0.14	-16.1

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Calvert County for teachers, librarians, community college faculty, and local officials are estimated to be $12,827,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services

Alcohol and Drug Abuse	$674,000
Family Health and Primary Care	134,000
Medical Care Services	329,000
Mental Health	2,624,000
Prevention and Disease Control	600,000
Developmental Disabilities	6,451,000

Social Services

Homeless Services	33,000
Women's Services	217,000
Adult Services	79,000
Child Welfare Services	814,000

Senior Citizen Services

Long-term Care	126,000
Community Services	19,000

C. Selected State Grants for Capital Projects

Public Schools

Beach Elementary School – renovations (roof)	$239,000
Calvert Middle School – construction	5,770,000

College of Southern Maryland

Leonardtown – Wellness Center	11,712,000

Community Mental Health/Addictions/Dev. Disabilities

The Arc of Southern Maryland	1,500,000

Shelter & Transitional Facilities

Project Echo	287,390

Community Parks and Playgrounds

Dowell Elementary School Playground	108,000
North Beach Wetland Overlook	58,000
Solomons Town Center Playground	200,000

Chesapeake Bay Restoration Fund

Chesapeake Beach WWTP – enhanced nutrient removal	2,500,000

Waterway Improvement

North Beach – pier dredging	100,000

Other Projects

Chesapeake Cares Food Pantry	75,000
North Beach Town Hall – construction	250,000

D. Capital Projects for State Facilities in the County

Maryland Office of Planning

Jefferson Patterson Park and Museum – Patterson Center	$554,000

Caroline County

A. Direct Aid and Retirement Payments

1. Direct Aid

	FY 2008	FY 2009	$ Diff.	% Diff.
	($ in Thousands)			
Foundation Aid	$25,177	$25,612	$435	1.7
Compensatory Education	9,832	10,216	384	3.9
Student Transportation	2,212	2,264	52	2.3
Special Education	2,702	2,593	-109	-4.0
Limited English Proficiency Grants	676	861	185	27.4
Guaranteed Tax Base	554	832	279	50.3
Aging Schools	98	91	-7	-7.0
Other Education Aid	545	545	0	0.0
Primary & Secondary Education	41,796	43,014	1,219	2.9
Libraries	267	280	12	4.6
Community Colleges	1,244	1,359	115	9.2
Health Formula Grant	962	972	10	1.1
* Transportation	5,353	5,255	-99	-1.8
* Police and Public Safety	326	346	20	6.2
* Fire and Rescue Aid	204	204	0	0.0
Recreation and Natural Resources	494	96	-398	-80.6
Disparity Grant	1,913	2,253	340	17.8
Total Direct Aid	**$52,559**	**$53,779**	**$1,219**	**2.3**
Aid Per Capita ($)	1,611	1,634	23	1.4
Property Tax Equivalent ($)	2.13	2.07	-0.06	-2.8

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Caroline County for teachers, librarians, community college faculty, and local officials are estimated to be $3,950,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$453,000
Family Health and Primary Care	240,000
Medical Care Services	474,000
Mental Health	2,932,000
Prevention and Disease Control	461,000
Developmental Disabilities	2,369,000
AIDS	29,000
Social Services	
Homeless Services	59,000
Women's Services	138,000
Adult Services	103,000
Child Welfare Services	655,000
Senior Citizen Services	
Long-term Care	542,000
Community Services	137,000

Note: A portion of women's services funding supports services in Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties. Senior citizen services funding supports services in Caroline, Kent, and Talbot counties.

C. Selected State Grants for Capital Projects

Public Schools

Colonel Richardson High School – construction	$7,300,000

Chesapeake College

Kent Humanities Building – renovation	478,000

Federally Qualified Health Centers Grant Program

Choptank Community Health System, Inc.	440,000

Community Parks and Playgrounds

Denton Elementary School	281,000
Marina Park	29,000

Chesapeake Bay Restoration Fund

Federalsburg – sewer rehabilitation	600,000

Water Supply Financial Assistance Program

Greensboro – water line replacement	355,000

Waterway Improvement

Choptank Marina – ADA accessible pier and floating dock	25,000
Denton – Crouse Park boat landing and wharf replacement	106,000
Federalsburg – VFW boat ramp solar powered lighting	12,000
Ganey's Wharf – replace pier/bulkhead and make ADA improvements	99,000

Other Projects

Old Caroline High School	50,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Martinak State Park – ADA access improvements	$60,000

Carroll County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$109,302	$109,705	$403	0.4
	Compensatory Education	8,927	9,560	633	7.1
	Student Transportation	8,360	8,634	274	3.3
	Special Education	12,305	12,696	391	3.2
	Limited English Proficiency Grants	623	773	149	23.9
	Geographic Cost of Education Index	0	1,574	1,574	0.0
	Adult Education	206	206	0	0.0
	Aging Schools	306	250	-57	-18.5
	Other Education Aid	565	565	0	0.0
	Primary & Secondary Education	140,594	143,963	3,367	2.4
	Libraries	981	1,038	58	5.9
	Community Colleges	7,193	7,683	490	6.8
	Health Formula Grant	2,210	2,254	44	2.0
*	Transportation	14,853	14,488	-364	-2.5
*	Police and Public Safety	1,611	1,619	8	0.5
*	Fire and Rescue Aid	262	262	0	0.0
	Recreation and Natural Resources	2,523	491	-2,033	-80.6
	Total Direct Aid	**$170,227**	**$171,798**	**$1,570**	**0.9**
	Aid Per Capita ($)	1,000	1,015	15	1.5
	Property Tax Equivalent ($)	0.95	0.86	-0.09	-9.6

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Carroll County for teachers, librarians, community college faculty, and local officials are estimated to be $19,885,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$1,296,000
Family Health and Primary Care	187,000
Medical Care Services	738,000
Mental Health	7,148,000
Prevention and Disease Control	835,000
Developmental Disabilities	12,368,000
AIDS	20,000
Social Services	
Homeless Services	91,000
Women's Services	369,000
Adult Services	136,000
Child Welfare Services	1,556,000
Senior Citizen Services	
Long-term Care	321,000
Community Services	57,000

C. Selected State Grants for Capital Projects

Public Schools

South Carroll High School – construction	$7,700,000
Westminster High School – renovations (HVAC)	3,000,000

Public Libraries

Westminster Branch Library – renovation	437,000

Carroll Community College

Classroom Building No. 4	1,542,000

Community Parks and Playgrounds

Bennett Cerf Park	65,000
Robert Mill Park	90,000
Union Bridge Community Park	17,000

Chesapeake Bay Restoration Fund

Freedom District WWTP – enhanced nutrient removal	300,000
Westminster WWTP – enhanced nutrient removal	450,000

Waterway Improvement

Double Pipe Creek Water Trail – install two kiosks	8,000

Other Projects

Carroll County Agriculture Center	100,000
Friendship School	20,000
Sykesville – South Branch Park	100,000

Cecil County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$67,046	$67,197	$152	0.2
	Compensatory Education	13,877	14,747	870	6.3
	Student Transportation	4,339	4,432	94	2.2
	Special Education	8,191	8,136	-55	-0.7
	Limited English Proficiency Grants	459	546	87	18.9
	Guaranteed Tax Base	2,047	2,775	728	35.6
	Adult Education	103	103	0	0.0
	Aging Schools	236	175	-61	-25.9
	Other Education Aid	610	610	0	0.0
	Primary & Secondary Education	96,908	98,721	1,815	1.9
	Libraries	695	732	36	5.2
	Community Colleges	5,051	5,325	273	5.4
	Health Formula Grant	1,449	1,478	28	2.0
*	Transportation	8,260	8,084	-176	-2.1
*	Police and Public Safety	933	961	28	3.0
*	Fire and Rescue Aid	207	207	0	0.0
	Recreation and Natural Resources	1,301	253	-1,048	-80.6
	Total Direct Aid	**$114,804**	**$115,761**	**$956**	**0.8**
	Aid Per Capita ($)	1,154	1,161	7	0.6
	Property Tax Equivalent ($)	1.25	1.12	-0.13	-10.5

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Cecil County for teachers, librarians, community college faculty, and local officials are estimated to be $11,653,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$1,160,000
Family Health and Primary Care	192,000
Medical Care Services	551,000
Mental Health	6,435,000
Prevention and Disease Control	638,000
Developmental Disabilities	7,229,000
AIDS	3,000
Social Services	
Homeless Services	40,000
Women's Services	197,000
Adult Services	138,000
Child Welfare Services	1,602,000
Senior Citizen Services	
Long-term Care	126,000
Community Services	40,000

C. Selected State Grants for Capital Projects

Public Schools	
Calvert Elementary School – construction	$1,000,000
Perryville High School – renovations (roof and HVAC)	1,588,000
Cecil Community College	
Physical Education Building – renovation and addition	12,092,000
Local Jail Loan	
County Detention Center – additions and alterations	788,000
Community Parks and Playgrounds	
Port Deposit Marina Park	120,000
Rising Sun Veterans Memorial Park	156,000
Chesapeake Bay Water Quality Projects	
Perryville WWTP – nutrient removal	1,000,000
Rising Sun WWTP – plant upgrade	300,000
Chesapeake Bay Restoration Fund	
Perryville WWTP – enhanced nutrient removal	1,000,000
Water Supply Financial Assistance Program	
Port Deposit – water treatment and intake upgrades	200,000

Waterway Improvement

Charlestown – town pier dredging	30,000
Elk River Park – boat ramp, pier, parking and other improvements	99,000
Elk River Park – develop new public boating site	25,000
North East – ADA and miscellaneous pier improvements	83,250
Perryville – install floating pier with transient slips	500,000
Port Deposit – Marina Park bulkhead and dock replacement	10,000

Hazardous Substance Cleanup Program

Dwyer Site – remediation	350,000
Mill Creek – groundwater and perchlorate	200,000

Other Projects

4-H Animal Display Barn	250,000
Mount Harmon Plantation Education and Discovery Center	40,000
Union Hospital	110,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Elk Neck State Park – Rogues Harbor breakwater repair	$75,000
Elk Neck State Park – Rogues Harbor replace boat launch catwalks & decking	150,000
Stemmers Run – dredging, breakwater and miscellaneous repairs	75,000

Charles County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$106,743	$107,562	$819	0.8
	Compensatory Education	16,930	19,545	2,616	15.5
	Student Transportation	8,734	8,990	257	2.9
	Special Education	7,756	7,975	219	2.8
	Limited English Proficiency Grants	704	776	72	10.2
	Guaranteed Tax Base	2,758	4,052	1,294	46.9
	Geographic Cost of Education Index	0	2,076	2,076	0.0
	Adult Education	261	261	0	0.0
	Aging Schools	98	91	-7	-7.0
	Other Education Aid	912	912	0	0.0
	Primary & Secondary Education	144,896	152,240	7,346	5.1
	Libraries	839	853	15	1.7
	Community Colleges	7,008	7,634	626	8.9
	Health Formula Grant	1,789	1,828	39	2.2
*	Transportation	10,733	10,492	-241	-2.2
*	Police and Public Safety	1,236	1,241	5	0.4
*	Fire and Rescue Aid	238	238	0	0.0
	Recreation and Natural Resources	2,289	445	-1,844	-80.6
	Utility Property Tax Grants	2,440	0	-2,440	-100.0
	Total Direct Aid	**$171,468**	**$174,971**	**$3,506**	**2.0**
	Aid Per Capita ($)	1,221	1,246	25	2.0
	Property Tax Equivalent ($)	1.07	0.95	-0.12	-11.3

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Charles County for teachers, librarians, community college faculty, and local officials are estimated to be $18,056,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$1,986,000
Family Health and Primary Care	332,000
Medical Care Services	467,000
Mental Health	4,815,000
Prevention and Disease Control	786,000
Developmental Disabilities	10,200,000
AIDS	91,000
Social Services	
Homeless Services	80,000
Women's Services	98,000
Adult Services	143,000
Child Welfare Services	2,106,000
Senior Citizen Services	
Long-term Care	209,000
Community Services	18,000

C. Selected State Grants for Capital Projects

Public Schools

Mary Burgess Neal Elementary School – construction	$2,974,000
Mt. Hope/Nanjemoy Elementary School – kindergarten/pre-k addition	1,588,000
T.C. Martin Elementary School – kindergarten/pre-k addition	1,143,000
Theodore G. Davis Middle School – construction	5,598,846

College of Southern Maryland

Leonardtown – Wellness Center	11,712,000

Chesapeake Bay Water Quality Projects

Benedict Central Sewer – collection and treatment system	300,000

Waterway Improvement

Mallows Bay/Wilson Farm – construct boat ramp, pier, and access road	99,000
Mattingly Park/Slavins Landing – additional parking	99,000
Nanjemoy Creek – channel dredging	150,000
Tenth District Volunteer Fire Department – replace fire/rescue boat	50,000

Other Projects

Civista Medical Center	375,000
Hospice House	100,000
Indian Head Center for the Arts	57,500
Lions Camp Merrick	150,500
Southern Maryland Stadium	1,333,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Cedarville Fish Hatchery – replace pipe and reline pond	$43,000
Cedarville State Park – dam repair	75,000
Smallwood State Park – Sweden Point Marina parking and access road	350,000

Dorchester County

A. Direct Aid and Retirement Payments

1. Direct Aid

	FY 2008	FY 2009	$ Diff.	% Diff.
	($ in Thousands)			
Foundation Aid	$18,460	$18,437	-$23	-0.1
Compensatory Education	6,749	7,376	627	9.3
Student Transportation	2,009	2,066	57	2.8
Special Education	1,440	1,423	-17	-1.2
Limited English Proficiency Grants	355	370	15	4.3
Guaranteed Tax Base	242	300	57	23.5
Adult Education	127	127	0	0.0
Aging Schools	75	70	-5	-7.0
Other Education Aid	447	447	0	0.0
Primary & Secondary Education	29,904	30,616	711	2.4
Libraries	245	248	3	1.2
Community Colleges	1,143	1,248	106	9.2
Health Formula Grant	767	778	11	1.5
* Transportation	5,930	5,815	-115	-1.9
* Police and Public Safety	361	384	23	6.3
* Fire and Rescue Aid	219	219	0	0.0
Recreation and Natural Resources	422	82	-340	-80.6
Disparity Grant	2,089	2,131	42	2.0
Utility Property Tax Grants	181	0	-181	-100.0
Total Direct Aid	**$41,261**	**$41,521**	**$260**	**0.6**
Aid Per Capita ($)	1,304	1,304	-1	-0.1
Property Tax Equivalent ($)	1.46	1.28	-0.18	-12.2

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Dorchester County for teachers, librarians, community college faculty, and local officials are estimated to be $3,353,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$1,085,000
Family Health and Primary Care	154,000
Medical Care Services	458,000
Mental Health	4,549,000
Prevention and Disease Control	456,000
Developmental Disabilities	2,298,000
AIDS	85,000
Social Services	
Homeless Services	39,000
Women's Services	96,000
Adult Services	158,000
Child Welfare Services	771,000
Senior Citizen Services	
Long-term Care	636,000
Community Services	444,000

Note: A portion of women's services funding supports services in Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties. Senior citizen services funding supports services in Dorchester, Somerset, Wicomico, and Worcester counties.

C. Selected State Grants for Capital Projects

Public Schools	
North Dorchester Middle School – construction	$8,500,000
School of Technology – construction	1,000,000
Chesapeake College	
Kent Humanities Building – renovation	478,000
Community Parks and Playgrounds	
Hurlock Main Street Playground	84,000
Chesapeake Bay Water Quality Projects	
Christ Rock – public sewer service extension	500,000
Susquehanna Point/Madison/Woolford – sewer installation	500,000
Chesapeake Bay Restoration Fund	
Cambridge WWTP – enhanced nutrient removal	3,000,000
Water Supply Financial Assistance Program	
Christ Rock – public water system connection	295,000
Waterway Improvement	
Chapel Cove – channel dredging	75,000
Elliott Island – repair jetty	95,000
Great Marsh Park – replace boat ramp, pier, and wing wall	99,000
Hoopers Island – dredging and miscellaneous repairs	50,000
Public boating facilities – countywide maintenance	99,000
Vienna – waterfront park shoreline stabilization	50,000

Other Projects

Dorchester County Family YMCA	25,000
Galestown Community Center	50,000
WaterLand Fisheries	175,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Cambridge Marine Terminal – construct marine railway	$150,000

University System of Maryland

Center for Environmental Science – Horn Point Oyster Production Facility	1,343,000

Frederick County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$149,660	$151,165	$1,505	1.0
	Compensatory Education	17,433	19,682	2,249	12.9
	Student Transportation	10,242	10,582	340	3.3
	Special Education	14,020	14,356	336	2.4
	Limited English Proficiency Grants	4,288	4,659	370	8.6
	Geographic Cost of Education Index	0	3,797	3,797	0.0
	Adult Education	235	235	0	0.0
	Aging Schools	357	332	-25	-7.0
	Other Education Aid	744	744	0	0.0
	Primary & Secondary Education	196,979	205,552	8,572	4.4
	Libraries	1,105	1,135	30	2.7
	Community Colleges	8,074	8,943	869	10.8
	Health Formula Grant	2,716	2,772	57	2.1
*	Transportation	19,893	19,398	-495	-2.5
*	Police and Public Safety	2,272	2,312	39	1.7
*	Fire and Rescue Aid	362	362	0	0.0
	Recreation and Natural Resources	2,610	507	-2,102	-80.6
	Total Direct Aid	**$234,011**	**$240,981**	**$6,970**	**3.0**
	Aid Per Capita ($)	1,050	1,072	23	2.2
	Property Tax Equivalent ($)	0.88	0.76	-0.12	-13.7

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Frederick County for teachers, librarians, community college faculty, and local officials are estimated to be $27,629,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$1,966,000
Family Health and Primary Care	240,000
Medical Care Services	589,000
Mental Health	12,983,000
Prevention and Disease Control	940,000
Developmental Disabilities	16,195,000
AIDS	42,000
Social Services	
Homeless Services	210,000
Women's Services	165,000
Adult Services	194,000
Child Welfare Services	2,377,000
Senior Citizen Services	
Long-term Care	238,000
Community Services	73,000

C. Selected State Grants for Capital Projects

Public Schools

Career and Technology Center – renovations (roof and chiller)	$540,000
Earth and Space Science Lab – construction	525,000
Heather Ridge School – science facilities	459,000
Middletown High School – renovations (plumbing)	342,000
Oakdale High School – construction	9,092,000
Thurmont Elementary School – renovations (HVAC)	708,000
Urbana Middle School – construction	554,000

Public Libraries

Brunswick Community Library – expansion	398,000

Frederick Community College

Fine Arts and Library Buildings – interior space conversion	574,000

Local Jail Loan

County Detention Center – expansion	7,401,000

Shelter & Transitional Facilities

Jefferson School	102,880

Community Parks and Playgrounds

Baker Park	26,000

Chesapeake Bay Water Quality Projects

Emmitsburg WWTP – nutrient removal	1,448,000
Thurmont – sewer line rehabilitation and replacement	400,000

Chesapeake Bay Restoration Fund

Ballenger WWTP – enhanced nutrient removal	10,000,000
Emmitsburg WWTP – enhanced nutrient removal	5,000,000
Frederick WWTP – enhanced nutrient removal	1,000,000
Thurmont – sewer rehabilitation	1,000,000
Thurmont WWTP – enhanced nutrient removal	2,000,000

Water Supply Financial Assistance Program

New Market – water line extension	100,000

Waterway Improvement

Brunswick – ADA and other boat ramp improvements	99,000

Other Projects

Agriculture and Education Complex	200,000
Montevue Home	200,000
Mount St. Mary's University – Performing Arts Academic Center	1,250,000
Weinberg Center for the Arts	105,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

C&O Canal National Park – boat ramp improvements	$99,000
Cunningham Falls State Park – install boat ramp and pier lights	30,000

Garrett County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$15,735	$15,796	$60	0.4
	Compensatory Education	4,735	4,807	72	1.5
	Student Transportation	2,500	2,573	73	2.9
	Special Education	1,600	1,544	-56	-3.5
	Limited English Proficiency Grants	0	3	3	0.0
	Adult Education	38	38	0	0.0
	Aging Schools	75	70	-5	-7.0
	Other Education Aid	594	594	0	0.0
	Primary & Secondary Education	25,277	25,425	147	0.6
	Libraries	160	164	4	2.8
	Community Colleges	3,106	3,467	360	11.6
	Health Formula Grant	781	791	10	1.2
*	Transportation	6,627	6,490	-137	-2.1
*	Police and Public Safety	237	240	3	1.1
*	Fire and Rescue Aid	200	200	0	0.0
	Recreation and Natural Resources	520	101	-419	-80.6
	Disparity Grant	2,089	2,012	-77	-3.7
	Utility Property Tax Grants	12	0	-12	-100.0
	Total Direct Aid	**$39,009**	**$38,890**	**-$121**	**-0.3**
	Aid Per Capita ($)	1,306	1,313	6	0.5
	Property Tax Equivalent ($)	1.01	0.91	-0.10	-9.5

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Garrett County for teachers, librarians, community college faculty, and local officials are estimated to be $3,547,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$595,000
Family Health and Primary Care	150,000
Medical Care Services	644,000
Mental Health	2,361,000
Prevention and Disease Control	501,000
Developmental Disabilities	2,169,000
Social Services	
Homeless Services	79,000
Women's Services	133,000
Adult Services	44,000
Child Welfare Services	896,000
Senior Citizen Services	
Long-term Care	183,000
Community Services	67,000

C. Selected State Grants for Capital Projects

Public Schools

Grantsville Elementary School – construction	$364,573
Northern Middle School – construction	2,655,000

Community Parks and Playgrounds

Crystal Spring Boardwalk Trail	188,000
Observatory Boardwalk Loop Trail	283,000
Rotary Park	26,000

Chesapeake Bay Restoration Fund

Mountain Lake Park – sewer rehabilitation	750,000

Waterway Improvement

Friendsville Community Park – comfort station and parking improvements	25,000

Other Projects

Adventure Sports Center International	225,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Deep Creek Lake State Park – improve small boat launch facility	$55,000
Jennings Randolph Lake – repair lighting at boat launch and parking area	250,000

Harford County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$152,089	$152,882	$793	0.5
	Compensatory Education	22,632	24,814	2,182	9.6
	Student Transportation	10,525	10,815	290	2.8
	Special Education	19,618	19,457	-161	-0.8
	Limited English Proficiency Grants	1,603	2,040	437	27.3
	Adult Education	171	171	0	0.0
	Aging Schools	425	395	-30	-7.0
	Other Education Aid	539	539	0	0.0
	Primary & Secondary Education	207,602	211,113	3,511	1.7
	Libraries	1,544	1,627	83	5.4
	Community Colleges	9,976	10,988	1,013	10.2
	Health Formula Grant	3,120	3,186	66	2.1
*	Transportation	17,259	16,836	-422	-2.4
*	Police and Public Safety	2,715	2,759	44	1.6
*	Fire and Rescue Aid	376	376	0	0.0
	Recreation and Natural Resources	3,739	727	-3,012	-80.6
	Utility Property Tax Grants	833	0	-833	-100.0
	Total Direct Aid	**$247,164**	**$247,612**	**$450**	**0.2**
	Aid Per Capita ($)	1,024	1,032	8	0.8
	Property Tax Equivalent ($)	1.08	0.97	-0.11	-10.0

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Harford County for teachers, librarians, community college faculty, and local officials are estimated to be $28,471,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$1,714,000
Family Health and Primary Care	230,000
Medical Care Services	844,000
Mental Health	10,712,000
Prevention and Disease Control	1,049,000
Developmental Disabilities	17,537,000
Social Services	
Homeless Services	103,000
Women's Services	287,000
Adult Services	169,000
Child Welfare Services	2,119,000
Senior Citizen Services	
Long-term Care	346,000
Community Services	72,000

C. Selected State Grants for Capital Projects

Public Schools

Deerfield Elementary School – construction	$6,064,756
Fallston High School – renovations (roof)	927,000
Jarrettsville Elementary School – renovations (HVAC)	179,000
Joppatowne Elementary School – construction	6,534,184

Harford Community College

Aberdeen Hall – addition and renovations	453,000

Local Jail Loan

County Detention Center – housing unit expansion	6,336,000

Senior Citizen Activity Centers

Fallston Senior Center	400,000

Community Parks and Playgrounds

Nuttal Avenue Park	200,000
Plater Street Park	74,000
Reckord Armory Park	200,000

Chesapeake Bay Water Quality Projects

Havre de Grace WWTP – nutrient removal	2,659,000
Oaklyn Manor – sewer system installation	195,000
Plumtree Run at Tollgate Road – stream restoration	215,000
Sod Run WWTP – nutrient removal	1,341,000

Chesapeake Bay Restoration Fund

Aberdeen WWTP – enhanced nutrient removal	6,700,000
Joppatowne WWTP – enhanced nutrient removal	4,219,000
Sod Run WWTP – enhanced nutrient removal	9,249,000

Water Supply Financial Assistance Program

Glen Heights – public water system connection	500,000

Waterway Improvement

Havre de Grace Yacht Basin – replace pier, pilings, and boat slips	99,000
Havre de Grace Yacht Basin – replace ramp and boarding dock	45,000
Joppatowne – channel dredging	75,000
Swan Creek – channel dredging	125,000
Swan Harbor Farm – shoreline protection	100,000
Tydings Island – renovate dredge placement material site	100,000
Willoughby Beach – renovate piers, boat ramp, bulkhead, and parking area	99,000

Other Projects

Churchville Library Green Building and Science Center	100,000
Lower Susquehanna Greenway Trail Development	250,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Friends Pond – dam repair	$310,000
Susquehanna State Park – Lapidum miscellaneous repairs	270,000

University System of Maryland

College Park – MD Fire and Rescue Institute North East Regional Training Center	650,000

Howard County

A. Direct Aid and Retirement Payments

1. Direct Aid

	FY 2008	FY 2009	$ Diff.	% Diff.
	($ in Thousands)			
Foundation Aid	$137,132	$145,325	$8,193	6.0
Compensatory Education	13,991	14,869	878	6.3
Student Transportation	13,001	13,506	505	3.9
Special Education	13,143	13,272	129	1.0
Limited English Proficiency Grants	4,641	5,668	1,026	22.1
Geographic Cost of Education Index	0	2,924	2,924	0.0
Adult Education	286	286	0	0.0
Aging Schools	172	160	-12	-7.0
Other Education Aid	869	869	0	0.0
Primary & Secondary Education	183,235	196,879	13,643	7.4
Libraries	754	763	8	1.1
Community Colleges	12,892	14,321	1,429	11.1
Health Formula Grant	2,190	2,256	66	3.0
Transportation	16,824	16,418	-405	-2.4
Police and Public Safety	3,498	3,498	0	0.0
Fire and Rescue Aid	387	387	0	0.0
Recreation and Natural Resources	6,628	1,289	-5,339	-80.6
Other Direct Aid	130	86	-44	-33.8
Total Direct Aid	**$226,538**	**$235,897**	**$9,358**	**4.1**
Aid Per Capita ($)	831	862	31	3.7
Property Tax Equivalent ($)	0.54	0.54	0.00	0.3

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Howard County for teachers, librarians, community college faculty, and local officials are estimated to be $43,694,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$1,569,000
Family Health and Primary Care	147,000
Medical Care Services	526,000
Mental Health	7,775,000
Prevention and Disease Control	983,000
Developmental Disabilities	19,792,000
Social Services	
Homeless Services	116,000
Women's Services	150,000
Adult Services	80,000
Child Welfare Services	1,866,000
Senior Citizen Services	
Long-term Care	274,000
Community Services	21,000

C. Selected State Grants for Capital Projects

Public Schools

Bushy Park Elementary School – construction	$2,784,000
Centennial Lane Elementary School – construction	1,009,000
Clemens Crossing Elementary School – construction	4,768,000
Lisbon Elementary School – construction	123,000
Waterloo Elementary School – construction	2,100,000
West Friendship Elementary School – kindergarten/pre-k addition	239,000
Worthington Elementary School – construction	3,001,000

Public Libraries

Miller Branch Library – new branch and historical center	320,000

Howard Community College

Clark Library Building – renovation	7,889,000

Senior Citizen Activity Centers

North Laurel Park Community Center	400,000

Chesapeake Bay Water Quality Projects

Brampton Hills – stormwater retrofit	150,000
Cherry Creek – stream restoration	163,000

Chesapeake Bay Restoration Fund

Little Patuxent WWTP – enhanced nutrient removal	1,400,000

Waterway Improvement

Centennial Lake – complete boat launch and boating access pier	99,000

Other Projects

Blandair Regional Park	300,000
North Laurel Community Center	300,000
Robinson Nature Center	300,000

D. Capital Projects for State Facilities in the County

Department of Health & Mental Hygiene

Perkins Hospital – new maximum security wing	$3,137,000

Maryland State Police

Tactical Services Facility – garage	2,498,000

Other

School for the Deaf – parking lot and athletic field	122,000

Kent County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$4,876	$4,939	$63	1.3
	Compensatory Education	2,286	2,192	-94	-4.1
	Student Transportation	1,326	1,367	41	3.1
	Special Education	750	747	-2	-0.3
	Limited English Proficiency Grants	167	170	3	1.6
	Geographic Cost of Education Index	0	86	86	0.0
	Adult Education	64	64	0	0.0
	Aging Schools	75	70	-5	-7.0
	Other Education Aid	723	723	0	0.0
	Primary & Secondary Education	10,267	10,358	92	0.9
	Libraries	101	104	2	2.1
	Community Colleges	575	628	53	9.2
	Health Formula Grant	600	606	6	1.0
*	Transportation	3,040	3,009	-32	-1.0
*	Police and Public Safety	200	203	2	1.2
*	Fire and Rescue Aid	205	205	0	0.0
	Recreation and Natural Resources	314	61	-253	-80.6
	Total Direct Aid	**$15,302**	**$15,174**	**-$130**	**-0.8**
	Aid Per Capita ($)	766	759	-7	-0.9
	Property Tax Equivalent ($)	0.60	0.60	-0.01	-1.4

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Kent County for teachers, librarians, community college faculty, and local officials are estimated to be $1,898,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$882,000
Family Health and Primary Care	129,000
Medical Care Services	363,000
Mental Health	1,255,000
Prevention and Disease Control	431,000
Developmental Disabilities	1,452,000
AIDS	25,000
Social Services	
Homeless Services	2,000
Women's Services	84,000
Adult Services	53,000
Child Welfare Services	418,000
Senior Citizen Services	
Long-term Care	542,000
Community Services	137,000

Note: A portion of women's services funding supports services in Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties. Senior citizen services funding supports services in Caroline, Kent, and Talbot counties.

C. Selected State Grants for Capital Projects

Public Libraries

Chestertown Library – roof/window/door replacement	$191,000

Chesapeake College

Kent Humanities Building – renovation	478,000

Community Parks and Playgrounds

Gateway Park	37,000

Waterway Improvement

Chestertown – Cannon Street replace bulkhead and surface parking lot	50,000
Rock Hall – Bayside Landing Park install parking lot fence	50,000
Rock Hall – Bayside Landing Park replace electrical service at boat slips	99,000

Other Projects

Camp Fairlee Manor	150,000
Prince Theatre	40,000

Montgomery County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$193,324	$176,038	-$17,286	-8.9
	Compensatory Education	82,534	85,773	3,239	3.9
	Student Transportation	30,678	31,482	804	2.6
	Special Education	48,345	49,225	881	1.8
	Limited English Proficiency Grants	38,024	42,674	4,650	12.2
	Geographic Cost of Education Index	0	18,373	18,373	0.0
	Adult Education	394	394	0	0.0
	Aging Schools	1,178	1,096	-82	-7.0
	Other Education Aid	2,634	2,634	0	0.0
	Primary & Secondary Education	397,111	407,689	10,579	2.7
	Libraries	2,597	2,610	13	0.5
	Community Colleges	40,296	44,779	4,483	11.1
	Health Formula Grant	5,454	5,682	228	4.2
*	Transportation	46,247	45,032	-1,215	-2.6
*	Police and Public Safety	15,232	15,265	33	0.2
*	Fire and Rescue Aid	1,300	1,300	0	0.0
	Recreation and Natural Resources	16,694	3,246	-13,448	-80.6
	Utility Property Tax Grants	2,675	0	-2,675	-100.0
	Total Direct Aid	**$527,606**	**$525,603**	**-$2,002**	**-0.4**
	Aid Per Capita ($)	566	565	-1	-0.2
	Property Tax Equivalent ($)	0.29	0.27	-0.01	-5.1

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Montgomery County for teachers, librarians, community college faculty, and local officials are estimated to be $133,571,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$3,871,000
Family Health and Primary Care	603,000
Medical Care Services	2,908,000
Mental Health	31,369,000
Prevention and Disease Control	2,390,000
Developmental Disabilities	67,714,000
AIDS	239,000
Social Services	
Homeless Services	373,000
Women's Services	337,000
Adult Services	769,000
Child Welfare Services	4,400,000
Senior Citizen Services	
Long-term Care	981,000
Community Services	213,000

C. Selected State Grants for Capital Projects

Public Schools

Arcola Elementary School – construction	$2,065,339
Burnt Mills Elementary School – renovations (roof)	132,000
Candlewood Elementary School – renovations (roof)	200,000
College Gardens Elementary School – construction	8,398,000
Fields Road Elementary School – construction	2,263,000
Parkland Middle School – construction	97,000
Redland Middle School – renovations (roof)	500,000
Rock Terrace Special Education – renovations (roof)	340,000
Sherwood High School – construction	926,000
Washington Grove Elementary School – construction	1,795,000
Wayside Elementary School – construction	2,670,000
Weller Road Elementary School – construction	908,000

Public Libraries

Gaithersburg Library – addition and renovation	320,000
Silver Spring Library – construction	335,000

Montgomery College

Rockville – Science Center	29,405,000

Community Mental Health/Addictions/Dev. Disabilities

Housing Unlimited, Inc.	1,408,000

Senior Citizen Activity Centers

Rockville Senior Center	350,000

Shelter & Transitional Facilities

Chase Partnership Project	300,000

Community Parks and Playgrounds

Gaithersburg International Latitude Observatory Park	100,000
South Germantown Recreation Park	44,000
Woodley Gardens Park	160,000

Chesapeake Bay Water Quality Projects

Stoney Creek – stormwater management and pond retrofit	500,000

Chesapeake Bay Restoration Fund

Seneca WWTP – enhanced nutrient removal	400,000

Waterway Improvement

Lake Needwood and Little Seneca Lake – ADA upgrade and floating dock	99,000

Other Projects

Adventist HealthCare	430,000
Button Farm	300,000
Camp Bennett	125,000
Centro Familia Child Care and Training Center	175,000
CentroNia Facility	200,000
Charles E. Smith Life Communities	760,000
Easter Seals Inter-Generational Center	550,000
Gaithersburg Upcounty Senior Center	200,000
Imagination Stage	200,000
Jewish Council for the Aging	1,000,000
Jewish Foundation for Group Homes, Inc.	250,000
Live Nation	2,000,000
MacDonald Knolls Center	425,000
Mansfield Kaseman Health Center	250,000

Maryland Youth Ballet	200,000
Metropolitan Washington Ear Facility	50,000
Montgomery General Hospital	900,000
Plum Gar Neighborhood Recreation Center	250,000
Sharp Street United Methodist Church	100,000
Suburban Hospital	410,000
The Arc of Montgomery County Group Homes	250,000
The Muslim Community Center Medical Clinic	150,000
Waters Barn	250,000
YMCA Youth and Family Services Center	200,000

D. Capital Projects for State Facilities in the County

General Government

Rockville District Court – construction	$47,535,000

Department of Natural Resources

C&O Canal National Park – boat ramp improvements	99,000

Prince George's County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$525,710	$516,275	-$9,435	-1.8
	Compensatory Education	195,229	189,198	-6,031	-3.1
	Student Transportation	33,443	34,237	794	2.4
	Special Education	72,670	72,064	-606	-0.8
	Limited English Proficiency Grants	46,810	55,130	8,320	17.8
	Guaranteed Tax Base	23,539	24,868	1,329	5.6
	Geographic Cost of Education Index	0	23,619	23,619	0.0
	Adult Education	390	390	0	0.0
	Aging Schools	2,365	2,199	-166	-7.0
	Other Education Aid	2,600	2,600	0	0.0
	Primary & Secondary Education	902,756	920,580	17,824	2.0
	Libraries	6,566	6,522	-44	-0.7
	Community Colleges	22,511	24,598	2,087	9.3
	Health Formula Grant	8,999	9,287	289	3.2
*	Transportation	40,782	39,759	-1,023	-2.5
*	Police and Public Safety	18,176	18,259	83	0.5
*	Fire and Rescue Aid	1,120	1,120	0	0.0
	Recreation and Natural Resources	14,364	2,793	-11,571	-80.6
	Disparity Grant	19,110	21,714	2,604	13.6
	Utility Property Tax Grants	7,492	0	-7,492	-100.0
*	Other Direct Aid	196	170	-26	-13.4
	Total Direct Aid	**$1,042,072**	**$1,044,802**	**$2,731**	**0.3**
	Aid Per Capita ($)	1,239	1,261	22	1.8
	Property Tax Equivalent ($)	1.40	1.20	-0.21	-14.7

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Prince George's County for teachers, librarians, community college faculty, and local officials are estimated to be $94,738,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$9,304,000
Family Health and Primary Care	1,212,000
Medical Care Services	3,839,000
Mental Health	34,044,000
Prevention and Disease Control	2,156,000
Developmental Disabilities	61,117,000
AIDS	350,000
Social Services	
Homeless Services	810,000
Women's Services	576,000
Adult Services	651,000
Child Welfare Services	6,738,000
Senior Citizen Services	
Long-term Care	822,000
Community Services	205,000

C. Selected State Grants for Capital Projects

Public Schools

Bladensburg High School – construction	$2,898,000
Duval High School – science facilities	683,000
Laurel-Beltsville Elementary School – construction	5,897,662
Martin L. King Middle School – construction	1,774,000
Northview Elementary School – construction	2,893,000
Rosa L. Parks Elementary School – construction	6,055,000

Community Mental Health/Addictions/Dev. Disabilities

Ardmore Enterprises, Inc.	1,350,000

Senior Citizen Activity Centers

Laurel-Beltsville Senior Center	415,000

Community Parks and Playgrounds

Bartlett Park	130,000
Discovery Park	150,000
Magruder Park	111,000
Orca Glen Court Playground	31,000

Chesapeake Bay Restoration Fund

Bowie WWTP – enhanced nutrient removal	4,000,000
Parkway WWTP – enhanced nutrient removal	330,000
Piscataway WWTP – enhanced nutrient removal	1,500,000

Waterway Improvement

Prince George's Fire/Emergency Medical Services – purchase sonar equipment	20,000
Prince George's Volunteer Marine Rescue – purchase fire/rescue boat	50,000

Other Projects

Aquaculture and Seafood Retail and Distribution Market	100,000
Belair Bath and Tennis Club	20,000
Belair Swim and Racquet Club	20,000
Bladensburg Market Square	20,000
Bowie Lions Club	10,000
Capitol Heights Municipal Building	150,000
CASA Multi-Cultural Service Center	1,000,000
Children's Guild – multipurpose room and playfield	250,000
Cornerstone Assembly Gymnasium	20,000
Delta Alumnae Community Development Center	150,000
District Heights – infrastructure improvements	200,000
Forest Heights – municipal building	200,000
Hard Bargain Farm Environmental Center	150,000
Henson Valley Montessori School	100,000
Historic Laurel Mill Ruins	175,000
Lanham Boys and Girls Club Sports Park	250,000
Laurel Armory Anderson Murphy Community Center	75,000
Laurel Boys and Girls Club	100,000
National Children's Museum	2,000,000
New Carrollton Recreation Center	150,000
Palmer Park Boys and Girls Club	200,000
Pointer Ridge Swim and Racquet Club	20,000
Riverdale – Multicultural Use Center	300,000
Rosaryville Conservancy Tack House and Stables	100,000
Safe Passage Emergency Shelter	200,000
South County Sports and Technology Learning Complex	100,000
Suitland Technology Center	150,000
United Communities Against Poverty	200,000
Walker Mill Daycare and Training Center	300,000
Whitehall Pool and Tennis, Inc.	15,000

D. Capital Projects for State Facilities in the County

Department of Juvenile Justice

Cheltenham Youth Facility – new detention center	$1,661,000
Cheltenham Youth Facility – new treatment center	4,074,000

Department of Natural Resources

Fort Washington Marina – replace floating dock and other improvements	250,000

University System of Maryland

Bowie State – new student center	1,100,000
College Park – Administration Building elevator	2,280,000
College Park – Biology-Psychology Building	1,500,000
College Park – Byrd Stadium expansion	1,800,000
College Park – Carroll Hall renovation	7,800,000
College Park – Denton Dining Hall renovation	7,000,000
College Park – fraternity/sorority houses renovation	7,700,000
College Park – Physical Sciences Complex	4,000,000
College Park – recycling center	1,500,000
College Park – Residence Hall air conditioning	7,650,000
College Park – Satellite Central Utility Building expansion	10,200,000
College Park – School of Journalism Building	6,000,000
College Park – School of Public Health	7,500,000
College Park – Shoemaker Building renovation	7,430,000
College Park – Tawes Building conversion	2,450,000
College Park – telecommunication infrastructure	5,500,000

Queen Anne's County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$20,725	$21,176	$451	2.2
	Compensatory Education	2,829	2,956	127	4.5
	Student Transportation	2,767	2,859	92	3.3
	Special Education	2,367	2,400	33	1.4
	Limited English Proficiency Grants	284	371	88	30.9
	Geographic Cost of Education Index	0	329	329	0.0
	Adult Education	73	73	0	0.0
	Aging Schools	98	91	-7	-7.0
	Other Education Aid	430	430	0	0.0
	Primary & Secondary Education	29,573	30,685	1,113	3.8
	Libraries	126	133	7	5.2
	Community Colleges	1,604	1,752	148	9.2
	Health Formula Grant	749	762	13	1.7
*	Transportation	6,121	5,999	-122	-2.0
*	Police and Public Safety	410	412	1	0.3
*	Fire and Rescue Aid	200	200	0	0.0
	Recreation and Natural Resources	672	131	-541	-80.6
	Total Direct Aid	**$39,455**	**$40,074**	**$619**	**1.6**
	Aid Per Capita ($)	853	860	7	0.8
	Property Tax Equivalent ($)	0.54	0.54	0.00	0.5

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Queen Anne's County for teachers, librarians, community college faculty, and local officials are estimated to be $5,004,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$601,000
Family Health and Primary Care	190,000
Medical Care Services	476,000
Mental Health	1,522,000
Prevention and Disease Control	480,000
Developmental Disabilities	3,359,000
AIDS	4,000
Social Services	
Homeless Services	14,000
Women's Services	94,000
Adult Services	45,000
Child Welfare Services	543,000
Senior Citizen Services	
Long-term Care	115,000
Community Services	45,000

Note: A portion of women's services funding supports services in Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties.

C. Selected State Grants for Capital Projects

Public Schools

Bayside Elementary School – renovations (roof)	$881,000
Kent Island Elementary School – construction	3,670,000

Chesapeake College

Kent Humanities Building – renovation	478,000

Community Parks and Playgrounds

Church Hill Elementary School Playground	89,000

Waterway Improvement

Centreville Wharf – ADA improvements	99,000
Centreville Wharf – shoreline stabilization and boardwalk improvements	30,000
Dominion and Centreville – marina maintenance dredging	72,000
Queen Anne's Waterman's Boat Basin – maintenance dredging	95,000
Queenstown – First Avenue Dock replace bulkhead and decking	50,000
Thompson Creek – replace boat ramp and protect shoreline	150,000
United Communities Volunteer Fire Department – purchase fire/rescue boat	50,000

Other Projects

Chesterwye Center	40,000
Hospice Center	40,000

St. Mary's County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$63,966	$65,654	$1,688	2.6
	Compensatory Education	11,160	13,699	2,539	22.8
	Student Transportation	5,471	5,701	229	4.2
	Special Education	6,842	7,272	430	6.3
	Limited English Proficiency Grants	447	598	151	33.8
	Guaranteed Tax Base	239	1,075	836	350.2
	Geographic Cost of Education Index	0	129	129	0.0
	Adult Education	166	166	0	0.0
	Aging Schools	98	91	-7	-7.0
	Other Education Aid	625	625	0	0.0
	Primary & Secondary Education	89,014	95,010	5,995	6.7
	Libraries	626	659	32	5.2
	Community Colleges	2,316	2,433	117	5.0
	Health Formula Grant	1,453	1,479	25	1.7
*	Transportation	8,261	8,085	-176	-2.1
*	Police and Public Safety	829	851	22	2.7
*	Fire and Rescue Aid	200	200	0	0.0
	Recreation and Natural Resources	1,266	246	-1,020	-80.6
	Total Direct Aid	**$103,965**	**$108,963**	**$4,995**	**4.8**
	Aid Per Capita ($)	1,052	1,086	34	3.2
	Property Tax Equivalent ($)	1.06	1.02	-0.05	-4.3

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for St. Mary's County for teachers, librarians, community college faculty, and local officials are estimated to be $11,292,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$2,421,000
Family Health and Primary Care	130,000
Medical Care Services	504,000
Mental Health	4,064,000
Prevention and Disease Control	553,000
Developmental Disabilities	7,181,000
Social Services	
Homeless Services	69,000
Women's Services	184,000
Adult Services	118,000
Child Welfare Services	1,316,000
Senior Citizen Services	
Long-term Care	133,000
Community Services	60,000

C. Selected State Grants for Capital Projects

Public Schools

Benjamin Banneker Elementary School – renovations (HVAC)	$312,000
Evergreen Elementary School – construction	5,847,000
Oakville Elementary School – renovations (HVAC)	701,000

Public Libraries

Leonardtown Library and Administrative Offices – renovate and expand	72,000

College of Southern Maryland

Leonardtown – Wellness Center	11,712,000

Local Jail Loan

County Detention Center – minimum security addition	698,000

Community Parks and Playgrounds

Chancellor's Run Regional Park and Playground	225,000
Port of Leonardtown Public Park	200,000

Chesapeake Bay Restoration Fund

Leonardtown WWTP – enhanced nutrient removal	618,000
Piney Point – sewer rehabilitation	500,000

Water Supply Financial Assistance Program

Hollywood – arsenic wells mitigation	100,000

Waterway Improvement

Golden Beach Fire Station – acquire fire/rescue boat	4,500
Kingston Creek – repair timber jetties and channel dredging	440,220
Leonardtown Wharf – construct piers, tie-ups, and transient slips	200,000
Public boating facilities – countywide maintenance	99,000

Other Projects

Leah's House, Inc.	145,000
St. Mary's Agricultural Service Center	125,000
St. Mary's College Amphitheater	300,000
Tudor Hall	55,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Piney Point Natural Resources Police Facility – miscellaneous improvements	$80,000

St. Mary's College

Anne Arundel Hall – reconstruction	1,050,000
Bruce Davis Theater – renovation	2,402,000
Student Services Building – construction	1,195,000

Somerset County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$12,770	$13,073	$303	2.4
	Compensatory Education	6,148	5,899	-248	-4.0
	Student Transportation	1,560	1,617	57	3.6
	Special Education	1,259	1,331	72	5.7
	Limited English Proficiency Grants	412	454	42	10.3
	Guaranteed Tax Base	961	892	-70	-7.3
	Adult Education	118	118	0	0.0
	Aging Schools	75	70	-5	-7.0
	Other Education Aid	121	121	0	0.0
	Primary & Secondary Education	23,424	23,575	151	0.6
	Libraries	265	263	-2	-0.6
	Community Colleges	727	770	43	5.9
	Health Formula Grant	765	775	10	1.3
*	Transportation	3,669	3,621	-48	-1.3
*	Police and Public Safety	242	251	9	3.7
*	Fire and Rescue Aid	213	213	0	0.0
	Recreation and Natural Resources	304	59	-245	-80.6
	Disparity Grant	4,451	4,371	-80	-1.8
	Total Direct Aid	**$34,060**	**$33,898**	**-$162**	**-0.5**
	Aid Per Capita ($)	1,321	1,303	-19	-1.4
	Property Tax Equivalent ($)	2.44	2.08	-0.35	-14.5

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Somerset County for teachers, librarians, community college faculty, and local officials are estimated to be $2,281,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$872,000
Family Health and Primary Care	161,000
Medical Care Services	438,000
Mental Health	2,980,000
Prevention and Disease Control	522,000
Developmental Disabilities	1,872,000
AIDS	34,000
Social Services	
Homeless Services	8,000
Women's Services	126,000
Adult Services	75,000
Child Welfare Services	840,000
Senior Citizen Services	
Long-term Care	636,000
Community Services	444,000

Note: A portion of women's services funding supports services in Somsert, Wicomico, and Worcester counties. Senior citizen services funding supports services in Dorchester, Somerset, Wicomico, and Worcester counties.

C. Selected State Grants for Capital Projects

Public Libraries

Crisfield Branch Library – site acquisition	$160,000
Princess Anne Library – facilities upgrade	19,000

Community Parks and Playgrounds

Mt. Vernon Park	60,000
Princess Anne Recreation Area	144,000

Water Supply Financial Assistance Program

Mariners Water Association – water line replacement	100,000

Waterway Improvement

Collins Street Pier – new boating pier	25,000
Crisfield – Lorie Quinn Drive Pier addition	99,000
Deal Island/Chance Volunteer Fire Department – rehabilitate fire/rescue boat	15,200
Jenkins Creek – replace dock	99,000
Public boating facilities – countywide maintenance	99,000
Tylerton Marina – construct bulkhead	99,000
Webster's Cove – shoreline protection	200,000

Other Projects

Bending Water Park	200,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Crisfield Marine Terminal – replace pier decking	$75,000
Janes Island State Park – marina improvements	200,000
Somers Cove Marina – repair piers, swimming pool, and entrance gate	460,000

Maryland Environmental Service

Eastern Correctional Institution – wastewater treatment plant	6,961,000
Eastern Correctional Institution – water treatment plant	3,609,000

Talbot County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$4,241	$4,249	$8	0.2
	Compensatory Education	2,889	3,112	223	7.7
	Student Transportation	1,305	1,345	40	3.0
	Special Education	837	822	-15	-1.7
	Limited English Proficiency Grants	437	429	-8	-1.8
	Aging Schools	98	70	-28	-28.9
	Other Education Aid	506	506	0	0.0
	Primary & Secondary Education	10,313	10,533	220	2.1
	Libraries	100	101	1	1.1
	Community Colleges	1,371	1,497	127	9.2
	Health Formula Grant	589	599	10	1.8
*	Transportation	4,868	4,782	-86	-1.8
*	Police and Public Safety	398	409	12	2.9
*	Fire and Rescue Aid	225	225	0	0.0
	Recreation and Natural Resources	705	137	-568	-80.6
	Total Direct Aid	**$18,569**	**$18,283**	**-$284**	**-1.5**
	Aid Per Capita ($)	515	505	-10	-1.9
	Property Tax Equivalent ($)	0.23	0.20	-0.03	-14.5

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Talbot County for teachers, librarians, community college faculty, and local officials are estimated to be $3,118,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$688,000
Family Health and Primary Care	150,000
Medical Care Services	346,000
Mental Health	2,558,000
Prevention and Disease Control	492,000
Developmental Disabilities	2,620,000
AIDS	30,000
Social Services	
Homeless Services	36,000
Women's Services	122,000
Adult Services	47,000
Child Welfare Services	747,000
Senior Citizen Services	
Long-term Care	542,000
Community Services	137,000

Note: A portion of women's services funding supports services in Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties. Senior citizen services funding supports services in Caroline, Kent, and Talbot counties.

C. Selected State Grants for Capital Projects

Chesapeake College

Kent Humanities Building – renovation	$478,000

Community Parks and Playgrounds

Neavitt/Bellevue Community Park	200,000

Chesapeake Bay Water Quality Projects

St. Michaels – Carpenter Street sewer improvements	305,000
St. Michaels – Mill Street sewer replacement	300,000

Chesapeake Bay Restoration Fund

St. Michaels – Carpenter Street sewer rehabilitation	200,000
St. Michaels – Mill Street sewer rehabilitation	150,000

Waterway Improvement

Bellevue Landing – parking lot improvements	50,000
Chesapeake Bay Maritime Museum – replace bulkhead	99,000
Claiborne Landing – parking lot improvements	50,000
Neavitt Landing – parking lot improvements	75,000
Public boating facilities – countywide maintenance	99,000
St. Michaels – Cherry Street and Honeymoon Bridge repairs	110,000
St. Michaels – Mulberry Street bulkhead replacement	99,000
Tilghman Island Fire Department – boat slip and electrical service	15,000

Other Projects

Oxford Community Center	50,000

Washington County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$88,731	$90,407	$1,676	1.9
	Compensatory Education	25,753	27,795	2,042	7.9
	Student Transportation	5,789	5,979	190	3.3
	Special Education	9,375	9,970	595	6.4
	Limited English Proficiency Grants	1,609	1,555	-54	-3.3
	Guaranteed Tax Base	2,447	3,527	1,080	44.1
	Adult Education	150	150	0	0.0
	Aging Schools	264	245	-18	-7.0
	Other Education Aid	1,007	1,007	0	0.0
	Primary & Secondary Education	135,125	140,635	5,511	4.1
	Libraries	1,103	1,135	32	2.9
	Community Colleges	7,479	8,060	581	7.8
	Health Formula Grant	2,477	2,518	41	1.6
*	Transportation	12,750	12,464	-286	-2.2
*	Police and Public Safety	1,400	1,462	61	4.4
*	Fire and Rescue Aid	232	232	0	0.0
	Recreation and Natural Resources	1,988	387	-1,602	-80.6
	Utility Property Tax Grants	345	0	-345	-100.0
	Total Direct Aid	**$162,899**	**$166,893**	**$3,993**	**2.5**
	Aid Per Capita ($)	1,133	1,150	17	1.5
	Property Tax Equivalent ($)	1.36	1.26	-0.11	-7.8

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Washington County for teachers, librarians, community college faculty, and local officials are estimated to be $14,466,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$2,707,000
Family Health and Primary Care	177,000
Medical Care Services	618,000
Mental Health	7,615,000
Prevention and Disease Control	845,000
Developmental Disabilities	10,443,000
AIDS	90,000
Social Services	
Homeless Services	228,000
Women's Services	150,000
Adult Services	307,000
Child Welfare Services	2,808,000
Senior Citizen Services	
Long-term Care	357,000
Community Services	120,000

C. Selected State Grants for Capital Projects

Public Schools

Greenbrier Elementary School – renovations (roof and HVAC)	$716,000
Maugansville Elementary School – construction	370,640
Pangborn Elementary School – construction	1,593,000
Rockland Woods Elementary School – construction	5,888,000

Public Libraries

Boonsboro Branch Library – replacement library	184,000

Hagerstown College

Arts and Science Complex	831,000

Community Mental Health/Addictions/Dev. Disabilities

The "W" House of Hagerstown, Inc.	225,000
Way Station, Inc.	800,000

Federally Qualified Health Centers Grant Program

Walnut Street Community Health Center, Inc.	75,000

Community Parks and Playgrounds

Byron Memorial Park	66,000
Hagerstown City Park	30,000
Hellane Park	30,000
Veterans Park	76,000

Chesapeake Bay Restoration Fund

Conococheague WWTP – enhanced nutrient removal	3,700,000
Hagerstown – sewer rehabilitation	800,000
Hagerstown WWTP – enhanced nutrient removal	5,000,000
Winebrenner WWTP – enhanced nutrient removal	270,000

Waterway Improvement

Williamsport – River Bottom Park boat ramp and parking improvements	99,000

Other Projects

C&O Canal National Historical Park – Conococheague Aqueduct	50,000
Maryland Theatre	125,000
Museum of Fine Arts	150,000
Springfield Barn	100,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

C&O Canal National Park – boat ramp improvements	$99,000
Greenbriar State Park – boat ramp improvements	60,000

Department of Public Safety & Corrections

Correctional Training Center – 192-cell medium security unit	10,141,000

Wicomico County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$62,575	$64,102	$1,527	2.4
	Compensatory Education	24,334	26,678	2,344	9.6
	Student Transportation	4,363	4,568	205	4.7
	Special Education	6,083	6,270	187	3.1
	Limited English Proficiency Grants	1,411	1,512	101	7.2
	Guaranteed Tax Base	4,251	6,135	1,884	44.3
	Adult Education	165	165	0	0.0
	Aging Schools	252	194	-59	-23.2
	Other Education Aid	696	696	0	0.0
	Primary & Secondary Education	104,130	110,320	6,189	5.9
	Libraries	770	811	41	5.3
	Community Colleges	4,608	4,880	272	5.9
	Health Formula Grant	1,699	1,727	28	1.7
*	Transportation	9,715	9,495	-220	-2.3
*	Police and Public Safety	960	1,011	52	5.4
*	Fire and Rescue Aid	232	232	0	0.0
	Recreation and Natural Resources	1,328	258	-1,070	-80.6
	Disparity Grant	0	742	742	0.0
	Total Direct Aid	**$123,442**	**$129,476**	**$6,034**	**4.9**
	Aid Per Capita ($)	1,342	1,383	41	3.1
	Property Tax Equivalent ($)	1.93	1.84	-0.10	-5.0

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Wicomico County for teachers, librarians, community college faculty, and local officials are estimated to be $10,927,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$1,692,000
Family Health and Primary Care	526,000
Medical Care Services	846,000
Mental Health	7,381,000
Prevention and Disease Control	728,000
Developmental Disabilities	6,682,000
Social Services	
Homeless Services	33,000
Women's Services	221,000
Adult Services	57,000
Child Welfare Services	1,489,000
Senior Citizen Services	
Long-term Care	636,000
Community Services	444,000

Note: A portion of women's services funding supports services in Somsert, Wicomico, and Worcester counties. Senior citizen services funding supports services in Dorchester, Somerset, Wicomico, and Worcester counties.

C. Selected State Grants for Capital Projects

Public Schools

J.M. Bennett High School – construction	$11,955,000

Wor-Wic Tech Community College

Allied Health Building	572,000

Community Parks and Playgrounds

Doverdale Park	100,000
Gordy Park	210,000

Chesapeake Bay Water Quality Projects

Delmar WWTP – nutrient removal	1,300,000

Chesapeake Bay Restoration Fund

Delmar WWTP – enhanced nutrient removal	1,000,000

Water Supply Financial Assistance Program

Pittsville – water supply system improvements	650,000

Waterway Improvement

Nanticoke Harbor – replace jetty and dredge harbor	700,000
Pirate's Wharf Park – new boating facility	99,000
Public boating facilities – countywide maintenance	99,000

Other Projects

Epilepsy Association of the Eastern Shore	170,000
Maryland Food Bank	250,000

D. Capital Projects for State Facilities in the County

Department of Labor, Licensing & Regulation

Eastern Shore Regional Claims Center – construction	$744,000

University System of Maryland

Salisbury University – campuswide dormitory renovations	7,941,000

Worcester County

A. Direct Aid and Retirement Payments

1. Direct Aid

		FY 2008	FY 2009	$ Diff.	% Diff.
		($ in Thousands)			
	Foundation Aid	$6,513	$6,402	-$110	-1.7
	Compensatory Education	5,419	5,616	197	3.6
	Student Transportation	2,505	2,581	76	3.0
	Special Education	1,397	1,420	23	1.7
	Limited English Proficiency Grants	464	496	32	6.9
	Adult Education	75	75	0	0.0
	Aging Schools	75	70	-5	-7.0
	Other Education Aid	502	502	0	0.0
	Primary & Secondary Education	16,950	17,162	213	1.3
	Libraries	137	137	0	0.2
	Community Colleges	1,730	1,832	102	5.9
	Health Formula Grant	563	579	16	2.8
*	Transportation	7,455	7,305	-150	-2.0
*	Police and Public Safety	679	709	30	4.5
*	Fire and Rescue Aid	260	260	0	0.0
	Recreation and Natural Resources	1,254	244	-1,010	-80.6
	Total Direct Aid	**$29,028**	**$28,228**	**-$799**	**-2.8**
	Aid Per Capita ($)	594	572	-22	-3.7
	Property Tax Equivalent ($)	0.17	0.16	-0.01	-4.6

* Municipal governments within the county receive a share of these funds.

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and State's Attorneys. Fiscal 2009 State payments for Worcester County for teachers, librarians, community college faculty, and local officials are estimated to be $6,071,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. What follows are estimates of fiscal 2009 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 2008) and may change. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

Health Services	
Alcohol and Drug Abuse	$2,439,000
Family Health and Primary Care	202,000
Medical Care Services	531,000
Mental Health	2,644,000
Prevention and Disease Control	593,000
Developmental Disabilities	3,550,000
AIDS	40,000
Social Services	
Homeless Services	33,000
Women's Services	158,000
Adult Services	43,000
Child Welfare Services	832,000
Senior Citizen Services	
Long-term Care	636,000
Community Services	444,000

Note: A portion of women's services funding supports services in Somerset, Wicomico, and Worcester counties. Senior citizen services funding supports services in Dorchester, Somerset, Wicomico, and Worcester counties.

C. Selected State Grants for Capital Projects

Public Schools

Pocomoke High School – construction	$3,500,000
Worcester Career and Technology Center – construction	1,783,000

Wor-Wic Tech Community College

Allied Health Building	572,000

Local Jail Loan

County Jail – expansion and renovation	4,606,000

Waterway Improvement

Byrd Park South – replace boat ramp	99,000
Ocean City – acquire fire/rescue boat	50,000
Pocomoke City – upgrade boating facilities	99,000
Public Landing – construct finger piers with water and sewer connections	99,000
South Point – relocate boat ramp	50,000
Taylor Landing – parking lot ADA improvements	50,000
West Ocean City – new ramp and repair finger piers	57,000

Other Projects

Rackliffe House	250,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Assateague State Park – acquire patrol boat	$20,000
Natural Resources Police – dredge Ocean City boat house entrance channel	20,000
Natural Resources Police – re-roof West Ocean City boat house	40,000
Ocean City – beach replenishment	2,000,000
Pocomoke River State Park – channel dredging	100,000
Pocomoke River State Park – Shad Landing sewer improvements	3,950,000

Part B
Taxes

Property Tax

Property Tax Administration

Homestead Property Tax Credit Eligibility – Repeal of Application Requirement

Chapters 564 and 565 of 2007 require homeowners, beginning in January 2008, to file a specified application with the State Department of Assessments and Taxation (SDAT) to qualify for the homestead property tax credit. Specifically, Chapters 564 and 565 prohibit SDAT from authorizing the credit, and the State, county, and municipal governments are prohibited from granting the credit unless the application is filed • within 180 days following the date a dwelling is transferred for consideration to new ownership, for a dwelling that is transferred to new ownership after December 31, 2007; or • on or before December 31, 2012, for a dwelling that was last transferred to new ownership on or before December 31, 2007.

Beginning January 2008, the first homestead tax credit applications were sent out to Maryland homeowners with the annual assessment notices. In order to verify eligibility, this application requires homeowners to include their Social Security number on the application. As a governmental tax agency, SDAT has legal authority to possess federal tax information, including Social Security numbers for all Maryland residents. While SDAT is legally entitled to possess this information, there are several safeguards in place to ensure that this information is used legally and remains confidential.

However, after complaints were voiced by homeowners regarding the use of Social Security numbers and the timeframe of the application process, legislation was introduced to either repeal or modify the application requirement enacted by Chapters 564 and 565.

Senate Bill 239/***House Bill 1256*** ***(both failed)*** were introduced as emergency legislation and would have repealed Chapters 564 and 565 of 2007 so that homeowners would not be required to file an application with SDAT to qualify for the homestead property tax credit.

Homestead Property Tax Credit – Application Modification

In addition to the two bills that would have completely repealed Chapters 564 and 565 of 2007, several bills were introduced that would have altered the homestead property tax credit application process.

Senate Bill 113/***House Bill 791*** ***(both failed)*** would have prohibited the application form for the homestead property tax credit program from requiring a homeowner to provide his or her Social Security number. ***House Bill 1172*** ***(failed)*** would have required SDAT to mail application forms for the homestead property tax credit by specified dates and would also have prohibited SDAT from mailing homestead property tax credit applications with property tax assessment notices or tax bills. ***House Bill 1180*** ***(failed)*** would have provided that the requirement for homeowners to file applications with SDAT to qualify for the tax credit would not apply to a dwelling for which the credit was received for any taxable year beginning on or before July 1, 2007, unless the dwelling is transferred for consideration to new ownership on or after December 31, 2007.

Real Property Assessment Notification

Real property is valued and assessed once every three years. This approach, the triennial assessment process, was part of a major property tax reform in 1979. Under this process, assessors from SDAT physically inspect each property every three years. Section 8-104 of the Tax – Property Article provides that in any year of a three-year assessment cycle, real property must be revalued if any of the following factors cause a change in the value of the real property: • the zoning classification is changed at the initiative of the owner or anyone having an interest in the property; • a change in use or character occurs; • substantially completed improvements are made which add at least $50,000 in value to the property; • an error in calculation or measurement of the real property caused the value to be erroneous; • a residential use assessment is terminated under specified circumstances; or • a subdivision occurs. However, Section 8-401 of the Tax – Property Article requires that a change to a prior valuation be made on the semiannual date of finality or any other specified date occurring after the change to the property.

House Bill 1537 ***(passed)*** clarifies when assessment notices are sent with regards to a prior valuation of real property after specified changes have been made to a property by conforming Section 8-401 to Section 8-104, therefore codifying current practice with regards to assessment notifications.

Timeframe for Assessment Appeals

Senate Bill 465 ***(passed)*** decreases the time period within which the Maryland Tax Court must hear and determine a residential property tax assessment appeal from within 120 days to within 90 days, unless the Court grants an extension at the request of a party.

Solar and Geothermal Tax Incentive and Grant Program

House Bill 377 ***(passed)*** exempts specified solar energy property from State and local real property taxes and specifies that a geothermal heating and cooling system, either as a stand-alone system or as a combined geothermal and conventional system, is not to be assessed at more than the value of a conventional system for property tax purposes.

For a more detailed discussion of the other provisions of this bill, see the subparts "Sales Tax" within Part B – Taxes and "Environment" within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Personal Property Tax

Municipalities are currently authorized to provide a personal property tax refund without interest within three years after the claim is approved if it is determined by SDAT that the refund is the result of a failure to file a specified report or other taxpayer error. ***Senate Bill 455***/***House Bill 429*** ***(both passed)*** authorize a county to provide a personal property tax refund without interest within 180 days after the claim is approved if it is determined by SDAT that the refund is the result of a failure to file a specified report or other taxpayer error.

Tax Sales

When a property is purchased at tax sale, the purchaser of a tax sale certificate must pay the tax collector any delinquent taxes, penalties, sale expenses, and under certain conditions, a high bid premium. The remainder of the purchase price is not paid to the collector until the purchaser forecloses the property. The property owner has the right to redeem the property within six months from the date of tax sale by paying the delinquent taxes, penalties, interest, and certain expenses of the purchaser. If the owner redeems the certificate, the purchaser is refunded the amounts paid to the collector plus the interest and expenses. If the owner does not redeem the certificate, the purchaser has the right to foreclose on the property after the six-month right of redemption period has passed.

Senate Bill 854/***House Bill 1211*** ***(both passed)*** are emergency bills that alter the tax sale process in the State.

The major provisions of the legislation include:

- increasing the minimum amount of taxes due on a property from $100 to $250 by which a tax collector may withhold the property from a tax sale;
- allowing the taxing jurisdiction to determine the manner and terms by which a holder of a certificate of sale is to be paid for expenses and fees incurred;
- providing for additional notice requirements from the tax collector and the holder of a tax sale certificate to the property owner before a right of redemption may be foreclosed;

- placing caps on the amount of attorney's fees that a certificate holder may charge a property owner upon redemption, with the amount varying slightly depending on whether an affidavit of compliance has been filed; and

- itemization and caps on various expenses that a tax sale certificate holder may charge a property owner upon receiving a certificate of sale and the redemption of that certificate.

House Bill 722 ***(passed)*** requires local governments, prior to beginning the tax sale process, to provide a list to the local area agency on aging of any persons who have delinquent taxes on a property if the property owner on record has owned the property for at least 25 years. The list must be mailed at least 30 days before the property is first advertised for a tax sale. ***House Bill 722*** is intended to reduce the possibility that elderly homeowners lose their homes due to delinquent taxes.

BRAC Community Enhancement Act

Senate Bill 206 ***(passed)*** establishes a process for the creation of BRAC Revitalization and Incentive Zones in the State. The benefits of a BRAC Zone designation are primarily State financial incentives provided to local jurisdictions related to property taxes generated on improvements to qualified properties within BRAC Zones. The bill also authorizes payment in lieu of tax agreements that may be entered into by the State, local jurisdictions, and private developers for developments on federal enclave property.

For a more detailed discussion of other provisions of this bill, see the subpart "Economic Development" within Part H – Business and Economic Issues of this *90 Day Report*.

Local Option Tax Credits

Commercial Waterfront Property

Senate Bill 676/***House Bill 612*** ***(both passed)*** authorize counties and municipalities to provide a property tax credit for "commercial waterfront property." Commercial waterfront property is defined as real property that is adjacent to the tidal waters of the State; is used primarily for a commercial fish operation or as a commercial marina or commercial marine repair facility; and has produced an average annual gross income of at least $1,000 in the most recent three-year period.

Public Safety Officers and Rescue Workers

Local governments are authorized to grant a property tax credit for the dwelling of a surviving spouse of a fallen law enforcement officer who has not remarried. The dwelling must be the surviving spouse's legal residence and not be occupied by more than two families. A fallen law enforcement officer means an individual who dies as a result of or in the course of employment as a law enforcement officer. ***Senate Bill 481***/***House Bill 573*** ***(both passed)*** expand the eligibility criteria for this property tax credit by authorizing local governments to grant a property tax credit for a dwelling owned by a disabled law enforcement officer, rescue worker, or correctional officer.

Accessibility Features

House Bill 54 ***(passed)*** authorizes local governments to grant, by law, a property tax credit for residential real property equipped with an accessibility feature. Accessibility feature means • a no-step entrance allowing access into a residence; • interior passage doors providing at least a 32-inch-wide clear opening; • grab bars around a toilet, tub, or shower installed to support at least 250 pounds; • light switches, outlets, and thermostats placed in wheelchair-accessible locations; • lever handles on doors; and • universal design features or any accessibility enhancing design feature prescribed by the Department of Housing and Community Development under the Public Safety Article.

Family Assistance Dwelling

Senate Bill 760 ***(passed)*** authorizes local governments to grant, by law, a property tax credit against the county or municipal property tax imposed on a family assistance dwelling. A family assistance dwelling is defined as a house, and the lot or curtilage on which the house is erected, if the house is used as the only residence for certain low-income relatives of the homeowner, including a brother, sister, half-brother, half-sister, spouse, parent, step-parent, grandparent, child, step-child, adopted child, or grandchild. The relative's rental payments to the homeowner must be less than 90 percent of the fair rental price paid for a similar dwelling in the same area. The relative must also be entitled to low-income assistance benefits under a federal or State program. The house cannot be a vacation home or a nonresidence that is used by the homeowner for personal use.

Local Property Taxes

Carroll County

Senate Bill 823 ***(passed)*** authorizes Carroll County to grant a property tax credit against county property taxes owed on nonresidential properties that include environmentally friendly or "green" technologies.

Garrett County

Senate Bill 953/House Bill 1566 ***(both passed)*** alter the date by which the Garrett County Commissioners must make payments from the special fire tax levy to volunteer fire departments, from September 1 to December and June of each year.

Prince George's County

Senate Bill 94/House Bill 1018 ***(both passed)*** authorize Prince George's County to grant a property tax credit for agricultural land, including any farm improvement used in connection with an approved agricultural activity, that is subject to a State or county agricultural land preservation program. Property owners who are granted the property tax credit but subsequently withdraw the property from a State or county land preservation program are liable for property taxes that would have otherwise been paid (up to 10 years), including interest and a penalty.

Somerset County

***Senate Bill 468*/*House Bill 591* (both passed)** authorize Somerset County to grant a property tax credit for real property that is not eligible for the homestead property tax credit and for which the current year's taxable assessment exceeds the prior year's taxable assessment by more than 20 percent.

St. Mary's County

***House Bill 445* (Ch. 75)** extends eligibility for an optional St. Mary's County property tax credit to real property, including improvements, subject to a State or county land preservation program. Currently, the property has to be subject to the Maryland Agricultural Land Preservation District Program or the St. Mary's County Agricultural Land Preservation District Five-year Program.

Worcester County

Legislation was introduced to allow Worcester County and Ocean City to provide property tax credits for amusement parks in Ocean City. ***Senate Bill 999*/*House Bill 1572* (both passed)** authorize Worcester County or a municipality in Worcester County to grant, by law, a property tax credit for • real property known as the Ocean City Amusement and Fishing Pier; and • real property consisting of at least 30 acres located in Ocean City on or west of Route 528 and used exclusively for the operation of an amusement park. ***Senate Bill 816*/*House Bill 1151* (both passed)** authorize Worcester County or a municipality in Worcester County to grant, by law, a property tax credit for real property used as an historically operated amusement park.

Income Tax

Income Tax Surcharge

During the 2007 special session, legislation was adopted to address the State's structural budget deficit. In addition to other actions, legislation provided for increases in several State taxes. Chapter 3 of the 2007 special session expanded the definition of taxable services so that, beginning July 1, 2008, specified computer services would be subject to the State sales and use tax.

In response to significant opposition to the computer service sales tax, particularly from the "high tech" industry, the General Assembly considered several bills to repeal or significantly alter the sales and use tax on computer services. Throughout the session, the debate on repealing the tax focused on how to compensate for the loss of the estimated $214 million in tax revenue.

Eventually, a compromise was reached involving a combination of budget reductions and new revenues. ***Senate Bill 46*** ***(Ch. 10)*** repeals the sales tax on computer services and imposes an income tax surcharge for three tax years on taxpayers with net taxable income that exceeds $1 million. ***Senate Bill 46*** also redistributes sales and use tax revenues from the Transportation Trust Fund to the general fund and requires the Governor to present a schedule to the Board of Public Works that reduces at least $50 million in ongoing general fund expenditures from the fiscal 2009 State budget.

Under the bill, the State's top marginal income tax rate increases from 5.5 percent to 6.25 percent for tax years 2008 through 2010. In tax year 2005, an estimated 6,300 tax returns had net taxable income in excess of $1 million. Montgomery County had the highest number of these returns (41 percent), followed by Baltimore County (16 percent) and Anne Arundel County (9 percent). On average, the surcharge will increase the State income tax burden of an impacted taxpayer by an estimated $14,200, or a little over 9 percent.

It is estimated that the income tax surcharge will increase revenues by $154.6 million in fiscal 2009, $113.3 million in fiscal 2010, and $60.6 million in fiscal 2011.

For a more detailed discussion of the sales tax provisions of this bill, see the subpart "Sales Tax" within this part.

Additional State Income Tax Credits

The General Assembly passed three new income tax credits in the 2008 session – two related to the environment and one reestablishing a terminated job training credit for younger individuals.

Senate Bill 297 ***(passed)*** reestablishes the tax credit program for approved work-based learning programs for students, which was established in 1998 and terminated in 2004. The program will allow an employer to claim a tax credit for 15 percent of the wages paid to secondary or postsecondary students between 16 and 23 years of age who participate in an approved work-based learning program. The total credit claimed per student cannot exceed $1,500 for all tax years and a maximum of 1,000 students annually may be approved for participation in the program.

Senate Bill 565 ***(passed)*** creates a State income tax credit for individuals or corporations who purchase heating oil containing at least 5 percent biodiesel for space or water heating. The amount of the credit is equal to 3 cents per gallon purchased, not to exceed $500 or the tax liability in that year, and is available through tax year 2012.

House Bill 140 ***(passed)*** creates a State income tax credit for cellulosic ethanol technology research and development conducted in the State. The amount of the tax credit is equal to 10 percent of the eligible expenses incurred and cannot exceed the tax liability for that taxable year. The maximum amount available for credits in each year is limited to $250,000. The credit is available for research and development expenses incurred before January 1, 2017.

Other Tax Credit and Subtraction Modification Legislation

Senate Bill 12 ***(passed)*** expands eligibility for the Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Personnel Subtraction Modification Program by decreasing, from at least 72 months to 36 months of the previous 10 years, the time in which specified individuals must be members of the U.S. Coast Guard Auxiliary. Eligible individuals who serve in a volunteer capacity and qualify for active duty service during the tax year qualify for the $3,500 subtraction modification provided under the program.

Chapter 99 of 2005 established the biotechnology investment tax credit program, which provides an income tax credit equal to 50 percent of an eligible investment made in a qualified biotechnology company during the taxable year. ***House Bill 723*** ***(passed)*** makes several changes to the credit program relating to eligibility, the maximum value of the credit, procedures for claiming the credit, and administration of the credit.

House Bill 1534 ***(passed)*** authorizes the establishment of a Maryland Broker-Dealer College Investment Plan by the College Savings Plans of Maryland. The purpose of this plan is to provide for a college savings plan distributed by brokers and dealers that allows Maryland taxpayers to deduct contributions to the plan from their taxable income for purposes of State and local income taxes beginning with tax year 2008.

It is estimated that providing the subtraction modification will reduce State income tax revenues by $240,100 in fiscal 2009, $1.4 million in fiscal 2010, $2.6 million in fiscal 2011, $3.8 million in fiscal 2012, and $4.8 million in fiscal 2013. However, these estimates will depend on the number of investors that enroll in the new plan.

For a more detailed discussion of this bill, see the subpart "Higher Education" within Part L – Education of this *90 Day Report*.

Employment Tax Credits – Sunset Extensions

Three bills extended the termination dates of existing employment tax credit programs. ***House Bill 280*** ***(passed)*** extends the Qualifying Employees with Disabilities Tax Credit to June 30, 2009 and authorizes credits to be claimed on behalf of individuals hired through that date. ***Senate Bill 314*** ***(passed)*** extends the State Employment Opportunity Credit to June 30, 2009, and authorizes credits to be claimed on behalf of individuals hired through that date. ***House Bill 721*** ***(passed)*** extends the termination date of the Job Creation Tax Credit from 2010 to 2014.

Corporate Income Tax Reporting

In the past several sessions, the General Assembly has considered proposals that would require combined reporting, impose an alternative minimum assessment on corporations, and attempt to increase tax compliance related to offshore "tax havens." Chapter 3 of the 2007 special session required corporations to report specific tax information to the Comptroller and the Maryland Business Tax Reform Commission, which was created by Chapter 3. The commission is tasked with analyzing the effects of proposed changes to the corporate income tax.

In response to concerns from the business community that these reporting requirements would be administratively burdensome, ***Senate Bill 444***/***House Bill 664*** ***(both passed)*** provide for a streamlined version of the reporting requirements as enacted by Chapter 3. The bills also increase the membership of the Business Tax Reform Commission from 17 to 19 members and terminate the corporate reporting requirements after tax year 2010.

Sales Tax

Sales Tax on Computer Services – Repeal

Chapter 3 of the 2007 special session expanded the definition of taxable service under the sales and use tax so that, beginning July 1, 2008, the State sales and use tax would apply to specified computer services. The computer services sales tax would have remained in effect through June 30, 2013, generating over $200 million in estimated annual revenues for the State. The anticipated revenues provided a key component of the General Assembly's overall plan, as adopted during the 2007 special session, for resolving the State's structural budget deficit.

The enactment of the computer services sales tax led to immediate objections from the "high tech" industry and other business groups in the State. Significant policy concerns raised regarding the new tax included the potential negative impact the tax could have on the high tech sector and, in particular, on small businesses. In addition, concerns were raised related to the administration of the new tax in situations involving computer services intended for resale; contracts in effect prior to the enactment of the new tax; federal contracts; out-of-state vendors; and computer services transactions with multistate aspects.

At the outset of the 2008 session, numerous proposals were introduced to repeal the computer services tax or to alter the imposition of the tax in a variety of ways to address one or more of the policy concerns raised against the tax. Although a consensus developed that the computer services tax should be repealed, obtaining agreement on how to backfill over $200 million annually in revenues was difficult, especially in light of additional downward revisions in revenue estimates of more than $300 million.

In the final days of the session, a compromise was reached to allow the repeal of the sales tax on computer services and to make up the lost revenues through a combination of income taxes, revenue redistribution, and additional budget cuts. ***Senate Bill 46*** ***(Ch. 10)*** repeals the computer services tax, partially replacing the revenues that would have been collected from the tax through an income tax surcharge on the net taxable income of individuals in excess of $1 million, effective for tax years 2008 through 2010. ***Senate Bill 46*** also provides additional revenues for the general fund through fiscal 2013, by reducing the percentage of sales and use tax revenues distributed to the Transportation Trust Fund (TTF), altering the distribution of sales and use tax revenues to the TTF established by Chapter 6 of the 2007 special session. In addition, the Act requires the Governor to present a schedule to the Board of Public Works that reduces at least $50 million in ongoing general fund expenditures from the fiscal 2009 State budget.

Specifically, ***Senate Bill 46*** repeals the State sales and use tax on computer services and provides for sales and use tax exemptions for computer services and software maintenance contracts that were in effect prior to the enactment of the tax. To provide for additional general fund revenues to offset in part the loss of the computer services sales tax revenues, the Act reduces from 6.5 to 5.3 percent the percentage of sales and use tax revenues required to be distributed to the Transportation Trust Fund for fiscal 2009 through 2013, diverting approximately $50 million per year to the general fund.

The Act also increases the top tax rate under the State individual income tax to 6.25 percent for tax years 2008, 2009, and 2010. The 6.25 percent rate applies to net taxable income in excess of $1 million for any taxable year.

The repeal of the computer services tax, combined with the redistribution of the sales and use tax revenues provided for under the Act, will reduce general fund revenues and Transportation Trust Fund revenues by an estimated $149.0 million and $65.0 million, respectively, for fiscal 2009, and by $164.3 million and $76.6 million, respectively, in fiscal 2013. This revenue reduction is offset by an estimated $330.0 million increase in total State income tax revenues over a three-year period (approximately $154.6 million in fiscal 2009) and approximately $50.0 million in annual budget reductions, also beginning in fiscal 2009.

For a more detailed discussion of the income tax provisions of this Act, see the subpart "Income Tax" within this part.

Sales Tax-free Periods

Chapter 6 of the 2007 special session created two sales tax-free periods beginning in fiscal 2011 and fiscal 2012 – one for specified energy efficient products and one for back-to-school shopping. Beginning February 2011, Chapter 6 exempts from the State sales and use tax purchases made during the three-day period beginning on the Saturday immediately preceding the third Monday in February of specified Energy Star products or solar hot water heaters. The exemption will apply to purchases of eligible Energy Star air conditioners, clothes washers or dryers, furnaces, heat pumps, standard size refrigerators, compact fluorescent light bulbs, dehumidifiers, programmable thermostats, and solar water heaters.

Senate Bill 456/***House Bill 985*** ***(both passed)*** adds boilers to the list of specified Energy Star products eligible for the sales and use tax exemption enacted by Chapter 6 of the 2007 special session.

Solar and Geothermal Tax Incentive and Grant Program

House Bill 377 ***(passed)*** exempts the sale of specified solar energy and geothermal equipment from the State sales and use tax.

For a more detailed discussion of the other provisions of this bill, see the subpart "Property Tax" within this part and the subpart "Environment" within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Miscellaneous Taxes

Transportation Taxes

Motor Vehicle Excise Tax – Leased Vehicles

In general, an excise tax is imposed on each original and subsequent certificate of title issued for a motor vehicle. The excise tax is based on the fair market value of the vehicle. The fair market value is the total purchase price of the vehicle or $640, whichever is greater.

Chapter 6 of the 2007 special session increased the vehicle excise tax rate from 5 to 6 percent of the vehicle's purchase price or fair market value, while allowing for a reduction in the amount subject to the tax by the full value of a trade-in.

Senate Bill 924/***House Bill 1570*** ***(both passed)*** clarify that an individual trading in a nonleased vehicle to enter into a vehicle lease is eligible for a trade-in allowance against the excise tax imposed on the vehicle being leased.

Motor Vehicle Excise Tax – Returning Military Members

House Bill 669 ***(passed)*** expands eligibility for the motor vehicle excise tax credit to include a member of the military who returns to Maryland from, or on, active duty and, within a year, applies for titling and registration of a vehicle previously titled and registered in another state.

Recordation and Transfer Taxes

Domestic Partner Exemption

Under current law, property subject to a mortgage or deed of trust that is transferred between a spouse, former spouse, son, daughter, stepson, stepdaughter, parent, stepparent, son-in-law, daughter-in-law, stepson-in-law, stepdaughter-in-law, parent-in-law, stepparent-in-law, grandchild, or step grandchild is exempt from recordation and transfer taxes. ***Senate Bill 597*** ***(passed)*** exempts the transfer of residential property between domestic partners and former domestic partners from the recordation tax and State and county transfer taxes. The bill requires specific evidence of a domestic partnership to be provided, including an affidavit signed under penalty of perjury by two individuals stating that they have established a domestic partnership.

Homeowners' Tax Fairness in Eminent Domain Proceedings Act

House Bill 1159 ***(passed)*** authorizes the counties and Baltimore City to exempt from county recordation and transfer taxes an instrument of writing that transfers specified improved residential real property to individuals who previously owned property that was acquired for public use by negotiation or condemnation. The bill provides for specified limitations on the recordation tax and transfer tax exemptions.

Agricultural Land Transfer Tax Surcharge

Senate Bill 662 ***(passed)*** establishes a 25 percent surcharge on an instrument of writing that transfers title to agricultural land, in addition to the current agricultural land transfer tax. The surcharge does not apply to transfers of two acres or less to a child or grandchild of the owner. The bill also alters the distribution of agricultural land transfer tax revenues.

For a more detailed discussion of the revenue distribution provisions of the bill, see the subpart Agriculture within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Arts and Entertainment Districts

House Bill 680 ***(passed)*** expands the eligibility criteria for the tax benefits available for qualifying artists residing in an Arts and Entertainment District to include individuals who create original jewelry, clothing, or clothing design. Tailoring services, clothing alteration, or jewelry repair are ineligible for the tax benefits.

Attorney Tax Clearance

Chapter 3 of the 2007 special session imposed "tax clearance" requirements on lawyers in the State, by requiring the Client Protection Fund of the Bar of Maryland to verify through the Comptroller's Office that an applicant has paid all undisputed taxes and unemployment insurance contributions or has entered into an accepted payment plan before certifying as paid any annual fee paid by a lawyer.

Senate Bill 493 ***(passed)*** repeals the requirement that the Client Protection Fund verify that a lawyer has paid all undisputed taxes and unemployment insurance contributions before certifying that the attorney has paid a required annual fee. The bill requires that the fund instead provide a list of all lawyers who have paid their annual fee to the Comptroller, to assist the Comptroller in determining whether each lawyer has paid all taxes and unemployment insurance contributions payable to the Comptroller or the Department of Labor, Licensing, and Regulation. The bill further provides that the Comptroller may refer a lawyer to Bar Counsel if the individual does not make timely payment on their taxes or unemployment insurance contributions.

Municipal Corporation Hotel Rental Tax

Most counties have been authorized by State law to impose a hotel rental tax. Authorized rates vary by county, from as low as 3 percent in Frederick County to as high as 8 percent in Allegany and Baltimore counties. Harford County does not impose a hotel rental tax.

Senate Bill 131 ***(passed)*** authorizes municipal corporations to impose a hotel rental tax under specified circumstances, at a rate not to exceed 2 percent. The tax may not be imposed by a municipal corporation that has a current hotel rental tax revenue sharing agreement with the county it is located in, is located in a county that does not impose a hotel rental tax, or is located in a county that distributes at least 50 percent of hotel rental taxes collected to promote tourism in the county. The bill requires that a municipal corporation imposing the tax distribute to a convention and visitors bureau in the county where the municipal corporation is located at least the same percentage of the hotel rental tax collected that the county distributes to the convention and visitors bureau from any county hotel rental tax.

Miscellaneous Local Taxes

Prince George's County

Under current law, Prince George's County may impose a sales or use tax on certain forms of energy or fuel used in Prince George's County. ***House Bill 929*** ***(Ch. 97)*** provides that the sale or use of energy or fuel used by the Washington Suburban Sanitary Commission in Prince George's County is not exempt from the Prince George's County energy tax.

St. Mary's County

Under current law, St. Mary's County is authorized to impose a transfer tax until July 1, 2010. ***House Bill 402*** ***(Ch. 71)*** extends the termination date for St. Mary's County's authority to impose a transfer tax to July 1, 2020.

Washington County

Under current law, Washington County may impose a building excise tax on residential and nonresidential building construction. ***House Bill 1115*** ***(passed)*** alters the building excise tax rate for specified types of buildings and units and eliminates specified exemptions and credits. The bill also adjusts the school capacity limit, from 85 to 90 percent of State rated school capacity, which authorizes a higher building excise tax on a subdivision development where more than 25 building permits for new residential units have been issued in the fiscal year.

Part C
State Government

State Agencies, Offices, and Officials

Immigration

Maryland continues to be a major destination for immigrants, with over 20,000 legal immigrants coming to the State each year. International immigration added 129,730 people to the State's population between 2000 and 2006, the fifteenth largest gain from immigration among all states during that period. A significant portion of Maryland's immigrants are undocumented, according to estimates made by private research organizations. The nonpartisan Pew Hispanic Center has estimated that between 225,000 and 275,000 undocumented immigrants had settled in Maryland by 2005 – the eleventh highest number among all states.

Courts have consistently noted that immigration constitutes a federal concern, not a state or local matter, and that the United States Congress had made clear its intent that federal law preempt state law in the area of immigration. However, in the absence of significant reform of the federal immigration laws, many states have proposed and enacted laws curtailing the rights of undocumented immigrants, especially with regard to the availability of public benefits or services

A number of immigration reform bills were introduced in the General Assembly during the 2008 session. ***House Bill 1602*** ***(passed)*** establishes a Commission to Study the Impact of Immigrants in Maryland. The commission, to be staffed with experts from the University of Maryland, College Park, is tasked with studying the impact of immigrants of lawful status as well as undocumented immigrants, and reporting its findings to the Governor and the General Assembly by January 1, 2011. Another measure, ***Senate Bill 52*** ***(failed)*** would have created a task force to study the fiscal impact of undocumented immigrants on the State.

Four bills, ***Senate Bill 93*** ***(failed)***, ***House Bill 288*** ***(failed)***, ***Senate Bill 621*** ***(failed)***, and ***House Bill 1046*** ***(withdrawn)***, would have prohibited the Motor Vehicle Administration from issuing driver's licenses, identification cards, and/or moped operator permits to individuals who could not provide documentation of lawful presence status in the United States. ***Senate Bill 84*** ***(failed)*** would have prohibited the State from providing any public benefit or service not otherwise deemed an entitlement under federal law to any undocumented immigrant in

Maryland. ***House Bill 885*** ***(failed)***, and ***Senate Bill 421***/***House Bill 735*** ***(both failed)*** would have prohibited counties and municipalities from acting as "sanctuaries" by requiring them to fully comply with and support federal immigration law. ***House Bill 1232*** ***(failed)*** would have conferred standing upon any registered voter of the State to file a legal complaint against any employee or officer of the State or a local government alleged to have violated federal immigration laws.

Task Force on the Preservation of Heritage Language Skills in Maryland

The General Assembly also passed legislation to establish the Task Force on the Preservation of Heritage Language Skills in Maryland and to consider innovative and cost-effective ways to facilitate heritage language learning while encouraging new United States citizens to learn and master English. The preamble to ***Senate Bill 506***/***House Bill 610*** ***(both passed)*** notes that public school students in Maryland speak at least 150 different languages, and that the ability to speak and understand foreign languages has become increasingly important for national security and in the global economy. A final report with findings and recommendations is due from the task force by January 1, 2009.

State Agencies – Reorganization and Program Transfers

Department of Information Technology

The Chief of Information Technology position and the Information Technology Board were created in 1993 by executive order as recommended in the *Preliminary Report of the Governor's Commission on Efficiency and Economy in Government*. Chapter 493 of 1994 established them in statute, and funding for the office was included in the fiscal 1994 budget. Currently, the Office of Information Technology and the Chief of Information Technology are within the Department of Budget and Management and report to the Secretary of Budget and Management.

Senate Bill 212 ***(passed)/House Bill 362*** ***(Ch. 9)*** establish a new Department of Information Technology and designate it as a primary procurement unit for the purpose of controlling procurement of information processing equipment and associated services and telecommunication equipment, systems, or services. The bills also transfer from the Department of Budget and Management to the new department primary responsibility for coordinating all aspects of the State's telecommunications policy, procurement, and management. This includes improving and expanding access to telecommunications and computer networks in rural areas and by people with disabilities. All existing duties and powers of the Office of Information Technology in the Department of Budget and Management and its chief are granted to the new department and its secretary. No additional powers have been granted to the new secretary. In addition, all staff of the office are transferred to the new department, and no additional staff or resources will be added to the new department.

By January 15 of each year, the new Department of Information Technology must report to the Department of Legislative Services regarding the project status of each major IT project under development or receiving operations and maintenance funding. The report is to provide the most up-to-date information regarding (1) changes in the project's schedule, cost, or scope; (2) the project's risk assessment; and (3) any change in the project's monitoring or oversight status.

Senate Bill 212/***House Bill 362*** also repeal the State Information Technology Board.

Governor's Office of Community Initiatives

House Bill 782 ***(passed)*** codifies in statute the Governor's Office of Community Initiatives, which was established by executive order in 2007. It also transfers to the office the Commission on Indian Affairs from the Department of Human Resources and the Commission on African American History and Culture from the Maryland Department of Planning. The bill codifies placement of the Governor's Office on Service and Volunteerism within the Office of Community Initiatives and transfers oversight of the two commissions from the Secretary of Human Resources and the Secretary of Planning, respectively, to the Governor.

Department of Human Resources

House Bill 1443 ***(Ch. 116)*** reorganizes the Department of Human Resources by repealing the Community Services Administration, transferring the Energy Assistance Program to the Family Investment Administration, providing for the management of the Maryland Emergency Food Program by the department, and locating the Commission on Responsible Fatherhood in the department for budgetary and administrative purposes.

The reorganization is intended to eliminate redundancy in the department and improve service delivery. Pursuant to the reorganization, the Office of Home Energy Programs and the Office for New Americans are transferred to Family Investment Administration; the Office of Adult Services is transferred to the Social Services Administration; the Maryland Legal Services Program is transferred to the Office of the Secretary; and the Office of Victim Assistance, the Office of Transitional Services, and the Office of Community Initiatives are consolidated in a new Office of Grants Management.

Transfer of Adult Education and Literacy Services and Education Programs

Senate Bill 203 ***(passed)*** moves adult education, literacy services, and correctional institutions' education programs from the State Department of Education (MSDE) to the Department of Labor, Licensing, and Regulation (DLLR). The Adult Education and Literary Services Office in the Division of Workforce Development will administer the transferred programs. For a more detailed discussion of this bill, see the subpart "Adult Education" of Part L – Education and the subpart "Labor and Industry" of Part H – Business and Economic Issues of this *90 Day Report*.

Senate Bill 203 also expands the purview of the Education Coordinating Council for Correctional Institutions to include workforce development, renames the council to reflect the change, and adds two members to the council. The council's jurisdiction is transferred from

MSDE to DLLR and the Department of Public Safety and Correctional Services. DLLR is required to provide education and workforce skills training programs in the State's adult correctional institutions. The bill requires the transfer of adult education and literacy services, as well as education and workforce skills training programs, on July 1, 2009.

Maryland Youth Advisory Council

Senate Bill 1 ***(passed)*** establishes the Maryland Youth Advisory Council to inform the Governor and the General Assembly of issues concerning youth. It will consist of 55 young people, appointed by the President of the Senate, the Speaker of the House of Delegates, and the Governor. One senator and one delegate will also serve on the council. The council is charged with recommending one legislative proposal each year for possible introduction, conducting one or two public hearings each year on issues of importance to youth, and conducting a public awareness campaign. MSDE may elect to allow student members to earn school credit for their service on the council. By June 1 of each year, the council must report on its activities to the Governor and the General Assembly.

State Agency Authority

Department of General Services Police

The Department of General Services (DGS) has jurisdiction over the operation, maintenance, and protection of buildings and grounds in Annapolis and Baltimore City. ***House Bill 1550*** ***(passed)*** clarifies that DGS has full police jurisdiction and authority for the enforcement of criminal laws and parking and motor vehicle laws in buildings and on grounds currently under DGS jurisdiction. The bill also extends this jurisdiction to areas within 1,000 feet of these buildings and grounds in Annapolis and Baltimore City.

State Archives Fees

The State Archives is charged with collecting public and private records relating to the history of the State of Maryland. The Archives is also the central depository and custodian of each deed, title insurance policy, and other real property record in the State. ***Senate Bill 147*** ***(Ch. 19)*** authorizes the State Archivist to establish fees for the care and preservation of records and other services provided by the Archives. Fees accrue to the State Archives Fund, with 7 percent designated for the fund's Archives Endowment Account.

Lower Appeals Division in the Department of Labor, Licensing, and Regulation for Unemployment Insurance Claims

House Bill 432 ***(passed)*** establishes a Lower Appeals Division in the Department of Labor, Licensing, and Regulations to hear and decide appeals of unemployment insurance determinations. The bill codifies existing practices. For a more detailed discussion of this bill, see the subpart "Unemployment Insurance" within Part H – Business and Economic Issues of this *90 Day Report*.

State Spending Database

The Federal Funding and Accountability Act of 2006 required the federal government to establish a searchable web site for all federal grants, contracts, and other funding awarded to public and private organizations. ***House Bill 358*** ***(passed)***, the Maryland Funding Accountability and Transparency Act of 2008, requires the Department of Budget and Management to develop a free, public, searchable web-based database by January 1, 2009, that includes detailed information on State payments of at least $25,000. Payments to State employees and retirees as compensation or retirement allowance will not be included in the web site. The bill also requires the Chief of Information Technology, by June 30, 2010, to conduct a study of the feasibility and cost of expanding the web site to search by different elements and include information on other forms of assistance in the amount of $25,000 or more.

Minority Business Enterprises Investment Management and Brokerage Firms

Senate Bill 606/***House Bill 1277*** ***(both passed)*** require the State Retirement and Pension System, State Treasurer, Injured Workers' Insurance Fund, and Maryland Automobile Insurance Fund to undertake to use investment management and brokerage firms that are minority business enterprises (MBEs) to the greatest extent feasible and consistent with their fiduciary duties. Together, these entities manage and invest almost $51 billion in State funds. The four entities' use of MBEs must be consistent with MBE purchasing standards in current law, which establish a goal that at least 25 percent of the total value of each agency's procurement contracts be awarded to MBEs. This includes separate goals of 7 percent to African American-owned businesses and 10 percent to women-owned businesses. The four entities must work with the Governor's Office of Minority Affairs to develop guidelines to implement the bill's provisions and use a wide variety of media, including their web sites, to publicize the brokerage and investment management services needed.

State Lottery

Senate Bill 180 ***(passed)*** prohibits a licensed agent of the Maryland State Lottery Agency from paying a prize winner less than the lawful amount when redeeming lottery tickets and prizes. Specifically, the bill prohibits an agent from seeking a cashing fee, deceiving a prize winner, purchasing a lottery ticket, or otherwise circumventing the payment of prize winnings. The bill also prohibits a person from knowingly purchasing a lottery ticket with the intent to avoid tax payments to the State.

State Designations

American Indian Heritage Day

The State of Maryland recognizes 15 legal holidays and 12 State employee holidays. In 1990, former President George H.W. Bush approved a Joint Resolution of Congress designating November as National American Indian Heritage Month, a designation that has since been made each year since 1994. ***House Bill 83*** ***(passed)*** designates the Friday after Thanksgiving Day as

American Indian Heritage Day and adds it to the list of State legal and employee holidays. The day after Thanksgiving Day is already a State employee holiday.

Maryland Charter Day and Annapolis Charter Day

The State recognizes four commemorative days in its laws, including John Hanson's Birthday on April 13, Law Day on May 1, Poetry Day on October 15, and Asian Lunar New Year Day on the day designated as new year on the Asian Lunar Calendar. ***Senate Bill 546/House Bill 957*** ***(both passed)*** require the Governor to proclaim December 17 as Annapolis Charter Day and June 20 as Maryland Charter Day. Three hundred years ago, the residents of Annapolis received a Royal Charter from Queen Anne that granted them powers of self-government. The General Assembly confirmed and codified Annapolis' chartered powers on December 17, 1708, making it the first incorporated municipality in Maryland. King Charles I granted Cecelius Calvert, the second Lord Baltimore, a charter for the Maryland Colony on June 20, 1632.

State Symbols

The State recognizes 21 official State symbols. ***Senate Bill 287/House Bill 315*** ***(both passed)*** recognize as the State dessert Smith Island Cake, an 8 to 10 layer cake made famous by the residents of Smith Island, the State's only inhabited offshore island in the Chesapeake Bay. Smith Island Cake joins milk as a State symbol, which has been designated the State drink.

Senate Bill 437/House Bill 1311 ***(both passed)*** designate walking as the State Exercise. The General Assembly passed similar legislation in 2003, but it was vetoed by the Governor. The State currently recognizes jousting as the State sport and lacrosse as the State team sport.

Elections

Funding for a New Voting System

Chapters 547 and 548 of 2007 require that the State's voting system provide a specified "voter-verifiable paper record," effectively mandating a transition to a paper-based, optical scan voting system prior to the 2010 gubernatorial elections. That enactment, however, is contingent on sufficient funds being appropriated in the State budget no later than fiscal 2009 for the State Board of Elections (SBE) to perform the functions set forth in the Act.

Direct-recording electronic (DRE) touchscreen voting machines, which the State currently uses, have been heavily scrutinized in recent years, both in Maryland and nationwide. The security of the machines and the integrity of the voting results produced by them have been studied repeatedly and both discounted and defended. In addition to Maryland, other states in 2007 and 2008 also moved or contemplated moving away from the use of DRE machines, including Florida, California, Ohio, and Colorado.

The fiscal 2009 budget includes $4.1 million in general and special funds ($2.03 million in State general funds and $2.03 in special funds representing the local government share of the cost) for the new voting system for capital lease payments and costs for consultant services and software installation and testing. The total projected cost to implement the new voting system is estimated to be $40.6 million over five years (not accounting for financing costs), though the actual cost will not be known until the procurement process is completed and a contract for the voting system and associated services is entered into.

Election Procedures and Administration

Special Congressional Election

A vacancy in the office of Representative for the Fourth Congressional District anticipated in 2008 led to the introduction late in the session of emergency Administration bills, ***Senate Bill 1014***/***House Bill 1627*** ***(both passed)***. Under State law, if a vacancy in the office of Representative in Congress occurs during the period beginning 60 days prior to the regular primary election for the office and ending on the last day of the term for the office, the Governor has the option of calling a special primary election and a special general election to fill the vacancy or allowing the office to remain vacant for the remainder of the term. With the regular primary election having been held February 12, 2008, and the term ending in January 2009, the vacancy in the Fourth Congressional District is anticipated to occur during that period. The cost of a special primary election and a special general election to fill the vacancy in the Fourth Congressional District would be approximately $100,000 for SBE, $1.2 million for Montgomery County, and $1.4 million for Prince George's County.

Both measures authorize the Governor to call a special general election to fill a vacancy in the office of Representative in Congress without a preceding special primary election if the vacancy occurs due to resignation after the date of the regular primary election. The bills empower the Governor to issue a proclamation setting the date of the special general election and related candidacy, nomination, and petition filing deadlines. The powers and duties of the State Administrator of Elections with regard to the special general election also are specified.

The bills differ, however, with respect to the procedures the political parties must follow in nominating candidates for a special general election and other matters.

Senate Bill 1014 requires the State central committee of a political party to nominate a candidate for a special general election after consideration of the recommendations of the local central committees of the political party in each county that is included in the district of the office. A special general election must be held at least 36 days after the date of the Governor's proclamation. The bill terminates one year from the date of enactment.

House Bill 1627 requires the State central committee of a political party to nominate a candidate for a special general election who is recommended by all of the local central committees of the counties included in the district of the office. If the local central committees recommend different candidates, the State central committee is required to select one of the candidates recommended by the local central committees as the nominee. A special general election must be held at least 36 days and not more than 60 days after the date of the Governor's proclamation. The bill terminates on December 31, 2008.

Voting/Registration by Individuals Younger Than 18

In the past, an individual who would be 18 years old by the time of the next general election has been allowed to register prior to and vote in the preceding primary as a 17-year-old based on an assumption that voter qualification provisions of the Maryland Constitution specifying that an individual that is 18 or older be entitled to vote only applied to general elections. State law also specifies that an individual may register to vote if the individual will be age 18 or older on or before the next general or special election and is otherwise qualified. However, on advice of the Office of the Attorney General subsequent to the issuance of a December 2006 Court of Appeals opinion in *Lamone v. Capozzi*, 396 Md. 53, 912 A.2d 674 (2006), SBE instituted a policy that a voter must be 18 on or before the day of *any* election in order to vote, on the belief that the court's opinion indicated that Article 1, §1 of the Maryland Constitution, which includes the voter qualification provisions specifying that an individual that is 18 or older be entitled to vote, was applicable to primary as well as general elections.

Subsequent to the advice given to SBE following the issuance of the *Lamone v. Capozzi* opinion, the Attorney General later advised, in December 2007, that subsequent rule changes by the Democratic and Republican parties, as authorized by the parties' owing to associational rights under the federal constitution, that SBE should implement the voter registration qualifications under State election law as it had in the past, allowing an individual who is age 18 or will be age 18 on or before the next general or special election to register and vote in the primary that precedes that general or special election.

In addition, a February 8, 2008 Maryland Court of Appeals order indicated that the voter qualification provisions of the Maryland Constitution are not in conflict with, and do not prohibit the General Assembly from establishing, the existing age-related provisions of voter registration eligibility requirements under State election law. The court ordered that all 17-year-old registered voters that would be 18 on or before the November 2008 general election be entitled to vote in the February 12, 2008 primary elections, with the exception of special or municipal elections conducted concurrent with the primary elections.

Senate Bill 201 ***(failed)***, as introduced and passed by the Senate, would have proposed a constitutional amendment to be submitted to the voters of the State, specifying that an individual who is at least age 18 or will be 18 on or before the day of the next succeeding general or special election, and is otherwise qualified, is entitled to vote. ***House Bill 310*** ***(failed)***, as passed by the House, would have specified in State law that an individual who is at least age 16, and is otherwise qualified, may become registered to vote and that an individual younger than age 18 may vote in a primary election in which candidates are nominated for a general or special election that will occur when the individual is at least age 18.

Election Administration and Prohibited Actions

A number of issues arose during the 2006 elections relating to election administration as well as campaign material provided to voters. Problems were experienced with newly implemented e-pollbook voter check-in devices, for example, and difficulties with recruitment and subsequent attendance of some election judges at the polls resulted in delayed openings of some polling places. ***Senate Bill 54***/***House Bill 102*** ***(both failed)*** would have made changes to State election law related to some of those issues. Among other things, the bills would have (1) specified that an individual is eligible to cast a provisional ballot if there is a problem outside of a voter's control that causes the voter to be unable to vote a regular ballot; (2) specified requirements applicable to election judge training and conduct; (3) allowed a local election board to keep a polling place open for an additional period of time under certain circumstances; and (4) specified generally that certain campaign material may not be distributed, disseminated, or published, or caused to be distributed, disseminated, or published, with the knowledge that it is false and with the intent to influence a voter or to prevent the voter from exercising the right to vote in an election.

Campaign Finance

Slot Machine Gaming Referendum – Campaign Finance Reports

The constitutional amendment proposed by Chapter 5 of the 2007 special session would authorize the issuance of a limited number of video lottery operation licenses in the State, subject to specified requirements and conditions. Chapter 5 will be submitted to Maryland voters' for approval or rejection at the 2008 general election.

Chapter 4 of the 2007 special session requires a corporation that cumulatively spends more than $10,000 on campaign material to promote the success or defeat of the constitutional amendment proposed by Chapter 5 to file campaign finance reports on the same dates on which a ballot issue committee is required to file campaign finance reports under State law. In addition, a corporation must include on all campaign material published or distributed by the corporation to promote the success or defeat of the constitutional amendment specified information identifying those responsible for the campaign material.

Senate Bill 755 ***(passed)*** requires any person that makes cumulative expenditures of more than $10,000 to promote the success or defeat of the constitutional amendment proposed by Chapter 5 to report certain information to SBE within 7 days and subsequently file campaign finance reports on the same dates, in the same manner, and subject to the same sanctions as a ballot issue committee. In addition, any person, other than an individual who uses personal funds and acts independently of others in making expenditures, is required to include an authority line on all campaign material published or distributed by the person to promote the success or defeat of the constitutional amendment proposed by Chapter 5.

Campaign Finance Reports – Electronic Signature and Affidavits

Under current law, a campaign finance report may be submitted electronically, but a separate paper transmittal sheet signed by the chairman and treasurer of a campaign finance entity must be sent to SBE attesting to the accuracy of the report. ***House Bill 1432*** ***(passed)*** authorizes SBE to accept an electronic signature for a campaign finance report or any other document required by State campaign finance law. A person is prohibited from making an electronic submission of any required document on behalf of another person without that person's express consent.

Current law also allows a candidate's authorized committee to submit an affidavit on or before the date its first campaign finance report is due stating that it does not intend to raise or spend more than $1000. A committee that files this affidavit is not required to file any subsequent campaign finance reports unless the $1000 limit is exceeded. Similarly, a candidate's authorized committee may submit an affidavit in lieu of a required campaign finance report if the committee had contributions and expenditures of less than $1000 in a reporting period. A committee that files this affidavit is also not required to file subsequent campaign finance reports, except for the annual report, unless it raises or spends more than $1000.

House Bill 1432 creates a single affidavit of limited contributions and expenditures that may be submitted in lieu of a campaign finance report. The affidavit may be filed by any campaign finance entity, not only a candidate's committee. The affidavit must be filed for each reporting period on or before the date the campaign finance report is due and state that the campaign finance entity did not have contributions or expenditures of more than $1000 since its establishment or the date of its last campaign finance report. The affidavit also may be submitted in lieu of the annual report.

Public Financing of Campaigns

A number of states offer public funds to candidates through full or partial campaign financing. Arizona and Maine, states that provide full campaign financing, had participation rates of 60 percent and 80 percent in their respective programs in 2006. Proponents of public campaign financing characterize such programs as helping to level the playing field for candidates that might not be able to raise the amount of funding needed to compete in elections in the midst of rising campaign costs as well as helping to increase public confidence in decisions made by elected officials by mitigating the influence of campaign contributors.

Senate Bill 593/***House Bill 971*** ***(both failed)*** proposed a system of public campaign financing for General Assembly members funded primarily through abandoned property revenue and a tax checkoff. ***House Bill 826*** ***(failed)***, would have authorized Montgomery County, the State's largest county by population and one in which candidates are reported to incur significant campaign costs when running for county elective offices, to enact local laws to regulate public campaign finance activity for county elective officers and candidates for election to those offices who choose to accept public campaign financing.

Ethics

Financial Disclosure – Electronic Filing

State officials, candidates for State office, and mid-to-high-level State employees (termed "public officials" in the Public Ethics Law) are required to file, under oath, annual financial disclosure statements with the State Ethics Commission. In addition, regulated lobbyists must file, under oath, various reports with the commission, detailing information such as their income derived and expenses incurred from lobbying activities and their campaign contributions for elective offices. ***Senate Bill 191*** ***(Ch. 24)***, requires the oath or affirmation accompanying a mandated disclosure that is filed electronically by a State official, public official, candidate for State office, or regulated lobbyist to be made by an "electronic signature" made expressly under the penalties for perjury, rather than by a signed statement on paper. If a financial disclosure statement is filed in paper format, the oath or affirmation will continue to be a signed statement on paper.

Senate Bill 190 ***(failed)*** would have required that all financial disclosure statements submitted by State officials, public officials, and candidates for State office be submitted electronically rather than as paper documents. Seventy-one percent of the financial disclosure statements filed in 2007 were filed electronically.

Architectural and Engineering Services – Procurement

House Bill 629 ***(passed)*** removes several termination dates for certain exemptions from conflicts of interest provisions codified in the Public Ethics Law that relate to procurement contracts for architectural and engineering (A&E) services.

In general, individuals or firms that assist in drafting specifications for a procurement contract may not submit a bid or proposal for that procurement, subject to certain exemptions. A variety of exemptions have been made for architectural and engineering services and several were scheduled to terminate in 2008.

An enactment in 2004 established an exemption for A&E services if the value of a construction project subject to the exemption was no more than $40 million, increased to $100 million in 2006. The provision also required the Maryland Department of Transportation to issue annual reports on the implementation of the law's provisions, including the impact on small businesses and minority business enterprises. The provisions are scheduled to terminate September 30, 2008, and ***House Bill 629*** removes the termination date to make the exemption permanent.

A 2006 enactment allowed A&E firms to bid on a construction contract if the design services did not involve lead or prime design responsibilities or construction phase responsibilities on behalf of the State and (1) the construction contract was valued at not less than $2.5 million and not more than $100 million; *or* (2) the payment for the A&E services was $500,000 or less, regardless of the amount of the procurement contract. The provision is scheduled to terminate on June 30, 2008, and ***House Bill 629*** removes the termination date to make the exemption permanent.

WSSC and M-NCPPC – Appointment Procedures for Commissioners

House Bill 940 ***(passed)*** requires closer scrutiny of possible conflicts of interest during the appointment process for members of the Washington Suburban Sanitary Commission (WSSC) and the Maryland-National Capital Park and Planning Commission (M-NCPPC).

The bill provides that the county executive of Montgomery County or Prince George's County (or the county executive's designee) is required to interview an applicant who is selected for appointment to the WSSC, concerning the applicant's possible conflicts of interest. Furthermore, the bill authorizes a designee of the Montgomery County Executive to request documents from Montgomery County applicants. The bill also changes the period covered by financial disclosure statements for applicants for appointment to the WSSC and the M-NCPPC and changes the deadline for submission of the statements by M-NCPPC applicants. Finally, the bill requires the County Executive of Prince George's County (or the County Executive's designee) to inform the Prince George's County Council, before appointment, of possible or potential conflicts of interest of an applicant who is selected for appointment to the WSSC.

Procurement

Most procurement legislation passed by the General Assembly during the 2008 session focused on fine tuning or extending existing processes and preference programs, and on expanding the types of procurements that are exempt from State procurement law. One exception to this pattern, however, was the Governor's proposal to commit the State to use environmentally friendly building practices when constructing new State buildings and local school buildings.

Green Buildings

Senate Bill 208 ***(passed),*** an Administration bill, requires new and substantially renovated State buildings and new school buildings to be constructed as high performance buildings. High performance buildings are those that achieve at least a silver rating under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program or a comparable rating under any other nationally accepted standard. Unoccupied State buildings are exempt from the requirement, and other buildings may obtain waivers from this requirement, if necessary.

According to the Maryland Green Building Council, construction costs for high performance buildings will be about 2 percent higher than construction costs for traditional buildings. Under the bill, the State is required to pay half of the local share of increased school construction costs associated with the construction of high performance school buildings from fiscal 2010 through 2014. After that, local school systems will pay their full share of increased construction costs under the cost sharing formula applied to local school construction projects. While adding to the upfront cost of constructing new buildings, green building strategies are expected to generate significant operational savings and resource conservation over the buildings' life spans.

Procurement Processes

The General Assembly made several adjustments to the processes by which the State solicits and awards procurement contracts, largely by extending or repealing the scheduled expiration of existing laws.

House Bill 312 ***(passed)*** extends the termination, from September 2009 to September 2014, of a 2006 law designed to make it easier for new and small businesses to secure the bonding necessary to participate in State procurement contracts. Chapter 299 of 2006 increased the maximum value of surety bonds that could be issued by the Maryland Small Business Development Financing Authority from $1 million to $5 million, allowing small businesses to bid on larger State contracts. It also authorized State procurement officers to accept individual surety bonds to meet the requirements for bid and performance bonds on certain State procurements.

House Bill 484 ***(passed)*** extends the scheduled termination, from September 2008 until September 2013, of a State law that allows State procurement units to consider and approve, under specified circumstances, unsolicited proposals. It also adds lottery services to the list of services that can be procured by unsolicited proposals, and raises the permissible length (from two to three years) and spending limits (from $1 million annually to $2 million annually, but not to exceed $4 million for the total contract) for contracts that result from unsolicited proposals.

House Bill 629 ***(passed)*** repeals the scheduled June 2008 termination of provisions in State law that, under certain circumstances, allow architectural and engineering (A&E) firms that participate during the design phase of a construction project to bid or assist with a bid for the construction contract for the same project. This will allow A&E firms to participate in both the design and construction phases of projects valued at between $2.5 million and $100.0 million, or if they received less than $500,000 for their A&E services. If the current provisions had expired as scheduled, A&E firms would not have been allowed to participate in both the design and construction phases of any construction project.

House Bill 865 ***(passed)*** requires State agencies and local governments to publish procurement notices and awards on eMaryland Marketplace, the State's web-based procurement portal. The requirement extends only to procurements issued as competitive sealed bids, competitive sealed proposals, or noncompetitive negotiations, and applies only to procurements valued at $25,000 or more. Most State agencies already use eMaryland Marketplace, so the bill's effect will be felt mostly by local governments. However, the bill does not prevent local governments from operating their own procurement systems.

Senate Bill 948/House Bill 1596 ***(both passed)*** prohibit the Board of Public Works from approving a proposed lease that qualifies as a capital lease unless the Capital Dept Affordability

Committee certifies that State debt incurred by the lease can prudently be authorized or the General Assembly has approved the lease in the budget. This ensures that the State will not incur additional debt by approving a capital lease that is mistakenly presented to the Board of Public Works as an operating lease. Under current policy, the Capital Debt Affordability Committee suggests that State debt outstanding be limited to 3.2 percent of State personal income and total State debt service should be limited to 8 percent of State revenues supporting debt service.

House Bill 440 ***(passed)*** requires State agencies to notify labor unions representing State employees at least 60 days before issuing a procurement for certain service contracts that could privatize or outsource jobs being performed by State employees. In general, State law requires that State functions be performed by State employees, but certain contracts are exempt from that requirement. The bill applies only to nonexempt contracts, and the State has not issued any procurements for nonexempt contracts in at least 10 years. Among the types of service contracts that fall within the exempt category are contracts to provide services when:

- State employees are not available to perform the necessary service;
- a conflict of interest would result if a State employee performed the service;
- the services require emergency appointments;
- the services are incidental to the purchase or lease of personal or real property;
- a clear need exists to obtain an unbiased finding, or opinion; or
- the General Assembly authorizes or requires that certain services be performed by an independent contractor.

Exemptions from Procurement Law

The General Assembly streamlined processes for two categories of procurements. ***Senate Bill 926***/***House Bill 1512*** ***(both passed)*** exempt from State procurement law all contracts and grants awarded by the State to the Chesapeake Bay Trust. This allows State agencies to award grants and contracts directly to the trust without sponsoring competitive procurements. However, the bills subject subgrants and contracts issued by the trust to State procurement law. The trust makes several hundred grants to water quality monitoring, wetlands restoration, oyster seeding, tree plantings, educational experiences, and other projects every year.

Senate Bill 186 ***(Ch. 23)*** includes construction procurements by the Department of General Services valued at $50,000 or less within the definition of small procurements. Small procurements, currently defined as those valued at $25,000 or less, are not subject to the approval of procurement control agencies or the Board of Public of Works.

Minority Business Enterprises

Although the General Assembly did not make any changes to the State's Minority Business Enterprise (MBE) program, it did seek to expand or maintain the participation of MBEs in State and local contracting. ***House Bill 1277***/***Senate Bill 606*** ***(both passed)*** require the State Treasurer, the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund, and the State Retirement and Pension System to attempt to use MBE brokerage and investment management firms to the greatest extent feasible and consistent with their fiduciary responsibilities. A more detailed discussion of this issue may be found under the subpart "State Agencies, Offices, and Officials" within Part C – State Government of this *90 Day Report*.

Senate Bill 847 ***(passed)*** establishes a Task Force on the MBE Program and Equity Investment Capital to study methods by which Maryland's MBEs can secure a greater proportion of private equity invested in private firms. The task force's final report is due to the Governor and the General Assembly by December 1, 2009.

House Bill 941 ***(Ch. 100)*** extends until September 2013 the authority for the Maryland-National Capital Park and Planning Commission to administer its own MBE program. The commission's MBE program was first authorized in 1995 and was scheduled to terminate in September 2008. It is credited with increasing contract awards to MBEs to their current level of 33.7 percent of the commission's contract spending.

Preference Programs

Senate Bill 301/***House Bill 561*** ***(both passed)*** raise the average gross sales ceilings used to determine firms' eligibility for the Small Business Reserve Program, and establish a new ceiling for A&E firms. As with the prior eligibility criteria, the new ceilings vary by industry. The bills also add the Maryland Transportation Authority and the new Department of Information Technology to the list of agencies subject to the program. To monitor the impact of the new ceilings on current SBR participants, the bills require the Department of General Services to prepare a report by October 2011 detailing any adverse effects on those firms.

Senate Bill 368/House Bill 805 ***(both passed)*** broaden the definition of community service providers eligible to participate in a State purchasing preference program previously reserved for sheltered workshops serving individuals with disabilities. The new definition encompasses agencies providing community-based supported employment for individuals with disabilities while still including sheltered workshops in the program.

Senate Bill 612/***House Bill 881*** ***(both passed)*** add a purchasing preference for businesses owned by individuals with disabilities to the list of purchasing preferences for State agencies and State-aided or controlled entities. Currently, State agencies and other affected entities must purchase services and supplies from Maryland Correctional Enterprises, Blind Industries and Services of Maryland, or community-based service providers serving individuals with disabilities, in that order of preference. Only if those groups do not provide the desired services or supplies may an agency issue a competitive procurement. Under these bills, State agencies and other affected entities must purchase from businesses owned by disabled individuals if the first three groups of preferred sellers do not provide the desired services or supplies.

Senate Bill 158/***House Bill 696*** ***(both passed)*** establish the Jane Lawton Farm-to-School Program in the Maryland Department of Agriculture to promote and facilitate the sale of Maryland agricultural products to schools. The program, named after a former delegate who died unexpectedly in November 2007, must maintain a database of farmers interested in selling their produce to schools, sponsor school-based promotional events, and provide guidance to farmers about selling their produce to local school systems.

House Bill 1431 ***(passed)*** adds a 2 percent price preference for veteran-owned small businesses and a 3 percent price preference for disabled veteran-owned small businesses to the existing price preference for all small businesses under the State's Small Business Preference (SBP) Program. The bill also increases the maximum small business price preference for any procurement issued under the program from 5 to 8 percent. Four State agencies participate in the SBP program, and only a small fraction of their procurements are issued under the program's authority.

Personnel

Budget Actions on State Personnel

The regular employee compensation package as approved in the State budget for the fiscal year beginning on July 1, 2008, (fiscal 2009) includes • the required State match of $600 for those employees participating in individual deferred compensation plans; • salary increments worth between 1.7 to 3.9 percent of the standard salary schedule for employees who are performing at or above established standards for their classification; and • a cost-of-living increase of 2.0 percent, applied uniformly across all positions. Employee and retiree health benefits were unchanged.

The size of the regular State workforce was increased through the budget process by 154 positions, or 0.19 percent, to 81,736 regular positions.

Carryover and Accrual of Annual Leave

Annual leave is one of the benefits offered to State employees. ***Senate Bill 177*** ***(Ch. 20)*** increases the number of hours of unused annual leave an employee in the State Personnel Management System may carry over from one year to the next from 400 hours (50 days) to 600 hours (75 days). Any leave in excess of that amount will be forfeited at the beginning of the first full pay period of the next calendar year. Although the Act increases the maximum amount of annual leave an employee may carry over, it does not increase the amount of annual leave that may be reimbursed at the termination of State employment.

Seniority Points for Eligible Veterans

Generally, employee layoffs occur when an employee is in a position that will be abolished, discontinued, or vacated because of a change in organization or because of a stoppage or lack of work. In the State Personnel Management System, if layoffs are contemplated, skilled and professional employees in a class are to be laid off based on their number of seniority points, which accrue based on length of State employment, length of employment in the affected principal unit, and length of employment in the affected job series. Reinstatements are also ordered on these criteria.

House Bill 1435 ***(passed)*** requires an appointing authority to award 10 seniority points to an eligible veteran when computing points for employees subject to layoff. An additional 2 points must be awarded to an eligible veteran who is a former prisoner of war or has a service-connected disability. An eligible veteran convicted of a crime after completing military service does not qualify for this consideration.

Transfer of Baltimore City Legal Services Personnel

The Legal Services Division of the Baltimore City Department of Social Services represents the department in legal and administrative proceedings involving matters of child welfare and guardianship. The division consists of 75 regular employees who are in the State Personnel Management System and 22 employees who provide services under a contract with the University of Baltimore.

Employee benefits under the University of Baltimore contract are not comparable to those offered to the regular State employees in the division, with contract employees accruing less leave and fewer health care benefits. ***House Bill 1464*** ***(passed)*** transfers all contractual employees of the Legal Services Division to regular positions in the Department of Human Resources to standardize benefits and meet the ongoing legal requirements of the division.

Overtime Compensation for Correctional Facility Personnel

Generally, a law enforcement employee or a State Police cadet who works more than eight hours in a normal eight-hour workday is entitled to be paid at the rate of one and one-half times the employee’s or cadet’s regular hourly rate of pay for time worked in excess of eight hours.

House Bill 1614 ***(failed)*** would have excluded security personnel in correctional facilities who work a modified work schedule from time and a half overtime pay requirements. The bill would have been one component of a pilot program to allow employees to work shifts of up to 12 hours while maintaining a 40-hour workweek. The Governor’s fiscal 2009 proposed budget included $8.6 million in reductions to salary expenditures contingent on enactment of the legislation.

Employment Categories and Protections

The Special Committee on State Employee Rights and Protections was established by resolution of the Legislative Policy Committee to examine termination of at-will employees in the State Personnel Management System. In its 2006 final report the committee found that the Governor's Appointments Office had directed an effort to replace at-will State employees, taking action that was arbitrary and inconsistent with improving government. In investigating these actions, the committee determined that portions of State law were ambiguous or inconsistent in establishing employee protections.

Chapter 592 of 2007, the State Employees' Rights and Protections Act, addressed many of the committee's recommendations. The legislation clarified State law, increased employee protections, and created a private right of action for political firings. The legislation also requires the Department of Legislative Services to review State personnel law to determine the number of at-will employees, special appointments, and management service employees in the Executive Branch; the rationale for designating the majority of employees in an agency as at-will; and the possibility of extending merit system protections. Findings and recommendations will be reported to the General Assembly by December 1, 2008.

House Bill 813 ***(failed)*** would have limited the types of positions that are considered special appointments or are otherwise classified as management or executive service positions within the State Personnel Management System, increasing the employment protections available to these individuals. Similarly, ***House Bill 966*** ***(failed)*** would have required nonelected employees of the registers of wills to be classified in the skilled, professional, and management services in the State Personnel Management System.

Pensions and Retirement

Legislation on pension and retirement issues in the 2008 legislative session related to investment policies, reemployment of retirees, and system membership and benefits.

Investment Policies

Senate Bill 214 ***(passed)***, an Administration bill, establishes conditions under which the State Retirement and Pension System must divest from companies doing business in either Iran or Sudan. The bill requires the Board of Trustees to notify any company whose shares are held in an actively traded separate account and that meets the definition of doing business in Iran or Sudan, that it is subject to divestment by the board. If, within 90 days after notice, a company does not provide evidence that it is no longer doing business in either country, or does not announce that it will release a plan within 60 days to cease doing business in those countries within a year, the board must divest its holdings in that company. However, the bill exempts companies that are not subject to the U.S. government's sanctions against Iran and Sudan and whose divestment cannot be executed for fair market value or greater. The bill requires the board to act in good faith and in a manner consistent with its fiduciary responsibilities in implementing the bill's provisions. In addition, the bill prohibits the application of the bill if the United States Congress or President makes specified declarations regarding Iran or Sudan. The bill takes effect January 1, 2009.

***Senate Bill 606*/*House Bill 1277* (both passed)** require the State Retirement and Pension System, among other State agencies, to attempt to use minority business enterprise (MBE) investment management and brokerage firms to the greatest extent feasible and consistent with its fiduciary responsibilities. A more detailed discussion of these bills may be found under the subpart "State Agencies, Offices, and Officials" in Part C – State Government of this *90 Day Report*.

***Senate Bill 384*/*House Bill 481* (both passed)**, were sponsored by the Joint Committee on Pensions to make several changes to State law governing the investment of assets in the State pension trust fund. First, they repeal a 1.2 percent cap on fees paid to external managers who provide real estate and alternative investment management services. A 0.3 percent cap on fees paid to all other external asset managers remains in effect. Second, the bills repeal a requirement that all real estate transactions carried out by the Board of Trustees be approved by the Board of Public Works. Instead, those transactions must be approved by a majority of the Comptroller, Treasurer, and the Secretary of Budget and Management in their capacity as members of the Board of Trustees. Finally, the bills repeal archaic language limiting the board's investments in nondividend paying common stocks to 25 percent of the system's assets. That limitation has been rendered obsolete by the board's adherence to modern portfolio theory and the prudent investor standard.

Reemployment of Retirees

***Senate Bill 564/House Bill 720* (both passed)** were sponsored by the Joint Committee on Pensions to address several issues related to the reemployment of State Retirement and Pension System retirees. First, they allow State judges receiving vested or normal service retirement benefits from either the Employees' Retirement System (ERS) or the Employees' Pension System (EPS) to suspend those benefits and earn credit in the Judges' Retirement System (JRS). This allows a judge to earn credit in the JRS while ensuring that the judge's spouse will receive survivor benefits from ERS/EPS should the judge die while serving on the bench. The bills also exempt a JRS retiree who is also receiving a service retirement benefit from ERS/EPS from an earnings limitation if the JRS retiree is temporarily assigned to serve on a State court. The bills require local school systems to reimburse the State Retirement and Pension System for the offset of pension benefits for retired teachers rehired by their former employers that result from late or nonreporting of reemployed retirees who are exempt from the offset. Finally, the bills require the Joint Committee on Pensions to study issues related to the reemployment of State retirees and submit a report to the General Assembly by December 31, 2008.

***House Bill 36* (passed)** exempts a JRS retiree from an earnings limitation if the retiree is employed as a faculty member with a public institution of higher education in the State. Under current law, judges are already exempt from the offset if they are employed by a community college.

***Senate Bill 326*/*House Bill 588* (both passed)** allow a Calvert County sheriff who is not otherwise eligible to participate in EPS to participate in the Calvert County Employees' Savings Plan. The savings plan is a defined contribution plan that provides a 5 percent employer contribution and requires employees to contribute 3 percent of their compensation.

Changes to System Membership

Chapter 340 of 2006 included correctional dietary, maintenance, and supply workers in the Correctional Officers' Retirement System (CORS) as a condition of their employment but excluded correctional laundry officers. ***Senate Bill 480*/*House Bill 554* (both passed)** require current correctional laundry officers and employees of Maryland Correctional Enterprises to transfer from EPS to CORS. These bills also make membership in CORS a condition of employment for all future employees in those positions. The bills expand the scope of the actuarial study commissioned every five years by the Joint Committee on Pensions to include a review of life expectancy of members of the various State pension plans.

Chapter 417 of 2006 granted Baltimore City Community College (BCCC) security personnel the power of police officers, if they obtained the necessary training and certification under State law. As a follow up to that upgrade, ***Senate Bill 195* (Ch. 26)** includes future BCCC police officers in the Law Enforcement Officers' Pension System (LEOPS) as a condition of their employment. Current BCCC security personnel who have become police officers may elect to remain in EPS or transfer to LEOPS by December 31, 2008. The bill requires that BCCC's fiscal 2009 budget include funding to pay for the cost of the transfer from EPS to the LEOPS plan.

***Senate Bill 308*/*House Bill 986* (both passed)** allow current employees of the Town of Berwyn Heights to choose to become members of EPS by July 1, 2008. Current employees who choose to participate in EPS will receive EPS service credit at the rate of one-third of their past service credit with the town. Future town employees will be members of EPS as a condition of their employment.

Other Post Employment Benefits

The General Assembly passed two pieces of legislation addressing the need to fund post employment benefits other than pensions for State and local government retirees and their families. In Maryland, those benefits consist primarily of partially subsidized medical, prescription, and dental insurance available to State and local retirees who meet specified service thresholds.

Chapter 433 of 2006 established the Blue Ribbon Commission to Study Retiree Health Care Funding Options to recommend a plan to the Governor and General Assembly to fully fund the liabilities stemming from the State's commitment to provide subsidized retiree health benefits. ***Senate Bill 859*/*House Bill 1233* (both passed)** extend the commission's termination date from June 2009 to June 2010 and require the commission to prepare an interim report by

December 31, 2008. The bills also extend the deadline for submission of the final report from December 31, 2008, to December 31, 2009.

Senate Bill 945/House Bill 1585 (both passed) authorize local governments to contract with external asset managers to manage or invest funds designated for post employment benefits provided separately from a pension plan. The bills further authorize local governments to create pooled investment funds with separate accounts for each participating local government, and to remit funds for post employment benefits to the State Treasurer for investment in the Local Government Investment Pool. A more detailed discussion of these bills may be found under the subpart "Local Government – Generally" in Part D – Local Government of this *90 Day Report*.

Survivor Benefits

House Bill 725 (passed) creates a new death benefit for State employees and teachers who are killed while performing their duties. In addition to a lump sum payment equal to the member's accumulated pension contributions, which is already provided under current law, surviving spouses, minor children, or dependent parents will receive an annual allowance equal to two-thirds of the employee's or teacher's average final compensation. Also, the bill entitles surviving minor children and dependent parents of State employees to join the State's subsidized health plan. The bill applies retroactively to any employee of the State Highway Administration who died on or after January 1, 2007.

Senate Bill 488/House Bill 482 (both passed) were sponsored by the Joint Committee on Pensions to repeal a supplemental survivor death benefit for spouses of retired State Police officers and replace it with an increase in the standard survivor benefit. The repealed supplemental benefit was tied to Social Security survivor benefits, but the benefits paid had grown larger than expected and thus endangered the pension plan's tax-exempt status under federal law. Instead, the bills increased the standard survivor benefit from 50 percent to 80 percent of the retiree's allowance.

Miscellaneous Bills Sponsored by the Joint Committee on Pensions

Senate Bill 422/House Bill 442 (both passed) entitle a member of the State Police Retirement System or LEOPS who participates in the Deferred Retirement Option Program (DROP) to receive special or accidental disability benefits only if the member is injured or incapacitated after enrolling in DROP.

Senate Bill 375/House Bill 472 (both passed) authorize the Board of Trustees of the State Retirement and Pension System to adopt regulations that allow it to impose an administrative fee on any employer that does not provide enrollment paperwork for new employees in a timely fashion.

General Assembly

General Assembly Powers – Capital Leases

***Senate Bill 984*/*House Bill 1596* (both passed)** establish conditions that must be met before the Board of Public Works may approve any lease that:

- transfers ownership of the property to the lessee on or before the termination of the lease;
- allows the lessee to purchase the property below fair market value or for a fixed amount;
- is for a term that is 75 percent or more of the estimated useful economic life of the property; or
- has payments with a present value that is 90 percent or more of the fair market value of the property.

Under the bills, before the Board of Public Works may approve such a lease, either the General Assembly must approve the lease in the budget of the requesting agency, or the Capital Debt Affordability Committee must certify to the Governor and the General Assembly that the debt to be incurred by the lease may prudently be authorized.

Annotated Code

Code Revision – Economic Development Article

The General Assembly is nearing the completion of the long-term project to revise Maryland's entire code of statutory laws. The purpose of the Code Revision project is to reorganize codified statutory provisions and restate them in clear language and a modern format. There are no substantive changes made to the law being revised. The Code Revision project is staffed by the Department of Legislative Services, and the work is exhaustively reviewed by committees consisting of prominent members of the legal community prior to being introduced as bills.

***House Bill 1050* (passed)** creates a new Economic Development Article of the Annotated Code. It revises, restates, and recodifies the various laws of the State that pertain to the Department of Business and Economic Development (DEBD), its component parts and programs, and independent economic development units and programs.

The article consists of two divisions: Division I is derived primarily from Article 83A – Department of Business and Economic Development and Article 23 – Miscellaneous Companies. Division II is derived primarily from Articles 20A through 20D – Tri-County and Regional Councils; Article 41 – Governor – Executive and Administrative Departments; Article 43C – Maryland Health and Higher Educational Facilities Authority; Article 45A – Industrial Development; Article 78D – Baltimore Metropolitan Council; Article 83A – Department of

Business and Economic Development; the Financial Institutions Article; and the State Government Article.

House Bill 1051 ***(passed)***, a companion bill to the revision, corrects cross-references to the new Economic Development Article that appear in other parts of the Annotated Code of Maryland.

Code Revision – Criminal Procedure Article Additions

The Criminal Procedure Article was created through the Code Revision process in 2001. Afterwards, in allocating remaining unrevised provisions of the Annotated Code, a decision was made to assign additional areas to that existing revised article. ***Senate Bill 37*** ***(Ch. 15)*** revises, restates, and recodifies in a nonsubstantive manner provisions applicable to:

- the Office of the State Prosecutor, including laws concerning the establishment of the office; the eligibility of individuals to be nominated and appointed to be the State Prosecutor; the establishment and membership of the State Prosecutor Selection and Disabilities Commission; the filling of vacancies in the office; the reprimand or removal of the State Prosecutor; the general powers and duties of the State Prosecutor; investigations, reports, and prosecutions of the office; the budget and staff of the office; and meetings with the Attorney General and State's Attorneys;

- the Office of the State's Attorney, including laws concerning the duties of the State's Attorney; the subpoena power in a criminal investigation and the appointment of an interim State's Attorney; the establishment of the State's Attorneys' Coordination Council; the establishment of the Office of the State's Attorneys' Coordinator; the duties of the coordinator; and the salary, expenses, staffing, and other matters regarding the State's Attorneys for each county; and

- the Office of the Public Defender, including laws concerning the establishment of the Office of the Public Defender, office personnel, representation of indigent individuals, termination of representation, representation in federal court, duties and powers of the Public Defender, panel attorneys, privileged communications, eligibility for services, reimbursement for services, liens, the Board of Trustees of the Office of the Public Defender, regional advisory boards, reports of the Public Defender, and appropriations.

Senate Bill 10 ***(Ch. 13)***, a companion bill to the revision, corrects cross-references to these additions to the Criminal Procedure Article that appear in other parts of the Annotated Code of Maryland.

Estates and Trusts Article – Dedicated to Roger Redden

One of the founders and guiding forces of Maryland's Code Revision process, Roger D. Redden, Esq., passed away on January 29, 2008. In recognition of his contributions to the revision of the Annotated Code, and of the Estates and Trusts law in particular, ***House Bill 1326*** ***(passed)*** dedicates the Estates and Trusts Article to Mr. Redden.

Annual Corrective and Curative Bills

Because the General Assembly delegates very little editorial control to the publishers of the Annotated Code with respect to making nonsubstantive and technical changes in the Code, the Department of Legislative Services has long had the statutory authority to prepare legislation to make these sorts of changes both in the statutory text and bill titles of prior years' enactments.

These corrective measures are the Annual Corrective Bill, ***Senate Bill 601*** ***(Ch. 36)*** and the Annual Curative Bill, ***Senate Bill 620*** ***(Ch. 37)***, respectively. Neither enactment contains any substantive change.

Joint Legislative Committees and Task Forces

Base Realignment and Closure

In 2007, anticipating the substantial demands on housing and infrastructure from the influx of military and federal jobs under the Base Realignment and Closure (BRAC) process, the General Assembly created the Joint Committee on Base Realignment and Closure. The joint committee is composed of six senators and six delegates, and it oversees and participates in the development of systems and processes that fast-track the approval of transportation infrastructure, water and sewer infrastructure, State and local planning processes, affordable housing options, education facilities, and health care facilities and infrastructure.

Senate Bill 39/***House Bill 152*** ***(both passed)*** enhance the joint committee by increasing its membership to eight senators and eight delegates.

Joint Technology Oversight Committee

House Bill 724 ***(failed)*** would have renamed and expanded the duties of the Joint Technology Oversight Committee. The committee's jurisdiction would have included studying and advising the General Assembly on issues relating to information technology and biotechnology.

New Study Committees and Task Forces with Legislative Membership

Each year, the General Assembly creates temporary study committees and task forces to conduct in-depth studies of important issues that are not possible to undertake during the legislative session because of the pace of activities. The following bills relate to study committees and task forces that include members of the General Assembly in their membership.

Capital Punishment

***Senate Bill 614*/*House Bill 1111* (both passed)** create the Maryland Commission on Capital Punishment, which will include two senators and two delegates among its members. The commission will study all aspects of capital punishment as currently and historically administered in the State and will issue a final report on or before December 15, 2008.

Heritage Language Skills

Noting that knowledge of world language skills is increasingly important in national security, defense, education, business, and international trade, ***Senate Bill 506*/*House Bill 610* (both passed)** establish a Task Force on the Preservation of Heritage Language Skills in Maryland. The task force will include one senator and one delegate among its members. It will report its findings by January 1, 2009, and continue in existence until July 31, 2009.

Impact of Immigrants

Maryland is a major destination for immigrants, with over 20,000 legal immigrants coming to the State each year. ***House Bill 1602* (passed)** creates the Commission to Study the Impact of Immigrants in Maryland, which will study an assortment of issues relating to immigration and report its findings by January 1, 2011. The commission will have two senators and two delegates in its membership.

Education of Military Children

It has been noted that most children of career military personnel will be in six to nine different school systems from kindergarten though grade 12. These transfers frequently create bureaucratic problems that can disadvantage the academic performance of military children. The Task Force on Educational Issues Affecting Military Children is created by ***Senate Bill 457*/*House Bill 784* (both passed)** to study the situation and make recommendations to ease the transition of children of military families to Maryland schools. The task force has one senator and one delegate among its members and will report its findings by December 1, 2008.

Financial Literacy

***Senate Bill 533*/*House Bill 1242* (both passed)** establish a Task Force to Study How to Improve Financial Literacy in the State. The task force will include two members of the Senate and two members of the House of Delegates. The task force is charged with studying the current ability of individuals to understand basic financial concepts, studying the problems created by a lack of financial literacy or knowledge, and making recommendations regarding how to address these problems. The group will also assess the utility of requiring financial literacy education as part of primary and secondary education. A report of the task force's findings will be issued by December 1, 2008.

Student Physical Fitness

In recognition of the "epidemic of obesity" in America, and of the many benefits of physical activity, ***Senate Bill 955*** ***(passed)*** creates the Task Force on Physical Fitness in Maryland Public Schools. The task force has one senator and one delegate among its members and will report its findings by November 20, 2008.

Students Subject to Multiple Suspensions

During the 2006-2007 school year, 74,518 students were suspended from school a total of 131,629 times. This represented 9 percent of the student population. Approximately 28,431 students, or 38 percent of all suspended students, were suspended multiple times. ***House Bill 139*** ***(passed)*** creates a Task Force to Study Issues Relating to Students Subject to Multiple Suspension, which will focus on the feasibility of mandating that school systems establish student services teams to provide case management for such students. The task force, which includes one legislative member from each chamber, will report its findings on or before January 15, 2009.

Disciplinary Proceedings by Health Occupation Boards

Although ***Senate Bill 764***/***House Bill 811*** ***(both passed)*** make various substantive changes in the law relating to the State Board of Dental Examiners, the bills also create a Task Force on the Discipline of Health Care Professionals and Improved Patient Care, which will study health occupations generally. The task force includes in its membership one senator and one delegate. It will report its findings by December 1, 2008.

Minority Business Enterprise

Senate Bill 847 ***(passed)*** establishes a Task Force on the Minority Business Enterprise Program and Equity Investment Capital, which will include two members of the Senate and two members of the House of Delegates. The task force will study how to facilitate the acquisition of investment equity capital by minority business enterprises in Maryland in a manner that allows minority business enterprise owners to retain operational control of the business while providing adequate protection to equity investors. The task force will report its recommendations by December 1, 2009.

Motor Vehicle Towing

House Bill 684 ***(passed)*** creates the Task Force to Study Motor Vehicle Towing Practices in the State. The task force, which has one legislative member from each chamber, will study several aspects relating to the towing of vehicles that are improperly parked or abandoned on private property, including consideration of a State program of licensure or registration for the towing industry. The task force will report its findings by the end of 2008.

Long-term Care Facilities

As the baby-boom generation ages, investment in long-term care facilities is seen as an increasingly lucrative business venture. In recent years, private investment firms have bought some of the nation's largest nursing home chains, including the Carlyle Group's $6.3 billion acquisition of HCR Manor Care, the nation's largest nursing home chain, with 15 skilled nursing facilities, 9 assisted living facilities, and 3 home care and hospice offices in the State.

House Bill 807 ***(passed)*** establishes the Task Force to Study Financial Matters Relating to Long-term Care Facilities. The membership of the task force includes two senators and two delegates. It will present an interim report of its findings by July 1, 2009 and a final report by June 1, 2010.

Procurement of Health and Social Services

State contracts for the procurement of health and social services have either been exempted from procurement laws or allowed to be handled through a noncompetitive negotiated award process. In order to evaluate this process, and the costs and benefits associated with it, ***Senate Bill 686***/***House Bill 527*** ***(both passed)*** create a Task Force to Study the Procurement of Health and Social Services by State agencies. The task force will include two members of the Senate and two members of the House of Delegates. It will submit a preliminary report by November 30, 2008, and a final report by November 30, 2009.

Gypsy Moth Infestation

Since 1980, gypsy moth caterpillars have defoliated more than one million acres in the State. The Task Force to Study Statewide Gypsy Moth Infestation is created under ***Senate Bill 920*** ***(passed)*** to make recommendations concerning the most effective means of addressing this problem. The task force includes one legislative member from each chamber and will report its findings on or before August 31, 2009.

Title Insurance Industry

Title insurance regulation and the title insurance industry have come under heightened scrutiny recently, due in large part to the significant rise in property foreclosures. Much of the concern regarding title insurance stems from cases in which title insurers have utilized illegal sales tactics. While property purchasers are free to choose their own title insurance provider, in most cases purchasers defer this decision to their real estate agent or mortgage lender. This has led to situations in which title insurers have sometimes provided kickbacks to these decision makers or developed other conflicts of interest.

A Commission to Study the Title Insurance Industry in Maryland is established by ***Senate Bill 61***/***House Bill 600*** ***(both passed)***. The commission will include three members of the Senate and three members of the House of Delegates. It will study various aspects of the industry and report its findings by December 15, 2009.

Rosecroft Raceway

The future of Rosecroft Raceway in Prince George's County, a standardbred track, has been uncertain in recent years, and it has been proposed that thoroughbred racing be brought to the track. Under ***House Bill 1506*** ***(passed)***, a Task Force to Study Thoroughbred Horse Racing at Rosecroft Raceway is created. The task force will include one legislative member from each chamber and will report its findings on or before December 31, 2008

Program Evaluation ("Sunset Review")

The Maryland Program Evaluation Act, enacted in 1978, is utilized by the General Assembly as a mechanism to monitor and evaluate approximately 70 regulatory boards, commissions, and other agencies of the Executive Branch of State government. The Department of Legislative Services (DLS) is required under this law to periodically undertake the evaluations according to a statutorily based schedule. These evaluations are more commonly known as "sunset review" because the agencies subject to review are usually also subject to termination ("sunset") unless legislation is enacted to reauthorize them. The methodology for conducting the evaluations by DLS involves an extensive evaluation process by DLS staff. The goals of the process have evolved to reflect the General Assembly's interest in identifying the strengths and weaknesses of the various regulatory entities that are subject to program evaluation and addressing through legislation appropriate issues relating to the structure, performance, and practices of the agencies.

This session, the termination dates on the following regulatory agencies were extended:

- ***Senate Bill 463*** ***(passed)*** provides for the continuation of the State Board of Morticians and Funeral Directors until 2018. The bill also makes several substantive changes in the board's law, which is discussed in Part J – Health Occupations of this *90 Day Report*.

- ***Senate Bill 502***/***House Bill 459*** ***(both passed)*** extend the termination date of the State Board of Professional Counselors and Therapists by 10 years to 2019 and reorganize the statutes relating to counseling and therapy. The substantive changes are discussed in Part J – Health Occupations of this *90 Day Report*.

- The State Board of Law Examiners is extended until 2020 under ***Senate Bill 514*** ***(passed)***. The bill also raises the maximum fee that the board may set for individuals taking the bar exam from $150 to $250 in fiscal 2009 and to $400 in fiscal 2010 and thereafter.

Part D
Local Government

County and Municipal Governments

Affordable Housing Programs

The generally accepted definition of housing affordability is when a household pays no more than 30 percent of its annual income on housing. Families that pay more than 30 percent for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care. The 2004 final report of the Governor's Commission on Housing Policy stated that as of 2000, one-third of Maryland households paid more than 30 percent of their income on rent. The report also stated that over the following 10 years there would be a shortage of 157,000 workforce/affordable rental units in the State.

Chapter 300 of 2007 authorized counties or municipalities to support, foster, or promote an affordable housing program for individuals or families of low or moderate income by providing funding or property, supporting payment in lieu of taxes programs, or enacting legislation to restrict prices or require development of affordable housing as part of a subdivision in return for added density.

Senate Bill 281*/*House Bill 742* *(both passed) authorize a county or municipality to waive or modify building permit or development impact fees and charges that are not mandated under State law for the construction or rehabilitation of lower income housing units in order to support, foster, or promote an affordable housing program. The fees must be waived or modified in proportion to the number of lower income housing units in the development. The housing units must be developed by a nonprofit organization that has been exempt from federal taxation for three years or the units must be financed by public funding that requires mortgage restrictions relating to the sale or rental of the housing units to low-income residents. The Department of Housing and Community Development must report to the General Assembly by October 1, 2010, on the counties and municipalities that waived or modified permit or development fees; the number and type of housing units for which fees were waived or modified; and the amount of fees waived and collected in accordance with the bill. The provisions of the bills terminate at the end of September 2011. For a further discussion of these bills, see the subpart "Real Property" within Part F – Courts and Civil Proceedings of this *90 Day Report*.

Local Government Pension Liabilities

Statements 43 and 45 from the Government Accounting Standards Board (GASB) require governmental employers to include in their 2008 financial statements any liabilities associated with the commitments they have made to provide post employment benefits other than pensions. These other post employment benefits (OPEB) include health insurance for retirees, as well as any life insurance or long-term care insurance paid by the employer. For public employers that offer subsidized health insurance to their retirees, OPEB liabilities can be substantial. For instance, a 2007 actuarial analysis found that the State of Maryland's OPEB liabilities exceed $15 billion.

Chapter 543 of 2006 authorized local governments to invest, redeem, sell, exchange, and reinvest funds dedicated to paying post employment benefits in the same manner that they invest funds for employee pensions. Most employers pay for OPEB on a pay-as-you-go basis, which means that they only pay for actual costs (*e.g.,* insurance premiums) incurred by their retired members in a given year. However, if they have made a commitment to provide health insurance or other post employment benefits to current employees when they retire, the employers continue to accumulate liabilities to pay for those benefits in the future. Unless the employers set aside money now to cover those future costs (known as prefunding), those liabilities add up each year, and GASB is now requiring employers to calculate the value of those future liabilities and account for them on their financial statements. Although GASB is not requiring employers to prefund OPEB liabilities, OPEB liabilities that appear on public employers' accounting statements may hurt their bond ratings, making it more expensive for them to borrow money.

Many jurisdictions, however, do not have the resources to manage their own investment portfolios. Many participate in the Local Government Investment Pool managed by the Treasurer's Office to manage their regular investments, but there is no equivalent pool to manage OPEB investments. OPEB funds may be invested in a broader range of investment vehicles and, therefore, require even more investment expertise.

***Senate Bill 945*/*House Bill 1585* (both passed)** authorize local governments to contract with external asset managers to manage or invest money designated for OPEB besides employee pensions. It further authorizes local governments to create pooled OPEB investment funds with separate accounts for each local government that participates in the fund, and to remit funds intended for OPEB to the Treasurer for investment in the Local Government Investment Pool. By allowing local governments to form OPEB investment pools and contract with external asset managers, local governments may take full advantage of the flexibility provided by Chapter 543 of 2006 to invest in equities and other high-yield, high-risk assets.

County Governments

Each session, the General Assembly considers a number of bills each affecting only one county. The following discussion is intended to provide a sampling of bills of that nature that passed.

Allegany County

House Bill 638 ***(passed)*** specifies that, in a code county in the Western Maryland class, any unpaid charges imposed on a property owner as a result of the county abating a violation of a rule or regulation relating to licensing, controlling, and maintaining junkyards are a lien against the property where the violation occurred. A lien imposed is required to be recorded in the Office of the County Clerk. For the purposes of ***House Bill 638***, junkyards include public or private dumps, automobile junkyards, automotive dismantler and recycler facilities, scrap metal processing facilities, outdoor places where old motor vehicles are stored in quantity or dismantled, and lots on which refuse, trash, or junk is deposited. As of 2008, the only code county in the Western Maryland class is Allegany County.

Anne Arundel County

A county governing body or the Mayor and City Council of Baltimore City may provide for a license fee schedule for food establishments based on the anticipated cost of licensing, inspecting, and regulating food establishments. All license fees are paid to the health department or chief financial officer of the county governing body or Baltimore City. Except in Baltimore City, Montgomery County, and Prince George's County, the maximum license fees a county may charge a food establishment is $300, or $70 for a seasonal food processing facility. ***Senate Bill 121/House Bill 241*** ***(both passed)*** exempt Anne Arundel County from the limitation on the maximum license fees that a county may charge a food establishment. The bill requires the Anne Arundel County Council to provide for a license fee schedule based on the anticipated cost of licensing, inspecting, and regulating food establishments.

Baltimore City

Senate Bill 911/***House Bill 1555*** ***(both passed)*** authorize Baltimore City to establish a land bank authority for the purpose of acquiring, rehabilitating, or transferring real property or an interest in real property. A land bank authority is a nonprofit or quasi-governmental entity empowered to do all things necessary to execute real property transactions and to manage property in order to preserve the value of the property, including borrowing money and issuing bonds. However, any bonds issued by the land bank authority would not be considered State or local debt. Under the bills, the land bank authority:

- must be governed by a board of directors;
- is subject to all local zoning, permitting, and land use laws;
- must comply with the State Open Meetings Act; and
- must annually report its activities to the State and Baltimore City.

Senate Bill 911/***House Bill 1555*** prohibit the land bank authority from exercising eminent domain and from levying any sort of tax. Instead, once the government is unsuccessful in collecting an outstanding tax lien on a property through the tax sale process, a land bank authority may accept the deed of the property from the owner thereby negating the need to proceed with foreclosure. This process does not affect any other liens on the property, easements, or rights of way.

Baltimore County

The current State's Attorney for Baltimore County was elected in 2006 and took office in January 2007. The salary of the State's Attorney is calculated based on the salary of a circuit court judge in 1982, factoring in an annual increase of 5 percent, and was $194,276 in January 2008. ***Senate Bill 117/House Bill 123*** ***(both passed)*** provide that, beginning with the term of the State's Attorney elected in 2010, the annual salary for the Baltimore County State's Attorney is $194,276. Beginning January 1, 2012 and each year thereafter until January 1, 2023, the salary will increase by 1 percent.

Calvert County

Animal Control in Calvert County

House Bill 1139 ***(passed)*** authorizes the Calvert County Commissioners to establish an Animal Matters Hearing Board to resolve disputes and controversies regarding animal control ordinances. The board may issue a subpoena to compel parties to appear before the board and may assess a civil penalty up to $1,000 for each violation of an animal control ordinance adopted by the county. The bill also repeals provisions authorizing a dog warden to enforce certain animal control laws and instead authorizes an animal control officer to enforce the laws and provides that the county sheriff, a deputy sheriff, or an animal control officer in Calvert County may issue a summons to anyone violating county animal control ordinances. The bill requires an officer of a humane society or an animal control officer in Calvert County who sees a person committing a misdemeanor that involves animal cruelty to arrest and bring before the District Court the person committing the misdemeanor. The bill also repeals provisions relating to the appointment of a dog warden and deputy dog wardens in Calvert County.

Seafood Industry in Calvert County

House Bill 1493 ***(passed)*** adds the Calvert County Commissioners to the list of counties authorized to adopt an ordinance, resolution, or regulation or take any other action the county considers necessary to allow a person to engage in activities related to the seafood industry and to harvesting seafood. Before taking such action, the county commissioners must hold a public hearing and obtain the written consent of the Secretary of Natural Resources.

Carroll County

Police Protection in Carroll County

State and local governments share law enforcement responsibilities in most counties with local sheriffs and police departments acting as the primary local law enforcement agency and the State Police focusing on traffic management and specialized services. Carroll County does not have a county police department. Primary local enforcement duties in the county are provided by the Maryland State Police through the Resident Trooper Program. Forty-six resident State troopers perform local law enforcement duties throughout unincorporated areas and in the municipalities without a town police office at an annual cost of $5.3 million in fiscal 2008. The Carroll County Sheriff's Office provides some law enforcement services and performs judicial functions in the county. Five of the eight municipalities in the county have town police offices.

Senate Bill 659 ***(passed)*** provides that if the Carroll County Commissioners enact a local law that creates a county police department, the county commissioners must submit the local law to a local referendum to be held at the next ensuing general election. If a majority of voters vote in favor of the referred law, it becomes effective on the thirtieth day following the official canvas of votes. If a majority of voters vote against the referred law, the provisions of the law are null and void. The bill was introduced as an emergency bill and received the required number of votes from both chambers to take effect on the date of enactment. The provisions of the bill terminate on December 31, 2010.

Distribution of Tobacco to Minors

It is a criminal offense for a person licensed in the State to distribute cigarettes or other tobacco products to distribute to a minor a tobacco product, a cigarette rolling paper, or a coupon redeemable for a tobacco product. Chapter 604 of 2007 provided that this offense is a civil infraction in St. Mary's County, subject to a civil penalty of $300 for a first violation and $500 for any subsequent violation within a 24-month period from the previous violation. ***Senate Bill 822*** ***(passed)*** provides that this offense is also a civil infraction in Carroll County subject to the same civil penalty. A violation has not occurred if the person examined specified identification and that identification identifies the recipient as being at least 18 years old.

Cecil County

The Northeast Maryland Waste Disposal Authority was created in 1980 as a public instrumentality of the State. The authority's mission is to plan and develop waste management systems that meet the highest environmental standards while providing the most efficient and reliable waste disposal services possible. Eight jurisdictions (Baltimore City and Anne Arundel, Baltimore, Carroll, Frederick, Harford, Howard, and Montgomery counties) currently participate in the authority. ***House Bill 335*** ***(passed)*** authorizes Cecil County to become a participating county in the authority.

Frederick County

Counties, municipal corporations, and taxing districts must file a financial report covering the full period of the previous fiscal year by November 1 to the Department of Legislative Services. Counties, municipal corporations, and taxing districts with a population greater than 400,000, however, may take until January 1 to file their financial report. The annual financial report for Howard County is due December 1. Counties, municipal corporations, and taxing districts must also submit an annual audit report covering the full period of the previous fiscal year by November 1 to the State legislative auditor. Counties, municipal corporations, and taxing districts with a population greater than 400,000, however, may take until January 1 to file their annual audit report.

Senate Bill 310/House Bill 254 ***(both passed)*** alter the filing date by which Frederick County must submit its annual financial report to the Department of Legislative Services and its annual audit to the State Legislative Auditor from November 1 to January 1.

Garrett County

Distribution of Tobacco to Minors

It is a criminal offense for a person licensed in the State to distribute cigarettes or other tobacco products to distribute to a minor a tobacco product, a cigarette rolling paper, or a coupon redeemable for a tobacco product. Chapter 604 of 2007 provides that this offense is a civil infraction in St. Mary's County, subject to a civil penalty of $300 for a first violation and $500 for any subsequent violation within a 24-month period from the previous violation. ***House Bill 148*** ***(passed)*** provides that this offense is also a civil infraction in Garrett County and provides for a civil penalty not exceeding $300. A violation has not occurred if the person examined specified identification and that identification identifies the recipient as being at least 18 years old.

Land Use

The Maryland Agricultural Land Preservation Foundation (MALPF) was created by the Maryland General Assembly in 1977 to preserve productive agricultural land and woodland. Prior to July 1, 2007, an agricultural land owner was only eligible to sell a development rights easement to MALPF once the land had been placed within an agricultural preservation district. Chapter 650 of 2007 repealed that requirement, specifying that effective July 1, 2007, districts may not be a requirement for the easement application process to MALPF and that as of June 30, 2012, all districts in MALPF will be terminated, with the exception of any district in which an easement has been transferred to MALPF and any district established by a county and a landowner for the purpose of providing a property tax credit to the landowner. MALPF may not accept a district petition after June 30, 2008.

Senate Bill 260/House Bill 314 ***(both passed)*** allow agricultural preservation districts to continue to be established in Garrett County after MALPF has stopped accepting district petitions. The Garrett County Commissioners must adopt specific rules, regulations, and procedures for the establishment and monitoring of agricultural districts and the evaluation of land to be included in the districts. Land may only be included in an agricultural district if the county's rules, regulations, and procedures governing the land meet requirements specified for easements under MALPF, and the landowner agrees to conditions, restrictions, and limitations specified for easements under MALPF. MALPF may not purchase an easement on land located in the county but outside of an agricultural district established under the bill. Additional information on this bill can be found in the Agriculture section. For a more detailed discussion of this issue, see the subpart "Agricultural Land Preservation" within Part K – Agriculture of this *90 Day Report.*

Public Local Laws of Garrett County

The Public Local Laws of Garrett County were last legalized by Chapter 59 of 1986. The most recent edition of the public local laws was published in 2005 and has not yet been codified. ***Senate Bill 1009*** ***(passed)*** legalizes the 2005 edition of the Code of Public Local Laws of Garrett County which will contain all public local laws relating to Garrett County contained in the 1985 edition, the 2001 supplement, any other supplement published by the county commissioners, and all public local laws relating to the county passed by the Maryland General Assembly during the 2001 through 2008 sessions.

Howard County

Multiuse sewerage systems are regulated by the Maryland Department of the Environment (MDE). A person must obtain a permit from MDE before the person installs, materially alters, or materially extends a sewerage system. All multiuse sewerage systems must be listed in the county water and sewer plan. Multiuse sewerage systems are subject to various regulatory requirements, including the submission of plans to MDE for review and approval; permeability specifications; separation distances from streams and other features; and requirements for a treatment zone between the bottom of the drainfield and the seasonal high water table. Multiuse sewerage systems are also subject to State discharge permit requirements.

MDE recently issued a construction permit to build a new treatment plant for a residential community in Howard County; however, concern has been raised that the county does not have the authority to regulate such systems. ***House Bill 167*** ***(Ch. 47)*** authorizes the governing body of Howard County to enact local laws governing the installation and use of multiuse sewerage systems that are not inconsistent with State law. ***House Bill 305*** ***(Ch. 65)*** authorizes the governing body of Howard County to require the recipient of a permit to install a multiuse sewerage system to post a performance bond with the county before installing the system.

Montgomery County

The Montgomery County Housing Opportunities Commission (HOC) serves as the public housing agency for Montgomery County and manages more than 1,500 units of public housing, as well as administers the federal Housing Choice Voucher Program (formerly known as

Section 8). HOC also develops affordable housing; offers rental units to moderate-income earners; and enters into joint ventures, partnerships, and development agreements within Montgomery County to help develop and finance affordable housing. In addition, HOC issues housing bonds, provides financing for income qualified first-time homebuyers, and provides information about affordable housing to the public through its Housing Resource Service.

At some properties owned by HOC, services such as building management and maintenance are performed by contracted companies. Additionally, HOC typically uses contractors for architectural design and construction. ***House Bill 946*** ***(Ch. 102)*** prohibits HOC from entering into a service contract that may adversely affect HOC collective bargaining employees and is estimated to exceed $75,000 in annual costs. HOC must develop and maintain a formal plan for outplacement assistance for collective bargaining employees adversely affected by a service contract. Generally, the bill exempts activities that are currently performed by contractors from this prohibition.

Prince George's County

State Agencies in Prince George's County

There are currently no State agency headquarters located in Prince George's County. ***House Bill 1078*** ***(passed)*** establishes a Task Force to Study Locations in Prince George's County Best Suited for Use by State Agencies; the task force is staffed by the Office of the County Executive for Prince George's County. The task force will study and make recommendations on the best locations in the county for State agencies, which State agencies are expected to relocate to the county, and methods of encouraging State agencies to relocate to the county. A final report of its findings and recommendations are due to the Governor and the General Assembly by September 30, 2009, and the task force terminates on that date.

Roadside Solicitation

Senate Bill 685/***House Bill 1010*** ***(both passed)*** prohibit, in Prince George's County, a person from standing in a highway to solicit money or donations of any kind from the occupant of a vehicle. A highway includes rights-of-ways; median dividers; structures forming an integral part of a street, road, or highway, including bicycle and walking paths; and any property acquired for the construction, operation, or use of the highway. Issuance of a warning is required for a first offense. Subsequent violations must be enforced as a misdemeanor under State motor vehicle laws.

Somerset County

Somerset County Roads

With certain exceptions, the county commissioners of every county may sell at public sale any property when no longer needed for public use. In Somerset County, the county commissioners may sell any interest in surplus property held by the county by acceptance of sealed bids solicited by advertisement. To facilitate the transfer of roads owned by the county

House Bill 325 ***(Ch. 67)*** authorizes the Somerset County Roads Board to sell any county road without a public sale when it is no longer needed for public use. The county roads board may arrange for the terms, conditions, and amount of consideration, if any, for the sale and may execute and acknowledge any deeds or instruments necessary to complete any sale.

Regulation of Dogs and Cats

County governments have varying degrees of responsibility for the licensing of dogs, recording of licenses, and enforcement of licensing provisions. Somerset County is authorized to provide a comprehensive system for regulating dogs and cats, including licensing and control and the provision of penalties. ***House Bill 113*** ***(Ch. 42)*** authorizes the Somerset County Commissioners to prosecute violations of animal control ordinances in the same manner as a municipal infraction, and clarifies that penalties enacted by the county may be civil or criminal.

Washington County

There is no standardized process for persons or organizations hosting a special event to notify the proper regulatory agencies in Washington County. Special events held in the county that require the assistance of county law enforcement, traffic control, emergency services, or other county staff are handled on a case-by-case basis. Generally, the county requires that organizers of events that are held for-profit contract for law enforcement, traffic control, and emergency services. Nonprofit organizations are not typically charged for county assistance.

House Bill 1085 ***(Ch. 113)*** authorizes the Washington County Commissioners to establish a "special event" permit and requires that an individual or organization obtain a permit before hosting a special event in the county. A special event is defined in Washington County as an "athletic event," "entertainment event," or an "event requiring assistance." An entertainment event includes parades, bonanzas, carnivals, fairs, and concerts where the attendance, including participants and spectators, is expected to be greater than 250. An event requiring assistance includes any event requiring closure or rerouting of traffic on a roadway or intersection, or an event that requires the assistance of county law enforcement, traffic control, emergency services, or other county staff which exceeds normal levels. The bill specifies that certain events do not require a special event permit as long as they do not require additional assistance.

Municipal Governments

Hagerstown Fire and Explosives Investigators

Fire and explosive investigators in the City of Annapolis and Anne Arundel, Montgomery, Prince George's, and Worcester counties are classified as "law enforcement officials" and currently have the same authority as the State Fire Marshal and assistants, including the authority to make a warrantless arrest under certain circumstances. A fire and explosive investigator must have successfully completed a training program from a police training school approved by the Police Training Commission. The authority of the fire and explosive investigator in each jurisdiction can be limited through written policy by the fire chief. ***Senate Bill 613*/*House Bill 745* (both passed)** grant this same authority to certain fire and explosive investigators in the City of Hagerstown.

Senate Bill 613*/*House Bill 745:

- define a City of Hagerstown fire and explosive investigator;
- include a fire and explosive investigator in Hagerstown in the definition of "law enforcement official" under provisions authorizing the carrying of a handgun by law enforcement personnel;
- provide that a fire and explosive investigator has the same authority as the State Fire Marshall and assistants, including the authority to make a warrantless arrest, while operating in or outside of the city under certain circumstances;
- provide that the City of Hagerstown fire chief may limit, in writing, the authority granted to an investigator under these Acts;
- exclude a Hagerstown fire and explosive investigator from the definition of "law enforcement officer" under the provisions relating to the Law Enforcement Officers' Bill of Rights;
- include a Hagerstown fire and explosive investigator in the definition of "police officer" under the provisions relating to the Maryland Police Training Commission; and
- require the Police Training Commission, on July 1, 2008, to certify the Hagerstown fire and explosive investigators who meet the requirements of these Acts as police officers.

Community Parks and Playgrounds Program

Senate Bill 1000*/*House Bill 1604* (both passed)** codify and amend the existing Community Parks and Playgrounds Program within the Department of Natural Resources to provide flexible grants to municipalities and Baltimore City to rehabilitate, expand, or improve existing parks; purchase land to create new parks; develop new parks; or purchase and install playground equipment in urban neighborhoods and rural areas throughout the State. For a further discussion of ***Senate Bill 1000*/*House Bill 1604, see the subpart "Natural Resources" within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report.*

Special Taxing Districts

Special taxing districts include entities created by the General Assembly and those created by a county or municipality, when authorized by the General Assembly. Some special taxing districts resemble municipalities and provide a range of public services; while others exist for a limited purpose, such as the financing of public draining within a limited area or the creation and maintenance of street lighting in a particular neighborhood.

Authorization to Create Special Taxing Districts

All counties have authority to establish special taxing districts for limited purposes, such as providing drainage improvements or providing street lighting. In addition, the governing bodies of counties that have adopted charter home rule or code home rule also have broad authority under the Express Powers Act to create special taxing districts to carry out most municipal services. The General Assembly has granted nine counties (Anne Arundel, Calvert, Charles, Garrett, Howard, Prince George's, St. Mary's, Washington, and Wicomico) and Baltimore City broad authority to create special taxing districts and to levy *ad valorem* taxes and issue bonds and other obligations for purposes of financing infrastructure improvements. The types of infrastructure improvements authorized include storm drainage systems; water and sewer systems; roads; lighting; parking; parks and recreational facilities; libraries; schools; transit facilities; and solid waste facilities.

Senate Bill 793/***House Bill 483*** ***(both passed)*** and ***House Bill 1562*** ***(passed)*** authorize Harford County and Cecil County, respectively, to create special taxing districts for developing and financing infrastructure improvements. The counties are authorized to impose *ad valorem* or special taxes and to issue bonds or other obligations to finance the projects as long as the special taxing districts are located in designated growth areas and, in Harford County, are not located in a rural village. The bills require the counties to hold a public hearing on any bill proposing to create a special taxing district and require all property owners within the proposed district to petition for its creation. The bills also include provisions requiring specified disclosure to an individual purchasing a home subject to a special tax and providing for damages to a purchaser who is provided a false statement or from whom a material fact is withheld.

Tax Increment Financing and Special Tax Districts

Tax increment financing is a method of public project financing whereby the increase in the property tax revenue generated by new commercial development in a specific area, the tax increment financing (TIF) district, pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property.

The TIF district typically consists of a blighted area in need of economic revitalization. Usually a sponsoring jurisdiction creates a TIF district in order to demonstrate a public commitment to the economic and social viability of an area, thereby encouraging privately financed economic development. In a TIF district, the local government "freezes" the existing property tax base, and uses the property tax revenue from this base as it would normally use such funds. Over time, the partnership between the private sector and local government leads to enhanced economic growth which increases the district's taxable real property valuation above its frozen base. The difference between the current tax base and the frozen base in each future year is termed the incremental valuation. The local government apportions the property tax revenue on the incremental valuation to a special account to pay debt service on the bonds and to potentially pay for additional public expenditures in the TIF district. The TIF district ceases to exist upon the retirement of the bonds, and after that time, all property tax revenue may be appropriated by normal means.

House Bill 1441 ***(passed)*** amends the Baltimore City Charter to allow tax proceeds from special taxing districts, including a tax increment financing development district, to be used to repay debt service on bonds and other debt instruments issued by the Maryland Economic Development Corporation (MEDCO), the State, or any agency, department, or political subdivision. The bill provides for the circumstances and uses of a special fund established with respect to a special taxing district in Baltimore City.

The bill authorizes Baltimore City to use funds remaining in the special funds, provided no payment on bonds is outstanding, for purposes specified by current law, accumulate for future debt service payments, or to pay debt service on other outstanding bonds. Baltimore City may enact an ordinance creating a special fund with respect to a special taxing district, even though no authorized bonds have been issued by the city with respect to that special taxing district. The taxes allocated to such special fund must thereafter be paid over to the special fund, as long as an ordinance remains in effect.

In Prince George's County, all proceeds received from any bonds issued and sold by the county may also be applied for convention centers, conference centers, and visitors' centers; maintenance of infrastructure improvements, convention centers, conference centers, and visitors' centers; and marketing the development district facilities and other improvements. ***Senate Bill 934*** ***(passed)*** allows proceeds received from bonds issued by Prince George's County or the county's revenue authority to be applied for installation of any infrastructure improvements, including streets, parking structures, utilities, street lights, stormwater management and storm drain facilities, fencing, noise walls, retaining walls, trails, sidewalks, pedestrian and vehicular bridges, and park facilities. The purpose of the infrastructure improvements is to encourage redevelopment in revitalization areas designated by the county; mixed use centers; blighted areas; and the developed tier, growth corridors, and growth centers, as defined in the county general plan.

Bicounty Agencies

Maryland-National Capital Park and Planning Commission

The Maryland-National Capital Park and Planning Commission (M-NCPPC) is a bicounty agency empowered by the State in 1927 to administer a regional system of parks and govern land use planning in most of Montgomery and Prince George's counties. In 1970, M-NCPPC also became responsible for managing the Prince George's County public recreation program. M-NCPPC is governed by a 10-member commission, with 5 members appointed by the Prince George's County Executive and confirmed by the county council and 5 members appointed by the Montgomery County Council with the approval of the county executive.

Minority Business Enterprise Utilization Program

House Bill 941 ***(Ch. 100)*** extends for five years the M-NCPPC's Minority Business Enterprise Utilization Program for goods, services, and construction, from September 30, 2008, to September 30, 2013.

Park Police – Workers' Compensation – Lyme Disease Presumption

House Bill 933 ***(Ch. 98)*** applies the occupational disease presumption under State workers' compensation law to any park police officer employed by M-NCPPC who is suffering from Lyme disease and was not suffering from Lyme disease before assignment to a position that regularly places the employee in an outdoor wooded environment.

The disease presumption only applies during the time the park police officer is assigned to a position that regularly places the employee in an outdoor wooded environment and for three years after the termination of the assignment.

House Bill 933 also provides that the park police officers eligible for benefits under this bill shall receive those benefits in addition to any retirement benefits, so long as the combined benefits do not exceed the park police officer's weekly salary. The Act terminates after seven years, on September 30, 2015.

Maryland-Washington Regional District Boundaries

Currently the boundaries of the Maryland-Washington Regional District exclude the City of Laurel as its corporate boundaries are defined as of July 1, 1994. ***House Bill 930*** ***(passed)*** modifies the boundaries of the Maryland-Washington Regional District to exclude the City of Laurel as its corporate boundaries are defined as of July 1, 2008, in order to exclude those parcels of land that the city has annexed since 1994.

Prince George's County Agricultural Preservation Easement Program

Senate Bill 95 ***(passed)*** establishes a Prince George's County Agricultural Preservation Easement Program to be administered by the Prince George's County Soil Conservation District. The Soil Conservation District and the Prince George's County Planning Board are required to adopt regulations to carry out the provisions of the Act. The bill also establishes a Prince George's County Agricultural Easement Fund to be used to purchase agricultural preservation easements. The fund will be administered by the planning board which shall deposit into the fund revenues from the Prince George's County Metropolitan District taxes or the Prince George's County Regional District taxes authorized in M-NCPPC's annual budget to preserve, protect, and enhance agricultural properties and to implement the program's purposes.

Senate Bill 95 establishes several provisions relating to the fund and its uses. Among other things, the bill authorizes the board to purchase easements outside the metropolitan district in Prince George's County but within the Maryland-Washington Regional District in Prince George's County.

Senate Bill 95 also authorizes the county council to enact ordinances to provide for agricultural preservation, outreach and marketing; maintenance of activities on M-NCPPC's agricultural properties; and the preservation of the agricultural industry. The bill also authorizes the county council to create a program for the purchase of development rights by ordinance.

Prince George's County – People's Zoning Counsel

House Bill 928 ***(passed)*** authorizes the People's Zoning Counsel in Prince George's County, on a reasonable belief that a final action on an application for a subdivision of land, special exception, variance, or site plan is arbitrary and capricious, to appeal the final action on behalf of a bona fide citizens' association that is entitled to appeal the action.

Washington Suburban Sanitary Commission

The Washington Suburban Sanitary Commission (WSSC) is another bicounty agency created by the State in 1918. The primary purpose of WSSC is to provide water service and sewage treatment service in nearly all of Montgomery and Prince George's counties. WSSC consists of six members, with three members from each county appointed by the county executive and confirmed by the county council in each county.

Prince George's County Energy Tax

Under current law, Prince George's County may impose a sales or use tax on certain forms of energy or fuel used in Prince George's County. The county council is also authorized to provide exemption from this tax and to provide for the refund of the tax under certain circumstances. ***House Bill 929*** ***(Ch. 97)*** provides that the sale or use of energy or fuel used by WSSC in Prince George's County is not exempt from the Prince George's County energy tax. This Act would give Prince's George's County the same taxing authority as Montgomery County with regards to electricity and fuel sold or used by WSSC. WSSC has been exempted from the Prince George's County energy tax since 1988.

Maryland-National Capital Park and Planning Commission and Washington Suburban Sanitary Commission

Appointments – Interviews and Financial Statements

House Bill 940 ***(passed)*** provides that the county executive (or designee) of Montgomery County or Prince George's County is required to interview as to possible or potential conflicts of interest, in private and before appointment, the applicant who is selected for appointment to WSSC. The county executives (or their designees) otherwise may interview each applicant in private as to possible or potential conflicts of interest. The bill also requires the Prince George's County Executive (or designee) to inform the Prince George's County Council of possible or potential conflicts of interest of the applicant who is selected for appointment with WSSC before the appointment is made. Further, the bill authorizes a designee of the Montgomery County Executive to request documents from applicants.

House Bill 940 also changes the period covered by financial disclosure statements for applicants for appointment to WSSC and M-NCPPC and the deadline for submission of the statements for applicants of M-NCPPC.

Part E
Crimes, Corrections, and Public Safety

Criminal Law

Identity Fraud

Arising out of the recommendations of the Task Force to Study Identity Theft, which was created in 2005 (and extended in 2007), ***Senate Bill 60/House Bill 1113 (both passed)*** increase the maximum imprisonment penalty for felony identity fraud from 5 to 15 years. The bills also establish that it is a crime for a person to intentionally, willfully, and without authorization copy, attempt to copy, possess, or attempt to possess the contents of all or part of a computer database that was unlawfully accessed. A violator is guilty of a misdemeanor and is subject to maximum penalties of imprisonment for three years and/or a fine of $1,000.

The measures also authorize, in a criminal case or juvenile proceeding involving identity fraud, the introduction of the affidavit of a lawful credit cardholder as substantive evidence that the credit card or credit card number of the credit cardholder was taken, used, or possessed without the authorization of the credit cardholder.

In addition, under ***Senate Bill 60/House Bill 1113***, a person is prohibited from using a "re-encoder" or "skimming device" to access, read, or scan personal identifying information or a payment device number. The bills prohibit a person from knowingly, willfully possessing, with fraudulent intent, such a device for the unauthorized use, sale, or transfer of personal identifying information or a payment device number and applies the penalties for identity fraud violations to these offenses.

Furnishing Alcohol to a Minor – Penalties

According to testimony presented in 2008 legislative hearings, underage drinking cost the citizens of Maryland $1.2 billion in 2005. These costs include medical care, work loss, and pain and suffering associated with the multiple problems resulting from the use of alcohol by youth. This translates to a cost of $2,292 per year for each youth in the State.

Under current law, it is a civil offense for a person to furnish an alcoholic beverage for consumption to a minor. Maximum penalties are a fine of $1,000 for a first violation and a fine of $1,500 for a subsequent violation. If the person furnishing the alcoholic beverage and the person consuming the alcoholic beverage are members of the same immediate family and if the alcoholic beverage is furnished and consumed in a private residence, they are exempt from this prohibition. Also exempt from this prohibition are participants in a religious ceremony.

Senate Bill 166/***House Bill 76*** ***(both passed)*** increase the maximum penalty for furnishing or allowing underage consumption or possession of alcohol from $1,000 to $2,500 for a first offense and, for a subsequent violation, from $1,500 to $5,000.

Dogfighting and Cockfighting

According to the Humane Society of the United States, in 19 states, being a spectator at a dogfight is a felony. In 27 states, including Maryland and the District of Columbia, being a spectator at a dogfight is a misdemeanor. In 27 states, including Maryland, being a spectator at a cockfight is a misdemeanor, while in 13 states being a spectator at a cockfight is a felony.

Senate Bill 44/***House Bill 719*** ***(both passed)*** increase the maximum penalties for knowingly attending a deliberately conducted dogfight or cockfight as a spectator from imprisonment for 90 days and/or a fine of $1,000 to imprisonment for one year and/or a fine of $2,500.

Sex Crimes

The rule of lenity requires that in a criminal case in which statutory interpretation is ambiguous, doubts are to be resolved in favor of the defendant. ***Senate Bill 16*** ***(passed)*** clarifies that an adult who has been convicted for a second time of first degree rape or first degree sexual offense involving a victim under age 13 is subject to the 25-year mandatory minimum sentence provided for each offense.

A discussion of legislation addressing sexual offender registration provisions may be found in the Criminal Procedure subpart under this Part E – Crimes, Corrections, and Public Safety of this *90 Day Report*.

Crimes Against a Law Enforcement Officer

Under current law, a person may not intentionally cause physical injury to another if the person knows or has reason to know that the other is a law enforcement officer engaged in the performance of the officer's official duties. "Physical injury" means any impairment of physical condition, excluding minor injuries. A violator is guilty of the felony of second degree assault and subject to maximum penalties of imprisonment for 10 years and/or a fine of $5,000.

Under these provisions, the term "law enforcement officer" is defined as an individual who, in an official capacity, is legally authorized to make arrests and is a correctional officer or a member of a State or local police force that includes the State Police, a State agency police force, a county, municipal, or bicounty police department, or college police force. ***Senate Bill 294***/***House Bill 348*** ***(both passed)*** expand this definition by adding members of the Washington Metropolitan Area Transit Authority (WMATA) Metro Transit Police.

Altering Drug or Alcohol Screening Tests

Synthetic urine is a product advertised on the Internet to "assist people who are subject to urine drug tests or who do not have the necessary time to complete their personal detoxifying program." According to one Internet site, the product may not be sold or shipped anywhere it is prohibited by law.

Maryland law currently prohibits a person, with the intent to defraud or alter the outcome of a drug or alcohol screening test, from altering a "bodily fluid" sample, substituting a bodily fluid sample with that of another person or animal, or possessing, using, selling, or transporting into the State a "bodily fluid adulterant." ***House Bill 1171*** ***(passed)*** clarifies these provisions by including synthetic urine or any substance intended to substitute for a sample of bodily fluid under the definition of "bodily fluid adulterant."

Theft Sting Operations

A person may not possess stolen personal property knowing that it has been stolen, or believing that it probably has been stolen, if the person intends to or acts in such a way as to deprive the owner of the property. ***Senate Bill 387***/***House Bill 282*** ***(both passed)*** would allow for law enforcement "sting operations" against theft rings by providing that, in a prosecution for theft by possessing stolen property, it is not a defense that the property was provided by law enforcement as part of an investigation, if the property was described to the defendant as being obtained through the commission of theft.

Unauthorized Removal of Property

House Bill 1265 ***(passed)*** repeals the requirement that a person enter or be on the premises of another for a conviction of the crime of taking and carrying away property from the premises or out of the custody or use of the other without permission. This action eliminates an element of this crime, which appears to have been unintentionally added under a nonsubstantive recodification of the offense in 2002.

Forgery of Signature and Counterfeit Documents

As recommended by the Committee to Revise Article 27 of the Annotated Code of Maryland – Crimes and Punishments, ***Senate Bill 250*** ***(Ch. 29)***/***House Bill 550*** ***(Ch. 30)*** remove the element of "intent to defraud another" from the offense of counterfeiting, causing to be counterfeited, or willingly aiding in the counterfeiting of a commission, patent, or pardon. These Acts also add orders for release or other court documents to this expanded offense. In addition, a person is prohibited from writing, signing, or possessing a counterfeit (1) commission, patent, pardon, order for release, or other court document; or (2) warrant, certificate, or other public security from which money may be drawn from the State treasury. A violator is guilty of a felony and is subject to a penalty of imprisonment for at least 2 years and up to 10 years.

Under the Acts, a person is also prohibited from (1) forging, falsifying, or counterfeiting the signature of a judge, court officer, or court employee of the State; or (2) using a document with the forged, falsified, or counterfeit signatures of these individuals while knowing that the signature is forged, falsified, or counterfeit. A violator is guilty of a misdemeanor and is subject to a maximum penalty of five years imprisonment and/or a $10,000 fine.

Cemetery Destruction

House Bill 353 ***(passed)*** requires a person who violates a provision of law that prohibits the destruction of funerary objects to pay for the restoration of any damaged or defaced property in a cemetery to the property's owner or the cemetery's owner.

Criminal Gangs

Chapter 496 of 2007, the Maryland Gang Prosecution Act of 2007, created new offenses regarding criminal gangs. Chapter 496 prohibits a person from participating in a criminal gang knowing that the members of the gang engage in an ongoing pattern of criminal gang activity and prohibits the knowing or willful directing or participating in the commission of an underlying crime committed for the benefit of, at the direction of, or in association with a criminal gang. In addition, Chapter 496 authorized the Attorney General to aid in investigations and prosecutions at the request of a State's Attorney for a county. It also required the Attorney General and the Maryland State's Attorneys Association to report to the General Assembly, by January 1, 2008, on their recommendations for more legislation to assist in the prosecution of gang activity. Several bills were introduced in the 2008 session based on those recommendations. All failed.

Senate Bill 636/***House Bill 1308*** ***(both failed)*** would have altered the definition of a "criminal gang" by repealing the requirement that a group of three or more persons whose members meet additional criteria must have an ongoing association in order to be defined as a criminal gang. ***Senate Bill 637***/***House Bill 1321*** ***(both failed)*** would have required that any sentence imposed for a violation of the prohibition against participation in a criminal gang be separate from and consecutive to a sentence for any crime establishing a violation. ***Senate Bill 640***/***House Bill 1307*** ***(both failed)*** would have expanded the crimes that are considered "underlying crimes" for purposes of the prohibition against participating in a gang offense to include misdemeanor assault, malicious destruction of property, pandering, receiving earnings of a prostitute, and betting, wagering, or gambling. ***Senate Bill 634***/***House Bill 1322*** ***(both failed)*** would have established that the juvenile court does not have jurisdiction over a child at least

16 years old who is alleged to have committed a violation of specified gang-related crimes. ***Senate Bill 633*** ***(failed)*** and ***Senate Bill 641*** ***(failed)*** would have addressed the forfeiture of property used in criminal gang activities and other prohibitions and penalties related to financial transactions made in connection with criminal gang activities.

Criminal Procedure

Death Penalty

Implementation of the death penalty has been effectively halted nationwide by the Supreme Court's decision in September 2007 to consider the constitutionality of the lethal injection process in Kentucky. Oral arguments in *Baze v. Rees* (No. 07-5439) were heard in January 2008. The case has wide ranging implications because the Kentucky procedures for lethal injection are substantially similar to the procedures used in many other states, including Maryland.

Prior to the developments in the *Baze* case, the Maryland Court of Appeals ruling in *Evans v. State*, 395 Md. 256 (2006) halted executions in Maryland. In that case, the court rejected a race-based constitutional challenge, but found that the procedures for lethal injection were implemented without the input required by the Administrative Procedures Act (APA). The court held that the Division of Correction (DOC) protocols directing the administration of lethal injection are ineffective until either (1) the protocols are adopted as regulations according to the APA; or (2) the General Assembly statutorily exempts the protocols from the requirements of the APA. In effect, the decision placed a moratorium on the imposition of the death penalty pending action by DOC or the General Assembly.

Senate Bill 614/***House Bill 1111*** ***(both passed)*** establish a 22-member Maryland Commission on Capital Punishment (MCCP) to study all aspects of capital punishment as currently and historically administered in the State. The bills specify the commission's membership and provide for the Governor to appoint certain members reflecting the broad diversity of views on capital punishment and the racial, ethnic, gender, and geographic diversity of the State. MCCP must make a final report and if applicable, a minority report, on its findings and recommendations to the General Assembly by December 15, 2008. MCCP recommendations are to address the application and administration of the death penalty in the State so that they are free from bias and error and achieve fairness and accuracy. The recommendations must also address racial, jurisdictional, and socioeconomic disparities, the risk of innocent people being executed, a comparison of the effects of court cases involving capital punishment and life imprisonment, and the impact of DNA evidence in capital cases.

Senate Bill 645/House Bill 1328 ***(both failed)*** would have repealed the death penalty and all provisions relating to it. A person found guilty of murder in the first degree would be sentenced to imprisonment for life or imprisonment for life without the possibility of parole. The bills also would have provided that an inmate who had been sentenced to death before the bills' October 1, 2008 effective date and who had not been executed, may not be executed and would be considered as having received a sentence of life imprisonment without the possibility of parole.

House Bill 1250 ***(failed)*** would have exempted from the requirements of the APA the protocols of the Department of Public Safety and Correctional Services governing the administration of the death penalty, including any execution operations manual. As a practical matter, this bill would have ended Maryland's moratorium on the death penalty.

Custodial Interrogation

Interest in recorded interrogations has increased since the 2002 release of the five teenagers convicted of the 1989 rape and near-murder of the "Central Park Jogger" on the basis of their nonvideotaped interrogations, but videotaped confessions. They were ordered released after another person confessed to having committed the crime, acting alone, and DNA evidence failed to link the teenagers to the attack.

Recording the *Miranda* warnings at the start of an interrogation could reduce subsequent challenges based on a defendant's allegation that law enforcement failed to properly advise of these rights. The practice could also help resolve questions as to what was said and done over the course of an interrogation.

Alaska, Illinois, Maine, Minnesota, New Hampshire, New Jersey, New Mexico, Wisconsin, and the District of Columbia have mandatory recording of confessions. The Alaska and Minnesota supreme courts have informed law enforcement officials in those states that they must record interviews of suspects in detention whenever feasible, or risk the statements being ruled inadmissible in court. Also, approximately 500 local jurisdictions have voluntarily adopted recording policies. Legislation concerning the mandatory electronic recording of interrogations was introduced in 23 states in 2007, and at least 4 states to date in 2008.

Senate Bill 76/***House Bill 6*** ***(both passed)*** declare that it is the public policy of the State that (1) a law enforcement unit that regularly utilizes one or more interrogation rooms capable of creating audiovisual recordings of custodial interrogations shall make reasonable efforts to create an audiovisual recording of a custodial interrogation of a criminal suspect in connection with a case involving murder, rape, sexual offense in the first degree, or sexual offense in the second degree, whenever possible; and (2) a law enforcement unit that does not regularly utilize one or more interrogation rooms capable of creating audiovisual recordings of custodial interrogations shall make reasonable efforts to create an audio recording of a custodial interrogation of a criminal suspect in connection with a case involving murder, rape, sexual offense in the first degree, or sexual offense in the second degree, wherever possible.

Under the bills, an audio or audiovisual recording made by a law enforcement unit of a custodial interrogation of a criminal suspect is exempt from the Maryland Wiretapping and Electronic Surveillance Act. The bills also require the Governor's Office of Crime Control and Prevention (GOCCP) to annually report to the General Assembly on the progress of jurisdictions in establishing interrogation rooms capable of making audiovisual recordings and to give such reports at Statestat meetings. GOCCP must also work with State and local law enforcement agencies to secure all funding available for law enforcement improvement and to develop a program to assist local and State law enforcement agencies to fund the establishment and operation of interrogation rooms capable of creating audiovisual recordings of custodial interrogations.

Nuisance Crimes – Expungement

Expungement means the removal of a police or court record from public inspection by obliteration or by removing the record to a separate secure area to which people without a legitimate reason are denied access. A person who is charged with an offense may file a petition for expungement if the person is acquitted or the charge is dismissed, if the court stets the charge or enters a probation before judgment or *nolle prosequi*, or if an assault charge is compromised or the case is transferred to the juvenile court. The law also authorizes a person who is convicted of a nonviolent offense and granted a gubernatorial pardon to file a petition for expungement. In addition, Chapter 63 of 2007 provided for automatic expungement of records relating to arrests that do not result in the filing of a charge.

Senate Bill 695/***House Bill 685*** ***(both passed)*** authorize a person convicted of certain State or local public nuisance crimes, including urination in a public place, panhandling, loitering, and vagrancy, to seek expungement of the associated criminal records. The petition may not be filed within three years after the conviction or satisfactory completion of the sentence, whichever is later. If two or more charges arise from the same incident or set of facts, a person is not entitled to petition for the expungement of one charge or conviction if the other charge would not be expungeable. In addition, a person is not entitled to expungement if, since the time of the conviction of the nuisance crime for which expungement is sought, the person has been convicted of another crime other than a minor traffic violation, or is a defendant in a pending criminal proceeding.

Sexual Offenders

Following several high-profile sexual assault cases, far-reaching State and federal legislation has been enacted to more strongly punish and more closely monitor sex offenders. The federal Sex Offender Registration and Notification Act (SORNA), which is Title I of the Adam Walsh Child Protection and Safety Act of 2006 (Public Law 248-109), calls for conformity by the states with various aspects of sex offender registration provisions, including registration by specified juvenile offenders, specific information to be collected from registrants, verification, duration of registration, access to and sharing of information, and penalties for failure to register. The U.S. Attorney General is required by the Act to issue guidelines and regulations to interpret and implement the legislation. Proposed guidelines were published on May 30, 2007. The period for public comment on the proposed guidelines ended on August 1, 2007. Final guidelines have not yet been published. Under SORNA, July 27, 2009 is the deadline for substantial implementation of SORNA's requirements for all registration jurisdictions.

The General Assembly considered several bills relating to sex offender registration in 2008. ***Senate Bill 56/House Bill 18*** ***(both passed)*** require that, in addition to any aliases, the registration statement of a person required to register with the State's sexual offender registry include the registrant's former names, electronic mail addresses, computer log-in or screen names or identities, instant-messaging identities, and electronic chat room identities used by the registrant. The bills also add (1) a copy of the registrant's valid driver's license or identification card; and (2) the license plate number and description of any vehicle owned or regularly operated by the registrant as items that must be included in a registration statement.

Senate Bill 629/House Bill 761 ***(both failed)*** would have applied the State's sex offender registry provisions retroactively to include a person convicted on or after October 1, 1995, of certain sexual offenses committed before that date.

The Department of Public Safety and Correctional Services (DPSCS) submitted two departmental bills relating to sex offender registration. ***House Bill 1538*** ***(failed)*** would have made changes to notification and registration provisions so as to conform to the SORNA. DPSCS also sent the provisions of this bill to the Office of Sex Offender Sentencing, Monitoring, Apprehending, Registering, and Tracking of the U.S. Department of Justice ("SMART Office") for a ruling as to compliance with SORNA. As the 2008 session was ending, the SMART Office advised DPSCS that these proposed changes would not have put Maryland in compliance with the proposed regulations/guidelines.

The other departmental submission, ***House Bill 1450*** ***(failed)***, would have made substantive and organizational changes to provisions governing the extended supervision of some sexual offenders (as provided under Chapter 4 of the 2006 special session) and provided for the registration of homeless sexual offenders.

Sentencing for Drug Convictions

Maryland law requires judges to sentence certain repeat offenders convicted of drug-related crimes to serve nonsuspendable and nonparolable mandatory minimum terms. In the 2007 session, House Bill 992 sought to address the issue of parole eligibility of second time drug offenders. The Governor vetoed the bill but expressed support for drug offenders receiving addiction treatment services. ***Senate Bill 552***/***House Bill 845*** ***(both failed)*** would have (1) separated the prohibition against manufacturing a controlled dangerous substance; (2) made all subsequent offenders eligible for drug treatment; (3) established a new misdemeanor maximum penalty sentence of imprisonment of 90 days and or a fine of $500 for possession of a small amount of a drug (equal to or less than one-tenth of a gram); and (4) established a new misdemeanor maximum penalty sentence of imprisonment for five years and/or a fine of $25,000 for distributing a small amount of a drug (as specified depending on the drug). A person previously convicted of drug possession or of a crime of violence within the preceding three years, or who sold drugs to a minor would not have been eligible for the new misdemeanor penalty for distribution.

Eligibility for Parole – Medical Parole

DPSCS currently participates in an early release program for inmates with serious irreversible terminal illness who no longer present a risk to public safety. Under this nonstatutory medical parole program, the Division of Correction recommends inmates with terminal conditions to the Maryland Parole Commission for evaluation. In pretrial facilities, offenders who have not yet been adjudicated and who are terminally ill with less than six months to live may receive compassionate releases.

House Bill 883 ***(passed)*** establishes medical parole as a form of release from incarceration in a State or local correctional facility for incapacitated inmates who are serving a sentence with the possibility of parole and, as a result of a medical or mental health condition, disease, or syndrome, pose no danger to public safety. The bill provides a procedure for the commission to initiate consideration of the appropriateness of granting a medical parole and obtain information relevant for its consideration.

The commission is required to consider specified information and to notify victims, allowing them an opportunity to be heard, before granting the inmate a medical parole release. The commission may impose conditions on a medical parolee, and, if a parolee's incapacitation ends, may reincarcerate the parolee. The Governor must approve a medical parole for a person serving a life sentence.

Office of the State Prosecutor – Subpoena Authority

The Office of the State Prosecutor, an independent agency within the Executive Branch, investigates and prosecutes a variety of criminal offenses by public officials. ***House Bill 424*** ***(passed)*** authorizes the State Prosecutor, in order to further an ongoing criminal investigation under the State Prosecutor's jurisdiction, to issue a subpoena to produce telephone, business, governmental, or corporate records or documents.

Admissibility of Evidence – Intercepted Electronic Communications

Senate Bill 271/***House Bill 869*** ***(both passed)*** add "electronic communications" to the existing prohibition on the admissibility of intercepted oral and wire communications that were obtained in violation of the Maryland Wiretapping and Electronic Surveillance Act. The bills also add "electronic communications" to the exception that allows for the admissibility of any oral or wire communication intercepted in another state or U.S. territory, in accordance with the laws of that jurisdiction, that would have been in violation of this State's Act if (1) at least one of the parties to the communication was outside the State during the communication; (2) the interception was not made as part of or in furtherance of an investigation conducted by or on behalf of law enforcement officials in this State; and (3) all parties to the communication were co-conspirators in a crime of violence as defined by Maryland statute.

The bills also repeal the exclusion of the radio portion of a cordless telephone communication that is transmitted between the cordless telephone handset and the base unit from the definition of "electronic communication."

Criminal Procedure Article – Code Revision Additions

Senate Bill 37 ***(Ch. 15)*** revises, restates, and recodifies the laws that relate to the Office of the State Prosecutor, the Office of the State's Attorney in each county, and the Office of the Public Defender by adding new Titles 14, 15, and 16, respectively, to the Criminal Procedure Article. The three titles derive primarily from Article 10 – Legal Officials, Article 27A – Public Defender, and Title 9, Subtitle 12 of the State Government Article – Office of the State Prosecutor.

The provisions applicable to the Office of the State Prosecutor include laws concerning the establishment of the office, the eligibility of individuals to be nominated and appointed to be the State Prosecutor, the State Prosecutor Selection and Disabilities Commission, the filling of vacancies in the office, the general powers and duties of the State Prosecutor, and the budget and staff of the office.

The provisions applicable to the Office of the State's Attorney include laws concerning the duties of the State's Attorney, the State's Attorneys' Coordination Council and the Office of the State's Attorneys' Coordinator, and the salary, expenses, staffing, and other matters regarding the State's Attorneys for each county.

The provisions applicable to the Office of the Public Defender include laws concerning the establishment of the office and its personnel, representation of indigent individuals, representation in federal court, and the duties and powers of the Public Defender.

A companion bill, ***Senate Bill 10*** ***(Ch. 13)***, corrects specified cross references to new Title 14 and Title 15 that revise provisions relating to the Office of the State's Attorney and the Office of the Public Defender, respectively. ***House Bill 1186*** ***(passed)*** repeals obsolete provisions of the Annotated Code related to duties of the State's Attorney in specified counties that the State's Attorney no longer performs.

Juvenile Law

Access to and Release of Confidential Information

The confidentiality of police and court records concerning children, is generally protected by law and regulation. In the 2008 session, the General Assembly took steps to provide limited access to and release of these records in specific situations.

Escapes from Detention Centers

A police record concerning a child is confidential and must be maintained separate from those of adults. The contents of the record may only be divulged (1) by order of the court; (2) for purposes of notifying a local school superintendent of an arrest; (3) to the Department of Juvenile Services (DJS) or law enforcement for purposes of investigation or prosecution; (4) to the Maryland Division of Parole and Probation, Maryland Parole Commission, or Maryland Division of Correction for purposes of carrying out their statutory duties; (5) for purposes of notification of a victim of a proceeding involving a juvenile defendant or respondent; or (6) for criminal justice research purposes.

House Bill 882 ***(passed)*** provides an exception to the general prohibition against disclosure of a juvenile police record by authorizing a law enforcement agency to release to the public a photograph and information identifying a child who has escaped from a juvenile detention center or a secure residential facility for purposes of facilitating apprehension of the child and ensuring public safety.

Arrests for Reportable Offenses

When a student who is enrolled in a public school is arrested for committing a violent crime or for any of various gang-, weapons-, or drug-related offenses, the law enforcement agency making the arrest must notify either the student's principal or the local superintendent of schools of the student arrest. The State's Attorney must notify the local superintendent of disposition of the case. Information concerning the arrest and disposition of the case is considered confidential and may not be made part of the student's permanent school record. However, it may be shared as a confidential file with another public school in which the student enrolls or transfers information obtained by a local superintendent is to be used to provide appropriate educational programming to the student and to maintain a safe and secure school environment.

Senate Bill 238/***House Bill 75*** ***(both passed)*** were prompted by an incident that occurred in a private school in Carroll County, Maryland. The principal of Faith Christian School in Westminster unknowingly enrolled a student in the school who had previously committed a sexual assault. Because law enforcement and the public schools that the student previously attended were prohibited from notifying a private school of the student's arrest and subsequent disposition, the safety of the students at Faith Christian School was compromised. Accordingly, ***Senate Bill 238***/***House Bill 75*** apply the laws relating to the notification to school officials of the arrest of the student for certain reportable offences to private schools.

Access by the Baltimore City Health Department

Chapter 10 of 2006 established the authority of the Baltimore City Health Department to access the court, Social Services, juvenile justice, and police records of children who are victims of violence or who are under the health department's care. For records concerning victims of violence, the purpose of the disclosure must be the development of appropriate programs and policies to reduce violence against Baltimore City children. All information must be kept confidential and the health department must report on the purposes for which the records were used. The health department is liable for the unauthorized release of any information provided under the bill's provisions. This authority terminates on September 30, 2008.

***Senate Bill 607*/*House Bill 768* (both passed)** extended the termination date to September 30, 2011, for the provisions enacted by Chapter 10 of 2006. Additionally, the bills authorize the Baltimore City Health Department to access the court, social services, juvenile justice, and police records of a child if the record concerns a child convicted of a crime or adjudicated delinquent for an Act that caused a death or near fatality. This provision also terminates on September 30, 2011.

Juvenile Programs

Youth Welfare Funds

A July 2007 legislative audit found that DJS had recorded fiscal 2006 telephone and vending machine commissions of $186,000 as special funds in violation of General Accounting Division (GAD) requirements. According to the *Accounting Procedures Manual* developed by GAD, all such commissions are considered general funds unless the Board of Public Works determines otherwise. As DJS was not able to document board approval to account for these commissions as special funds, the audit determined that DJS had lacked the authority to carry these funds over to the next fiscal year.

DJS advised that telephone and vending machine commissions had been historically recorded as special funds, with proceeds used for recreational and other programs. The proposed fiscal 2009 State budget reflects these commissions as special funds. ***House Bill 706* (passed)** establishes a special, nonlapsing youth welfare fund in each facility of DJS. Each youth welfare fund consists of monies derived from commissary profits, telephone and vending commissions, and money received from other sources. These funds are authorized for use in purchasing goods and services that benefit the youth in the facility. The bill takes effect June 1, 2008.

Repeal of Private Residential Rehabilitative Institutions

Chapter 419 of 2005 defines a "private residential rehabilitation institution" as a private, nonprofit facility serving 150 or more youth that provides academic, athletic, and workforce development to court-adjudicated children. To qualify as this type of institution, the program must have been approved to operate by October 1, 2005.

Only one program, Bowling Brook Preparatory School in Carroll County, however, met the definition of a private residential rehabilitative institution, – and in March 2007, the facility closed. ***House Bill 651* (passed)** repeals the authorization for and operating requirements of a private rehabilitative institution.

Public Safety

Use of DNA

According to the National Conference of State Legislatures, all states require certain sex offenders to provide a DNA sample to authorities, and 44 states require that all convicted felons provide a DNA sample. Seeking to make further use of DNA samples, ***Senate Bill 211*** ***(passed***), requires a DNA sample to be collected from an individual who is charged with a crime of violence or felony burglary or an attempt to commit those crimes. State law defines a "crime of violence" to include several specific crimes, including abduction, arson, kidnapping, manslaughter, murder, rape, carjacking, first or second degree sexual offense, various types of assault, and attempts to commit the above crimes.

The bill takes effect January 1, 2009, and the requirement to collect DNA samples terminates December 31, 2013. On or before January 15, 2009, the Office of the Public Defender and the Governor's Office of Crime Control and Prevention (GOCCP) are required to jointly report on barriers to postconviction review of claims of factual innocence, particularly those based on DNA evidence.

The bill contains requirements designed to safeguard against the misuse of DNA samples and sets forth requirements for the proper collection, testing, storage, and disposal, when applicable, of DNA samples. For example, the bill prohibits a DNA sample collected from an individual charged with a crime of violence or felony burglary to be tested or placed in the statewide DNA database system prior to the first scheduled arraignment date, unless the individual consents to or requests testing prior to the arraignment for the purpose of having it checked against a sample that has been processed from the crime scene or the hospital.

Additionally, the bill requires a court to order a DNA database search if the court finds during a postconviction hearing that a reasonable probability exits that a search has the potential to provide exculpatory evidence relating to a postconviction claim. If the search results are favorable to a petitioner, the court is required to order a new trial if there is a substantial possibility that the petitioner would not otherwise have been convicted or may order a new trial in the interest of justice.

The bill provides for the automatic expungement of a DNA record and destruction of a DNA sample within 60 days if the criminal action does not result in a conviction, is finally reversed or vacated and no new trial is permitted, or results in the granting of an unconditional pardon. A DNA sample or DNA record may not be automatically destroyed or expunged if the criminal action is placed on the *stet* docket or the individual receives probation before judgment.

Moreover, an individual may request a court to have a DNA record or profile expunged from the statewide database. On receipt of a court order of expungement, the director of the crime laboratory shall purge any DNA record, DNA sample, or other identifiable information covered by the order from the statewide DNA database and the statewide DNA repository.

To further guard against the improper use of DNA information, the bill prohibits the testing of a DNA sample if the information does not relate to the identification of an individual. The bill also prohibits the use of a DNA sample or record that is required to be destroyed or expunged from being used in a subsequent civil or criminal proceeding. Disclosure of DNA information to unauthorized persons or obtaining DNA information without authorization are misdemeanor offenses, punishable by maximum penalties of five years incarceration and/or a $5,000 fine.

Beginning April 1, 2010, the State Police must annually report on the status of the statewide DNA database system, including expenses, human resource costs, a statistical analysis of the racial demographics of individuals charged with a covered offense, and a detailed analysis of the investigations aided by DNA profiles. Beginning January 31, 2010, local law enforcement agencies must annually report to the State Police with information needed for the statewide report.

The fiscal 2009 budget provides $1.4 million to the State Police for additional DNA sample collections.

Industrialized Buildings

An industrialized building, formerly known as a "factory-built building," is a building assembly or system of building subassemblies manufactured in its entirety, or in substantial part, off-site and transported to a site for installation or erection with or without other specified components, as a finished building or as part of a finished building that comprises two or more industrialized building units. Included within the definition are electrical, plumbing, heating, ventilating, insulation, and other service systems of the building assembly or system of building subassemblies if the service systems are installed at the off-site manufacture or assembly point. An industrialized building does not include open frame construction that can be completely inspected on-site or a manufactured home.

House Bill 1476 ***(passed)*** creates an additional exception to the definition of "industrialized building" for purposes of certification by the Department of Housing and Community Development (DHCD) by exempting any building that is 8 feet or less in width and 40 feet or less in length, and that is used for business purposes, mobile offices, or storage, and is not open to the general public. A manufacturer of an exempted building may elect to have DHCD certify the building in order to provide an insignia. The bill's provisions are effective June 1, 2008.

Boilers and Pressure Buildings

Senate Bill 840/***House Bill 1274*** ***(both passed)*** authorize inspection of an exhibition or antique boiler or pressure vessel by a private inspector, if the inspector is certified by the American Society for Nondestructive Testing and commissioned by the National Board of Boiler and Pressure Vessel Inspectors. If the private inspector finds that the unit meets all applicable requirements, the chief boiler inspector must issue a certificate to the owner that authorizes use of the unit in an exhibit or show for noncommercial purposes. Under ***House Bill 407*** ***(failed)*** the Commissioner of Labor and Industry would have been authorized to commission special inspectors employed by certain authorized inspection agencies to make certificate inspections.

Elevator Safety

House Bill 63 ***(passed)*** establishes an Elevator Safety Review Board Fund to cover the actual documented direct and indirect costs of fulfilling the statutory and regulatory duties of the board. A more detailed discussion of this bill may be found under Part H – Business and Economic Issues of this *90 Day Report*.

Law Enforcement and Correctional Officers

House Bill 263 ***(passed)*** changes the chairmanship of the Police Training Commission from the Deputy Secretary of Public Safety and Correctional Services (or representative) to the Secretary of State Police. The bill also specifies that the Secretary of Public Safety and Correctional Services serves on the commission, rather than the deputy secretary.

Law enforcement officers who are charged with a felony may be subject to an emergency suspension without pay until a hearing is held. ***House Bill 1370*** ***(failed)*** would have allowed the Board of Public Works to grant lost wages and attorney's fees under certain circumstances to a State law enforcement employee suspended without pay who applies for such payment or reimbursement, less any amount for lost wages due to unrelated administrative suspension or disciplinary action.

A correctional officer employed in any unit of the Division of Correction must be at least 21 years old. This age requirement is extended by ***House Bill 765*** ***(passed)*** to correctional officers hired on or after October 1, 2008, in the Patuxent Institution or any unit of the Division of Pretrial Detention and Services, which is responsible for processing and managing the care, custody, and control of Baltimore City arrestees and inmates, primarily at the Baltimore City Detention Center.

The Department of General Services (DGS) Division of Facilities Security offers 24-hour law enforcement and security for the Annapolis and Baltimore State office complexes. ***House Bill 1550*** ***(passed)***, an emergency bill, alters provisions relating to the DGS jurisdiction, authority, and responsibilities in Annapolis and Baltimore City. A more detailed discussion of this bill may be found under Part C – State Government of this *90 Day Report*.

Other Public Safety Personnel

Established in 1979, the Emergency Numbers Systems Board coordinates installation and enhancement of county 9-1-1 emergency telephone number services systems. The board issues guidelines and determines review procedures to approve or disapprove county plans for these systems and sets criteria for reimbursing counties from the original 9-1-1 Trust Fund and from ongoing funds and provides for audit of trust fund accounts.

The membership of the Emergency Number Systems Board increases to 17 members under ***Senate Bill 178*** ***(passed).*** The two additional members are a second representative of emergency management services in the State and a representative of the geographical information systems in the State.

Since January 1, 1984, any Cecil County volunteer firefighter who accumulates enough points to qualify and certify for 25 years of service credit and who fails to remain active or otherwise serve in a volunteer fire company is eligible to begin receiving benefits at age 60. Monthly benefits paid from the county's Volunteer Length of Service Award Program fund are $300 for 25 years of service and $6 for each additional year of service credit. ***House Bill 1495*** ***(passed)*** lowers the age, from 60 to 55, at which a Cecil County volunteer firefighter with 25 years of service credit can begin receiving retirement benefits. The bill takes effect July 1, 2008.

House Bill 1245 ***(passed)*** creates a Bill of Rights relating to the employment, investigation, and discipline of correctional officers in Cecil County. The bill's provisions are similar to the provisions of the Law Enforcement Officers' Bill of Rights, enacted in 1974 to guarantee police officers of specified State and local agencies certain procedural safeguards in any investigation that could lead to disciplinary action.

Inmates

Local correctional facilities are responsible for all inmate costs during the first 90 days of incarceration, after which the State shares the per diem facility costs. The State is also required to pay for medical expenses that exceed $25,000 per inmate per fiscal year for all inmates confined in a local correctional facility, regardless of whether the inmate has been sentenced. In fiscal 2006, the State paid approximately $665,000 toward these medical expenses.

House Bill 359 ***(passed)*** limits liability for payment to a health care provider for any health care service provided to a local correctional facility inmate outside the facility to the lesser of (1) the actual amount billed by the health care provider; or (2) the Medicaid rate. Counties may exempt themselves from these provisions by filing a specified written declaration that may be withdrawn at any time. "Health care providers" do not include hospitals regulated by the Health Services Cost Review Commission. For federally qualified health centers, the "Medicaid rate" is the amount that would be paid by Medicaid using a specified federal payment methodology.

Maryland Correctional Enterprises (MCE), the prison industries program of Maryland, provides work and job training in fields ranging from data entry to furniture restoration for inmates incarcerated in Division of Correction facilities. MCE is funded by sales revenues from the goods it produces and the services it supplies to local, State, and federal agencies. These goods and services are also available for purchase by charitable, civic, educational, fraternal, or religious organizations.

House Bill 744 ***(passed)*** allows MCE to develop training programs to provide construction and construction-related services for State correctional facilities. The training programs are to be developed in consultation with the Maryland and District of Columbia Building Trades Councils. ***Senate Bill 145*** ***(failed)*** would have removed a longstanding ban against the sale of goods and services to the private sector and to an individual employed by the State.

Governor's Office of Crime Control and Prevention

Financial grants are made to the counties and qualifying municipal corporations for the exclusive purpose of providing adequate police protection, including a municipal sworn police officer allocation. They are provided under a State Aid for Police Protection Fund, which was established in 1967, and is commonly known as the police aid formula.

There are 156 municipalities in Maryland. Baltimore and Howard counties are the only counties in Maryland that do not have municipalities. The Governor's fiscal 2009 budget reflects a total of $66.4 million in general funds to cover the annual police aid formula, for 111 grants to counties and municipalities. Administration of the fund has been done by the Department of State Police.

The Governor's Office of Crime Control and Prevention (GOCCP) is responsible for the development and revision of the Maryland Crime Control and Prevention Strategy. The office administers numerous federal and State grant programs and serves as a clearinghouse for information, research, and analysis relating to crime control and prevention policy. One of its identified key goals involves the administration of funds to State and local law enforcement and criminal justice agencies to improve the delivery of services.

Effective July 1, 2008, ***House Bill 707*** ***(passed)*** transfers the administration of the State Aid for Police Protection Fund from the Department of State Police to GOCCP.

In addition, ***House Bill 705*** ***(passed)*** transfers the administration of the School Bus Safety Enforcement Fund from the Department of State Police to GOCCP. The fund is a special, nonlapsing fund that assists law enforcement agencies in addressing the problem of drivers illegally failing to stop for school vehicles.

Monitoring High Risk Adult and Juvenile Offenders

The fiscal 2009 budget includes $3.1 million to help fill parole and probation agent vacancies and to enhance the implementation of the statewide Violence Prevention Initiative. This initiative is a statewide program to identify adult offenders, whose risk factors and criminal histories indicate a propensity for violence. These offenders are then provided with enhanced supervision. Referral into the program is based on factors such as age, number of prior arrests, and gang affiliation. There are currently 1,219 such cases which have been identified for participation in the program. Of that number, 957 are in Baltimore City. The additional funds will provide more intensive supervision through the enhanced use of Global Position Satellite monitoring and lower caseload ratios.

The 2009 budget also provides just over $700,000 for the Department of Juvenile Services to use Global Positioning System equipment to track up to 200 youth who, in the opinion of the department, are at-risk of committing or becoming victims of violent crime.

Part F
Courts and Civil Proceedings

Judges and Court Administration

District Court Commissioners – Jurisdiction

District Court commissioners are judicial officers, appointed by the administrative judge of each district with the approval of the Chief Judge of the District Court. Commissioners review applications for statements of charges to determine whether probable cause exists to issue a charging document, warrant, or criminal summons. They advise arrested individuals of their rights at initial appearance hearings and determine whether the individual will be given bond, committed to jail, or released on personal recognizance. Commissioners also have the authority to issue interim peace orders and interim protective orders.

There are more than 250 District Court commissioners. Commissioners must be residents of the counties in which they serve. The Chief Judge of the District Court may assign a commissioner to serve temporarily in a county that borders the commissioner's county of residence. This assignment may only be made in extraordinary circumstances and may not exceed 30 days. ***Senate Bill 58* (passed)/*House Bill 87* (Ch. 40)** authorize District Court commissioners to exercise the powers of office in any county to which they are assigned by the Chief Judge of the District Court, or the Chief Judge's designee, and to serve temporarily in any county in the State without the need for an emergency designation by the Chief Judge.

Attorneys

State Board of Law Examiners

The State Board of Law Examiners, subject to the authority of the Court of Appeals, regulates admissions to the Bar of Maryland. The board generates revenues from bar examination and application fees. The examination fee is set by the Court of Appeals but is capped at $150 by statute. Other fees, such as the application fee, also are set by the Court of Appeals but are not subject to any statutory limits.

Senate Bill 514 ***(passed)*** increases the maximum examination fee, as set by the Court of Appeals, that an applicant for admission to the bar must pay to the board. For fiscal 2009, the maximum fee is $250; for fiscal 2010 and thereafter, the maximum fee is $400. The bill also states the intent of the General Assembly that the expenditures of the board be covered by fee revenue to the extent possible. A more detailed discussion of this bill may be found under Part H – Business and Economic Issues of this *90 Day Report.*

Payment of Taxes and Unemployment Insurance Contributions

The Client Protection Fund of the Bar of Maryland reimburses claimants for losses caused by theft of funds by members of the Maryland Bar, acting either as attorneys or as fiduciaries. About 33,000 lawyers pay annual fees to support the fund.

Senate Bill 493 ***(passed)*** requires that the fund annually provide to the Comptroller a list of lawyers who have paid annual fees to the fund during the previous fiscal year. If the Comptroller determines that a lawyer has not paid all undisputed taxes and unemployment insurance contributions and the lawyer does not make payment or provide for payment in a satisfactory manner, the Comptroller may refer the matter to Bar Counsel for disciplinary action. For a more detailed discussion of this bill, see the subpart "Miscellaneous Taxes" within Part B – Taxes of this *90 Day Report*.

Civil Actions and Procedures

Maryland Uniform Interstate Depositions and Discovery Act

The National Conference of Commissioners on Uniform State Laws recommended the Uniform Interstate Depositions and Discovery Act to clarify issues that arise with respect to interstate discovery, *i.e.*, a deposition or a production of documents or both.

Senate Bill 103 ***(passed)***/***House Bill 88*** ***(Ch. 41)*** set forth procedures to be followed by a circuit court clerk with respect to a foreign subpoena issued from another state, the District of Columbia, or any territory or possession of the United States. A party requesting issuance of a subpoena in this State is required to submit a foreign subpoena to a circuit court clerk for the county in which the deposition or production of documents is sought to be conducted.

When a foreign subpoena is submitted to a clerk, the clerk must promptly issue a subpoena for service on the individual named in the foreign subpoena. The subpoena is required to incorporate the terms used in the foreign subpoena and include or be accompanied by the names and contact information of all counsel and unrepresented parties. The subpoena must be served in compliance with the Maryland Rules. The Maryland Rules governing discovery and subpoenas in civil actions apply to subpoenas issued under the bills. However, a request for the issuance of a subpoena does not constitute an appearance by an attorney in a court of this State.

Service of Process on Nonresident Drivers

Senate Bill 413 ***(passed)*** establishes that, by exercising the privilege to drive in this State, a nonresident driver appoints the Motor Vehicle Administration (MVA) as agent to receive a subpoena, summons, or other process that is directed to the nonresident driver and is issued in an action that is related to an accident or collision involving a motor vehicle driven by the nonresident driver and in which the nonresident driver is named a party.

Service of process on the nonresident driver is valid if (1) service is made by personal delivery and leaving of a copy of the process with MVA, with a certification of the last known address of the nonresident driver; (2) a fee for service of process is paid to MVA; (3) MVA sends a copy of the process by certified mail, return receipt requested, to the nonresident driver at the driver's last known address; and (4) MVA files an affidavit of compliance with the clerk of the court in which the action is pending. MVA must provide a copy of the affidavit to the party seeking service who is required to send a copy of the affidavit to the motor vehicle insurer of the nonresident driver by certified mail, return receipt requested. When the certified mail return receipt is returned to MVA, MVA must deliver it to the party seeking service and keep a record of the date of its receipt and delivery to the party seeking service. MVA is authorized to establish and collect a fee to recover its costs.

Limitation on Arbitration – Consumer Insurance Contract

House Bill 577 ***(passed)*** establishes that any provision in an insurance contract with a consumer that requires binding or nonbinding arbitration is void and unenforceable as it limits or waives the right to a trial. The bill does not apply to a provision that establishes an appraisal process to determine the value of property.

Civil Jury Trials – Amount in Controversy

Under the English common law, parties to a civil case at law were entitled to a trial by jury regardless of the amount in controversy. Article 23 of the Declaration of Rights of Maryland preserves the right to a trial by jury in a civil case if the amount in controversy exceeds $10,000. Article 5 of the Declaration of Rights authorizes the General Assembly to adopt legislation to limit the right to a trial by jury to civil proceedings in which the amount in controversy exceeds $10,000. ***Senate Bill 404***/***House Bill 644*** ***(both failed)*** would have proposed a constitutional amendment to increase, from over $10,000 to over $20,000, the amount in controversy in civil proceedings in which the right to trial by jury may be limited by legislation. ***Senate Bill 403***/***House Bill 642*** ***(both failed)*** would have made statutory changes to implement the constitutional amendment by specifying that a party in a civil action may not request a jury trial if the amount in controversy does not exceed $20,000.

Immunity from Liability – AEDs

An automated external defibrillator (AED) is about the size of a laptop computer, and it analyzes a cardiac arrest victim's cardiac rhythm, charges to an appropriate energy level, and delivers an electric charge, as directed by the operator, through adhesive pads placed on the victim's chest.

Chapter 167 of 1999, which created the AED Program, authorizes a facility to make AEDs available to victims of sudden cardiac arrest under a program administered by the Emergency Medical Services Board. ***Senate Bill 570*** ***(passed)*** revised the program. For further discussion of ***Senate Bill 570***, see the subpart "Public Health – Generally" within Part J – Health and Human Services of this *90 Day Report*.

Senate Bill 579/House Bill 1134 ***(both passed)*** expand the circumstances under which an individual is immune from civil liability for providing automated external defibrillation. Specifically, the bills repeal the following eligibility requirements for civil immunity for conduct by individuals relating to the use of an AED: (1) the act or omission occurs while an individual is providing automated external defibrillation at an authorized facility; (2) the individual has successfully completed an AED training course and is authorized to provide automated external defibrillation; or (3) the individual is using an AED obtained by a prescription issued by a physician.

The individual must be acting in good faith and provide the assistance or aid in a reasonably prudent manner and without fee or other compensation. Immunity is not available if the conduct of the individual amounts to gross negligence, willful or wanton misconduct, or intentionally tortious conduct.

Liability of Lead Pigment Manufacturers

In 1978, lead-based paint was banned nationwide for consumer use by the federal government because of the dangers of lead poisoning. Several courts in other states have awarded damages in actions based on collective liability theories devised to remedy the problem of product identification in some tort cases. In 2005, the Wisconsin Supreme Court applied such a liability theory in a case involving lead-based paint and held that, although the plaintiff could not prove which manufacturer produced the paint that caused the lead poisoning, the suit could proceed on both negligence and strict liability theories against all manufacturers of lead paint that contributed to the risk. *Stephen Thomas v. Clinton L. Mallett, et al.*, 701 N.W.2d 523 (Wis. 2005). Maryland courts have generally rejected such liability theories that would allow a plaintiff to recover where that particular defendant's involvement in the plaintiff's injury is not proved to have been caused by that defendant.

House Bill 1241 ***(failed)*** would have changed the standard of liability in negligence, product liability, and other actions by providing that proof that an individual manufacturer's lead pigment in lead-based paint caused the damage is not necessary and providing for the manner of apportionment of damages among multiple manufacturers found liable. The bill also would have created the Maryland Lead Restitution Fund that would have consisted of funds received by the State for its claims against manufacturers of lead pigment and others in the lead paint industry for violations of State law. The fund would have been used primarily for lead abatement and prevention programs, including the Maryland Department of the Environment's Lead Poisoning Prevention Program.

Family Law

Same-sex Marriage, Civil Unions, and Domestic Partnerships

Background

Maryland law provides that only a marriage between a man and a woman is valid in this State. In July 2004, nine same-sex couples filed suit in Baltimore City against the clerks of the circuit courts from five counties, contending that the State law banning same-sex marriage is unconstitutional. The plaintiffs alleged violation of the prohibition against discrimination based on sex under the Maryland Declaration of Rights, along with violations of due process and equal protection rights.

On January 30, 2006, the Circuit Court for Baltimore City held that the State statute defining marriage is unconstitutional and violates Article 46 of the Maryland Declaration of Rights because it discriminates based on gender against a suspect class and is not narrowly tailored to serve any compelling governmental interests. Article 46 of Maryland's Declaration of Rights is commonly referred to as Maryland "Equal Rights Amendment" and prohibits abridgment of equal rights under State law because of sex.

In September 2007, the Court of Appeals issued an opinion reversing the judgment of the circuit court and upholding that State's marriage statute. See *Conaway, et al. v. Deane, et al.*, 401 Md. 219 (2007). The court held that the Equal Rights Amendment was intended to prevent discrimination based on gender, not sexual orientation. The court found that the marriage statute does not discriminate on the basis of gender because it prohibits equally both men and women from marrying a person of the same sex. The court also determined that under constitutional principles, sexual orientation is not a suspect or quasi-suspect classification, nor is same-sex marriage a constitutionally protected fundamental right. Therefore, Maryland's statute will pass constitutional muster so long as it is rationally related to a legitimate governmental interest. The court held that the marriage statute is rationally related to the State's legitimate interest in fostering procreation and encouraging the traditional family structure. However, in conclusion, the court cautioned that the opinion "…should by no means be read to imply that the General Assembly may not grant and recognize for homosexual persons civil unions or the right to marry a person of the same sex." *Id.* at 325.

Legislative Responses

In response to the Court of Appeals ruling, a number of bills were introduced in the 2008 session. Some would have legalized same-sex marriage or conferred the rights and benefits of marriage on same-sex couples through civil unions or domestic partnerships. Other bills would have submitted to the electorate a proposed constitutional amendment to ban same-sex marriage.

Senate Bill 290 ***(failed)*** and ***House Bill 351*** ***(failed)*** would have altered the definition of a valid marriage by specifying that a marriage between two individuals who are not otherwise prohibited from marrying is valid in Maryland. ***House Bill 570*** ***(failed)*** and ***House Bill 1112*** ***(failed)*** would have established civil unions as the legally recognized union of two eligible individuals of the same sex and would have extended all the rights and responsibilities of marriage to parties to a civil union. Similarly, ***House Bill 1174*** ***(failed)*** would have established domestic partnerships, akin to civil unions, for same-sex couples. ***Senate Bill 689***/***House Bill 848*** ***(both failed)*** would have replaced the institution of marriage with the institution of domestic partnership for all couples, whether of the opposite or same gender. All qualifications, rights, and responsibilities applicable to marriage would have been transferred to the institution of domestic partnership.

The General Assembly also considered ***Senate Bill 169*** ***(failed)*** and ***House Bill 1345*** ***(failed)***, which would have amended the Maryland Constitution to establish that only a marriage between a man and a woman is valid in Maryland.

While not altering or affecting the definition of marriage in State law, ***Senate Bill 566*** ***(passed)*** specifies that hospitals, nursing homes, and residential treatment centers are required to allow visitation by a patient's or resident's domestic partner and members of the domestic partner's family and establishes health care decision making rights. A more detailed discussion of this bill may be found under the Health Care Facilities and Regulation subpart of Part J – Health and Human Services of this *90 Day Report*.

Additionally, those persons in domestic partnerships or former domestic partnerships as specified in ***Senate Bill 597*** ***(passed)*** qualify for an exemption from recordation and State and county transfer taxes for residential property used as a common residence. Evidence of the domestic partnership or former domestic partnership must be submitted to qualify for the exemption. A more detailed discussion of this bill may be found under the Property Tax subpart of Part B – Taxes of this *90 Day Report*.

Domestic Violence

Permanent Protective Order Following Imprisonment

In a domestic violence proceeding, if a judge finds by clear and convincing evidence that abuse has occurred, or if the respondent consents to the entry of a protective order, the judge may grant a final protective order to protect any person eligible for relief from abuse. All relief granted in a final protective order is effective for the period stated in the order, up to a maximum of 12 months. However, for good cause shown, a judge may extend the term of a protective order for six months beyond the specified period after giving notice to all affected persons eligible for relief and the respondent and after a hearing.

***Senate Bill 393*/*House Bill 182* (both passed)** require a court to issue a new final protective order against an individual if (1) the individual was previously a respondent against whom a final protective order was issued; (2) the individual was convicted and served a term of imprisonment of at least five years for any of the following acts of abuse that led to the issuance of the final protective order: attempted murder in the first or second degrees; first degree assault; first or second degree rape; first or second degree sexual offense; or attempted rape or sexual offense in the first or second degree; and (3) the victim of the abuse who was the person eligible for relief in the original protective order requests the issuance of a new final protective order.

A new final protective order may contain only the relief that was granted in the original order requiring the respondent to refrain from abusing or threatening to abuse the person eligible for relief or refrain from contacting, attempting to contact, or harassing the person eligible for relief. Unless terminated at the request of the victim, a final protective order issued under the bills is permanent.

Enforcement of Protective Order

In 1998, the Office of the Attorney General issued an opinion on the meaning of the phrase "reasonable and necessary force" that is used on the standard protective order form when a judge awards temporary custody of a minor child pursuant to a protective order. See *83 Op. Att'y Gen. 80 (1998)*. The Attorney General concluded that the direction to law enforcement to use reasonable and necessary force was not authorized by the domestic violence statutes. A year later, the Attorney General issued another opinion on the same question. See *84 Op. Att'y Gen. 105 (1999)*. The Attorney General stated that the earlier opinion did not account for whether the court's inherent equitable powers could authorize such a direction to law enforcement. The Attorney General then concluded that the courts may have the requisite common law authority given the courts' broad grant of powers generally, the authority to act in a child's best interests, and the creation of a process to carry out its orders. However, the Attorney General suggested that an amendment to the domestic violence protective order statutes specifically conferring this authority would resolve any questions of a court's authority to issue an order to use reasonable and necessary force to enforce a custody award and the authority of law enforcement to execute such an order.

In response to this concern, ***Senate Bill 392*/*House Bill 183* (both passed)** authorize a judge who awards temporary custody of a minor child in a final protective order to order a law enforcement officer to use all reasonable and necessary force to return a minor child to the custodial parent at the time the final protective order is served or as soon as possible after entry of the order.

Children in Out-of-home Placements

Interstate Placement

Foster care is generally a federally based program, which must adhere to federal laws and conditions. The federal Safe and Timely Interstate Placement of Foster Children Act of 2006 encourages states to improve protections for children and holds them accountable for the safe and timely placement of children across state lines.

To comply with federal guidelines, ***Senate Bill 57*** ***(Ch. 16)***/***House Bill 90*** ***(passed)*** require a local department of social services and the juvenile court to consider both in-state and out-of-state placements in the development and evaluation of permanency plans for children in out-of-home placements. Additionally, the Act requires that at least every 12 months at a permanency planning or review hearing, the court consult on the record with the child in an age appropriate manner. The Act also increases from 7 to 10 the number of days' notice required to be given to a foster parent, preadoptive parent, or relative providing care regarding a permanency planning or review hearing, if practicable, and clarifies that these individuals have the right to be heard at those hearings.

Emergency Out-of-home Placement – Criminal History Records Check

State law requires criminal background investigations of certain individuals who work or volunteer with children. Among the individuals requiring a criminal history records check are an adult relative with whom a child is placed by a local department of social services, any adults living in that home, a parent or guardian of a child in an out-of-home placement, and any adult living in the home of that child's parent or guardian.

In order to minimize the amount of time a child placed by a local department of social services in an emergency out-of-home placement, due to the sudden unavailability of the child's primary caretaker, remains in a home with an adult with a criminal history, ***House Bill 265*** ***(passed)*** authorizes the local department of social services to request an interim federal name-based check on an adult relative with whom the child is placed, any adult residing in that home, and any adult residing in the home of the child's parent or guardian.

The local department must immediately remove a child from an emergency out-of-home placement if an individual does not comply with requirements for a name-based check. In addition, within 15 days after receiving the results of an individual's name-based check, the local department of social services must submit a complete set of the individual's fingerprints to law enforcement for a complete criminal history records check.

Informal Kinship Care

In general, a public school student must attend the appropriate level public school in the attendance area of the student's permanent residence.

Senate Bill 77/***House Bill 169*** ***(both passed)*** allow a child to attend a public school outside of the attendance area of the child's permanent residence if the child is living in the school's attendance area with a relative who is providing informal kinship care due to a serious family hardship. The relative must verify the informal kinship care relationship through a sworn affidavit.

For a more detailed discussion of this issue, see the subpart Education – Primary & Secondary within Part L – Education of this *90 Day Report*.

Children in Need of Assistance

Prohibition Against Consideration of Disabilities

A Child in Need of Assistance (CINA) is a child who requires court intervention because (1) the child was abused or neglected or has a developmental disability or a mental disorder; and (2) the child's parents, guardian, or custodian are unable or unwilling to give the proper care and attention to the child and the child's needs. ***Senate Bill 551*** ***(passed)*** prohibits a court, in determining whether to grant custody and guardianship of a CINA to a relative or a nonrelative, from considering a disability of the relative or nonrelative, unless the court finds that the disability causes a condition that is detrimental to the best interests of the child.

Under the bill, "disability" is defined as a physical impairment that substantially limits one or more of the major life activities of an individual. "Disability" does not include illegal use of or addiction to a controlled dangerous substance.

Safe Havens

Under Maryland's "safe haven" statute, a person who leaves an unharmed newborn with a responsible adult within a certain number of days after the birth of the newborn, as determined within a reasonable degree of medical certainty, and does not express an intent to return for the newborn is immune from civil liability or criminal prosecution for the act. ***Senate Bill 531***/***House Bill 1394*** ***(both passed)*** extend, from 3 to 10 days after birth, the time within which a person may leave an unharmed newborn with a responsible adult, without being subject to civil liability or criminal prosecution.

Disclosure of Medical Records

Chapter 503 of 2005 prohibits health care providers from providing medical information without a person's authorization unless the person has been given notice of the request and has 30 days to object. Under the CINA statute, a child placed in shelter care because the child is in danger in the home may not be continued in shelter care longer than 30 days unless the court finds after an adjudicatory hearing that continued shelter care is needed to provide for the safety of the child.

Because of the 30-day notice requirement, medical records that are often necessary to determine whether child abuse or neglect has occurred in a CINA case are not available to the court at the time of the adjudicatory hearing due to the abbreviated trial schedule in CINA cases. To address the unintentional impact of Chapter 503 of 2005 on CINA cases, ***House Bill 910*** ***(passed)*** authorizes the expedited disclosure of medical records in these cases. Specifically, the bill reduces the timeframe from 30 to 15 days that a person in interest has to object to disclosure of a medical record that is requested for a CINA proceeding.

Child Support

Maryland Interstate Family Support Act

House Bill 786 ***(passed)*** revises Maryland's current Uniform Interstate Family Support Act (UIFSA), which governs the enforcement of child support orders that involve interstate jurisdiction, to include revisions proposed in 2001 by the National Conference of Commissioners on Uniform State Laws (NCCUSL).

The most significant substantive revisions to the current UIFSA statute include (1) clarifying provisions relating to the determination of the controlling order, particularly requiring a court to make a determination as to arrears owed under all past orders; (2) requiring a court to permit a nonresident party or witness to testify by telephone; (3) clarifying provisions relating to the duration of support to specifically list "duration of the obligation of support" as an example of a nonmodifiable term under UIFSA; (4) altering provisions relating to the modification of a support order to specifically add to the bases for modification of jurisdiction the consent of the parties to have the issuing state modify the order, even if no party continues to reside there; (5) authorizing a support enforcement agency to request a redirection of payments to the support enforcement agency in the state in which the obligee currently receives child support services; (6) facilitating the modification of orders across international borders by specifying the recognition of foreign support orders on the basis of comity; and (7) specifically addressing the issue of interest on arrears.

Child Support Enforcement

Under the Federal Deficit Reduction Act of 2005, states must assess an annual $25 fee in child support cases in which the family has never received benefits under the temporary cash assistance (TCA) program and at least $500 in child support is collected within a federal fiscal year. The federal government will deduct 66 percent of the estimated revenue that could be generated from this fee from the State's Federal Financial Participation matching grant. Chapter 483 of 2007, which authorizes the Child Support Enforcement Administration to deduct from child support payments an annual collection fee of $25 from cases in which the family never received TCA and has received at least $500 in child support payments during the federal fiscal year, was enacted in response to this federal requirement. Chapter 483 of 2007 terminates on September 30, 2008.

Senate Bill 198 ***(passed)*** repeals the September 30, 2008 termination date of Chapter 483 of 2007. However, if the fee requirement contained in the federal Deficit Reduction Act is repealed, the bill terminates as of the effective date of repeal of the federal requirement. The bill also increases to $3,500 the amount of child support payments that a family is required to have received during the federal fiscal year before the Child Support Enforcement Administration is authorized to deduct the annual collection fee.

Miscellaneous

Child Care

Under current law, the State Superintendent of Schools may suspend the license of a child care center on an emergency basis as required to protect the health or safety of the child. After the issuance of an emergency suspension, a child care center may continue to operate for up to 72 hours, despite the severity of the violation.

The Maryland State Department of Education reports that during 2007, 18 emergency suspension actions were taken for reasons including health and safety issues (*i.e.*, mice and roach infestations or lack of running water); injurious treatment of children; lack of supervision; gross overcapacity; child sexual abuse allegations; and inappropriate child-to-staff ratios.

Senate Bill 184 ***(passed)*** requires a child care center to immediately cease operation on delivery of an emergency suspension notice. The emergency suspension remains in effect until the order is reversed or until the State Superintendent of Schools determines that the health, safety, or welfare of children is no longer threatened.

Counsel for Minors

Currently, in an action in which custody, visitation rights, or the support of a minor child is contested, the court may appoint a lawyer to serve as a child advocate attorney or a best interest attorney for the minor child. Lawyers appointed for minor children under these circumstances may not represent any party to the action. The court may impose counsel fees for such an appointment against "either or both parents."

In *Taylor v. Mandel*, 402 Md. 109 (2007), the maternal grandmother sought custody of or visitation with her grandchildren and requested the appointment of an attorney for the children. The parties in the action reached a settlement, and the circuit court required the maternal grandmother to pay a portion of the children's attorney's fees. The decision was affirmed by the Court of Special Appeals.

The Court of Appeals reversed those rulings, holding that the plain meaning of the term "parent" does not include grandparents. Therefore, the circuit court did not have authority to require the maternal grandmother or any nonparent to pay the attorney's fees because the term "parent" in the current statute authorizing the imposition of attorney's fees against either or both parents only permits the court to assess those fees against a mother or father.

In response, ***House Bill 149*** ***(passed)*** modifies the result in the *Taylor* case by authorizing a court to impose counsel fees for a child's attorney against one or more parties to an action in which custody, visitation rights, or the support of a minor child is contested.

Human Relations

Employment Discrimination

Chapters 176 and 177 of 2007 expanded the administrative and judicial remedies available in employment discrimination claims. As a result, a civil cause of action is available for employment discrimination claims. A complainant may elect to have the claims asserted in a complaint filed with the Maryland Human Relations Commission (MHRC) determined in a civil action brought by MHRC on the complainant's behalf if (1) MHRC finds the respondent has engaged in or is engaging in a discriminatory act; and (2) the parties have failed to reach an agreement for the remedy and elimination of the discriminatory act.

A complainant may also file a civil action if the complainant initially filed a complaint or an administrative charge alleging discrimination under federal, State, or local law and at least 180 days have elapsed since the filing of the complaint or charge. If a civil action is not elected or brought by the complainant, the case is heard before an administrative law judge.

On a judicial or administrative finding that the respondent has engaged in or is engaging in an unlawful employment practice, certain relief, including back pay, compensatory damages (within certain limitations), and attorney's fees may be awarded. Back pay is offset by interim earnings or amounts earned with reasonable diligence by the person or persons discriminated against.

The Attorney General's bill review letter for Senate Bill 678/HB 314 (Chapters 176 and 177 of 2007) raised several concerns. Specifically, the Attorney General noted that although the bills authorize MHRC and, under certain circumstances, a complainant to go to court to seek back pay, compensatory damages (within certain limitations), attorney's fees, and expert witness fees, the bills did not amend Article 49B, §17, which only prohibits the State from raising sovereign immunity as a defense against a salary award in an employment discrimination case. That provision of law does not waive sovereign immunity as a defense in a claim for compensatory damages and other monetary liability. Absent a waiver of sovereign immunity, the State and its agencies are immune from monetary liability. The Attorney General further noted that the Court of Appeals has said that, even where a statute specifically waives sovereign immunity, a suit may be maintained only where there are funds available for the satisfaction of the judgment or the agency has the power to raise funds to satisfy the judgment.

In response, ***Senate Bill 528***/***House Bill 399*** ***(both passed)*** address the concerns raised by the Attorney General regarding waiver of the State's sovereign immunity. The bills specify that the State may not raise sovereign immunity as a defense against any award made in an employment discrimination case. The bills require the State, if there are sufficient funds available, to pay any award made against the State under Article 49B as soon as practicable within 20 days after the award is final. If sufficient funds are not available, the affected State unit or officer must report the outstanding award to the Comptroller, who is required to keep and report to the Governor annually an accounting of all such awards. In addition, the bills require the Governor to include in the State budget sufficient money to pay all such awards and require the Comptroller, on appropriation of money by the General Assembly, to authorize payment of all outstanding awards in the order of the date on which each award was made.

The bills make several other changes in the laws governing administrative and judicial relief in employment discrimination cases. The bills authorize a *respondent* in a discrimination complaint, in addition to the complainant, to elect to have the claims asserted in the complaint determined in a civil action brought on behalf of the complainant by the Maryland Human Relations Commission. The bills also provide that a civil action brought by a complainant automatically terminates any related proceeding before the commission. In addition, the bills require that a civil action brought by a complainant be filed within two years after the alleged act of discrimination. The bills also clarify that the offset against back pay awards is based on amounts "earnable" rather than amounts earned.

Long-term Care Insurance – Discrimination Based on Genetic Information

***Senate Bill 918*/*House Bill 29* (both passed)** prohibit a carrier or an insurance producer of a carrier that provides long-term care insurance from requesting or requiring a genetic test or using specified genetic information to (1) deny or limit long-term care insurance coverage; or (2) charge a different rate for the same long-term care insurance coverage. The prohibition does not apply if the use of genetic information is based on sound actuarial principles.

For a more detailed discussion of this issue, see the subpart "Health Insurance" within Part J – Health and Human Services of this *90 Day Report*.

Individuals with Disabilities

***Senate Bill 577*/*House Bill 767* (both passed)** extend the rights and privileges afforded to blind, visually impaired, deaf, and hard of hearing individuals under current State law to all individuals with disabilities and the parents of minor children with disabilities.

The bills grant to all individuals with disabilities and the parents of minor children with disabilities the same rights of access to public places, accommodations, and conveyances, as well as housing accommodations, that are currently afforded to blind, visually impaired, deaf, and hard of hearing individuals. A parent of a minor with a disability who is accompanied by a service animal cannot be denied admittance or be required to pay extra compensation for the service animal.

For a more detailed discussion of this issue, see the subpart "The Disabled" within Part J - Health and Human Services of this *90 Day Report*.

Equal Pay

Chapter 3 of the 2004 special session established the Equal Pay Commission to study the extent of wage disparities in the public and private sectors. The commission was also charged with studying the factors that cause the disparities, including segregation within occupations, payment of lower wages for work in female-dominated occupations, child-rearing and household responsibilities, and differences in education or experience. The commission was required to report on the consequences of the disparities and recommend actions to eliminate differential pay.

Based on the recommendations of the Equal Pay Commission, ***House Bill 1156*** ***(Ch. 114)*** requires an employer, including the State and local governments, to keep a record of the racial classification and gender of employees. The records must be kept in accordance with the requirements established by the Commissioner of Labor and Industry, who is authorized to analyze the records to study pay disparity issues. The commissioner is required to report to the General Assembly on the findings of this review by October 1, 2013. The Act terminates December 31, 2013.

For a more detailed discussion of this issue, see the subpart "Labor and Industry" within Part H – Business and Economic Issues of this *90 Day Report*.

Real Property

Foreclosure

Background

Since 2006, changes in the real estate market and the economy in general have led to a marked increase in foreclosure events both nationwide and in Maryland. Many such foreclosures have involved residential properties that have been financed through sub-prime loans and nonbank loan originators, leading to heightened concern regarding the lending practices that surround these nontraditional financing methods. In addition, the foreclosure process itself has come under increased scrutiny due to the speed at which most foreclosures take place. A number of related factors have combined to create what many refer to as a national "foreclosure crisis," which has prompted many federal and State government entities to focus their attention on the issue.

Due to good real estate market conditions prior to 2006, the traditional mortgage market had evolved from mortgages primarily originated and provided by local banks and financial institutions to mortgages originated through mortgage brokers for nonbank lenders. Through new products, such as "exotic" and other nontraditional mortgages, lenders began to ease borrowing restrictions to allow lower credit borrowers to qualify for mortgages, greatly expanding the sub-prime market. Sub-prime loans, which are higher-cost loans, provided opportunities for a wide range of higher-risk borrowers. Consumers with lower credit scores and higher loan-to-value and debt to income ratios found that they qualified for mortgages. Further, lenders made loans to customers based on less stringent or no income and asset verification requirements. With the influx of new loans, lenders began to package the loans and sell them to Wall Street as securities to investors. By packaging risky loans with traditional loans in order to spread the risk, investors found the low-risk securities to be attractive, allowing lenders to make even more loans.

During calendar 2006, the real estate market began a downturn as interest rates increased, housing sales slowed, and home prices declined. Terms of many of the "exotic" and other nontraditional loans included adjustable rates whereby the consumer pays a low interest rate for 2 or 3 years, followed by 27 or 28 years of higher interest rates that are generally tied to the market. As the low interest rate period ended, many borrowers then found that they were unable to make the higher monthly payments due after their interest rates reset. Furthermore, many borrowers also then realized that they were unable to refinance due to prepayment penalties or to sell their property due to, in some cases, lower property values or decreased demand. In addition, many investor-owners of rental property found that they were unable to obtain the rent needed to pay their mortgages and were unable to sell due to the depressed resale market.

It is unclear exactly how much of this situation is attributable to unethical lending practices and how much is a result of borrower risk-taking; however, it is evident that many lenders have filed for foreclosure as a result. As foreclosure filings have mounted, lenders have not received all expected payments from borrowers, forcing them to curtail the number of new loans, decrease the products available to borrowers with low credit scores, and tighten overall lending practices and standards. Wall Street investors have also responded by pulling out of the risky mortgage market, and the combination of these and other factors has led to a decrease in overall nationwide housing sales and home equity growth.

Opinions differ regarding the exact number of recent foreclosures in Maryland, as well as the severity of the situation, but all sources report a substantial recent increase in foreclosure activity in the State. In response to the foreclosure crisis in the State, Governor Martin O'Malley established the Homeownership Preservation Task Force in June 2007, headed by Raymond A. Skinner, Secretary of Housing and Community Development and Thomas E. Perez, Secretary of Labor, Licensing, and Regulation. The task force met several times throughout the interim and the recommendations in the final report of the task force were the basis for the Administration's package of four major initiatives introduced and adopted during the 2008 session, discussed below.

The Foreclosure Process in Maryland

Until this year, Maryland's foreclosure process, from the first foreclosure filing to final sale, had been among the shortest in the nation. Maryland is a quasi-judicial State, meaning that the authority for a foreclosure sale is derived from the mortgage or deed of trust, but a court has oversight over the foreclosure sale process. Most mortgages or deeds of trust include a "power of sale" (a provision authorizing a foreclosure sale of the property after a default) or an "assent to decree" (a provision declaring an assent to the entry of an order for a foreclosure sale after a default). Under the Maryland Rules, it was not necessary to serve process or hold a hearing prior to a foreclosure sale pursuant to a power of sale or an assent to a decree. Consumer advocates contended that the short timeframes and weak notice provisions in State law seriously limited a homeowner's options to avoid foreclosure by, for example, working out a payment plan with the lender or selling the house. In addition, filing a request for an injunction to stop the sale is expensive, time consuming, and not a realistic option for most homeowners.

Senate Bill 216 ***(Ch. 1)***/***House Bill 365*** ***(Ch. 2)***, emergency legislation that took effect April 4, 2008, make a number of significant changes to the foreclosure process in Maryland for residential real property. "Residential property" is defined under the Acts to mean real property improved by four or fewer single-family dwelling units. Except under specified circumstances, the Acts prohibit the filing of an action to foreclose a mortgage or deed of trust on residential property until the later of 90 days after a default in a condition on which the mortgage or deed of trust states that a sale may be made or 45 days after the notice of intent to foreclose required under the Acts is sent.

Senate Bill 216/***House Bill 365*** require a secured party to send a written notice of intent to foreclose to the mortgagor or grantor and the record owner at least 45 days before the filing of an action to foreclose a mortgage or deed of trust on residential property. This notice must be sent by certified mail, postage prepaid, return receipt requested, and by first-class mail. A copy of the notice must also be sent to the Commissioner of Financial Regulation in the Department of Labor, Licensing, and Regulation. The notices must be in the form that the commissioner prescribes by regulation and contain the names and telephone numbers of the secured party, the mortgage servicer, the mortgage broker or originator, and an agent of the secured party who is authorized to modify the terms of the mortgage loan. The notice must also contain (1) the Maryland license number of the mortgage lender and mortgage originator; (2) the amount required to cure the default and reinstate the loan; and (3) any other information that the commissioner requires by regulation.

Senate Bill 216/***House Bill 365*** require that an order to docket or a complaint to foreclose a mortgage or deed of trust on residential property contain specified information and be accompanied by specified documents. A copy of the order to docket or complaint and all other papers filed with it must be served by either personal delivery of the papers to the mortgagor or grantor, or by leaving the papers with a resident of suitable age and discretion at the mortgagor's or grantor's dwelling house or usual place of abode. If at least two good faith efforts to complete service of process on different days have not succeeded, the plaintiff may effect service by (1) filing an affidavit with the court describing the good faith efforts to complete service; (2) mailing a copy of the order to docket or complaint and all accompanying papers by certified mail, return receipt requested, and first-class mail to the mortgagor's or grantor's last known address; and (3) posting a copy of the order to docket or complaint and all accompanying papers in a conspicuous place on the property subject to the mortgage or deed of trust. The individual making service of process must file proof of service with the court in accordance with the Maryland Rules.

The Acts prohibit a foreclosure sale of residential property from occurring until at least 45 days after service of process is made. Notice of the time, place, and terms of a foreclosure sale of residential property must be published in a newspaper of general circulation at least once a week for three successive weeks, with the first publication at least 15 days before the sale and the last not more than one week before the sale. In addition, the mortgagor or grantor of a mortgage or deed of trust has the right to cure a default and reinstate the loan at any time up to one business day before a foreclosure sale occurs by paying all past due payments, penalties, and fees. Upon request, and within a reasonable time, the secured party or the secured party's authorized agent must notify the mortgagor or grantor or the individual's attorney of the amount necessary to cure the default and reinstate the loan, as well as instructions for delivering the payment.

Lastly, the Acts require a mortgage, deed of trust, or any other instrument securing a mortgage loan on residential property to contain the name and Maryland license number of the mortgage originator and the mortgage lender, if those persons are not exempt under Maryland law. The commissioner is required to adopt regulations to implement this provision of the Acts, primarily for facilitating the use of the commissioner's new computer database to track information on mortgage licensees.

Mortgage Fraud Protection

Generally, mortgage fraud refers to any action made with the intent to misrepresent information in order to obtain a mortgage loan. The Federal Bureau of Investigation (FBI) reports that mortgage fraud is one of the fastest growing financial crimes in the United States, primarily due to an increased reliance on third-party mortgage brokers by traditional mortgage lenders.

In fiscal 2007, the Commissioner of Financial Regulation received approximately 30 mortgage fraud complaints and initiated another 67 mortgage fraud investigations. Thus far in fiscal 2008, the commissioner has received approximately 20 mortgage fraud complaints and has opened an additional 203 mortgage fraud investigations. A substantial number of the 203 investigations in the current fiscal year are related to the actions of a company known as the Metropolitan Money Store and have been turned over to the FBI for prosecution. Prior to this year, mortgage fraud was not a crime specifically defined by statute in Maryland. Although mortgage fraud previously could have been prosecuted as theft by deception, the Maryland Homeownership Preservation Task Force found that prosecuting these cases under the general theft statute is cumbersome and difficult to explain to juries. ***Senate Bill 217*** ***(Ch. 3)***/***House Bill 360*** ***(Ch. 4)*** create a comprehensive mortgage fraud statute with criminal penalties and authorize the Attorney General, a State's Attorney, and the Commissioner of Financial Regulation to take action to enforce the statute. The Acts are emergency measures, effective April 4, 2008.

Senate Bill 217/***House Bill 360*** define "mortgage fraud" as any action by a person made with the intent to defraud that involves:

- knowingly making, using, or facilitating the use of any deliberate misstatement, misrepresentation, or omission during the mortgage lending process with the intent that it will be relied upon by a mortgage lender, borrower, or any other party to the lending process;

- receiving any proceeds or any other funds in connection with a mortgage closing that the person knows resulted from the aforementioned actions;

- conspiring to violate either of the preceding provisions; or

- filing or causing to be filed in the land records in the county where a residential real property is located any document relating to a mortgage loan that the person knows to contain a deliberate misstatement, misrepresentation, or omission.

Under the Acts, the "mortgage lending process" includes the solicitation, application, origination, negotiation, servicing, underwriting, signing, closing, and funding of a mortgage loan, as well as the notarizing of any document in connection with a mortgage loan.

Senate Bill 217*/*House Bill 360 prohibit mortgage fraud, as defined above, and specify, for purposes of venue, the jurisdiction in which violations will be considered to have occurred. In addition, the Acts authorize the Attorney General or the Commissioner of Financial Regulation to seek an injunction to prohibit a person from engaging or continuing to engage in violations. The Acts also allow a court to enter any order or judgment necessary to (1) prevent the use of a prohibited practice; (2) restore to a person any money, real property, or personal property acquired from the person by means of any prohibited practice; or (3) appoint a receiver in the case of a willful violation.

Under the Acts, the Attorney General and a State's Attorney are authorized to conduct the criminal investigation and prosecution of all cases of mortgage fraud and must promptly report convictions to the unit of State government that has regulatory jurisdiction over the business activities of the person convicted. The Acts make mortgage fraud a felony, punishable by a fine of up to $5,000, imprisonment for up to 10 years, or both. If the victim is a vulnerable adult as defined by the Criminal Law Article, the maximum fine is $15,000 and the maximum period of imprisonment is 15 years. If a violation involves a pattern of mortgage fraud or a conspiracy to engage in a pattern of mortgage fraud, the maximum fine is $100,000 and the maximum imprisonment is 20 years. In addition to a fine, imprisonment, or both, a convicted person must pay restitution to any person damaged by the violation. All real or personal property used in or derived from a violation is subject to forfeiture to the State.

Senate Bill 217*/*House Bill 360 establish procedures for the forfeiture of property obtained through mortgage fraud. Property subject to forfeiture includes (1) property used or intended for use in the course of a violation of the Mortgage Fraud Law; (2) property derived from or realized through a violation of the Mortgage Fraud Law; and (3) proceeds of both preceding types of property.

Property or an interest in property may not be forfeited if the owner establishes by a preponderance of the evidence that the violation of the Mortgage Fraud Law was committed without the owner's actual knowledge. Property used as the principal family residence generally may not be forfeited under the Acts except under certain circumstances.

Finally, ***Senate Bill 217*/*House Bill 360*** allow victims of mortgage fraud to bring private actions seeking damages and attorney's fees from alleged violators. If the court finds that the defendant has violated the provisions of the Acts, the court may award damages of up to three times the amount of actual damages.

Foreclosure Rescue Scams

Chapter 509 of 2005 was enacted to address the growing problem of foreclosure "rescue" scams. In these types of scams, unscrupulous companies and individuals take advantage of homeowners who are facing foreclosure. These persons search the court records for foreclosure actions and then contact homeowners and offer to help them avoid foreclosure. The Financial Regulation Enforcement Unit of the Department of Labor, Licensing, and Regulation has been investigating and unearthing foreclosure "rescue" scams and characterizes the general schemes as follows:

- The Phantom Helper: This scam involves a person who agrees to "negotiate" on behalf of the homeowner for an up-front fee. The fee is paid, the homeowner is told not to contact the lender, and the scammer does nothing and absconds with the fee. The homeowner is then in foreclosure or has lost the home to foreclosure sale.

- The Bait and Switch: The scammer induces the homeowner to sign over title so that the scammer can save the home and promises to return title at a date certain. The former homeowner, now a tenant, is evicted in rent court.

- Lease Buy-back: The scammer induces the homeowner to transfer title to a straw-investor with the promise that homeowners will be able to take back the home after some period. The scammer refinances the mortgage and pulls out 100 percent of the equity. The homeowner can no longer afford the mortgage. The straw-investor also may be unaware of the refinancing and fails to make payment or cannot afford payment on the new mortgage, and the home goes to foreclosure. The initial homeowner loses the home and all equity while the straw-investor ends up with a foreclosure on his or her credit record.

Chapter 509 of 2005 was designed to provide some protection for homeowners who deal with foreclosure "rescuers." It requires that "foreclosure consultants" enter into consulting contracts with homeowners that lay out the terms of their agreements, give disclosures, and afford basic consumer protections such as a three-day rescission period. ***Senate Bill 218*** ***(Ch. 5)***/***House Bill 361*** ***(Ch. 6)*** are additional emergency measures effective April 4, 2008. The Acts designate Title 7, Subtitle 3 of the Real Property Article as the "Protection of Homeowners in Foreclosure Act" and add this subtitle to the list of provisions under the Consumer Protection Act the violation of which constitutes an unfair or deceptive trade practice. The Acts also specify that the law applies to residences in default and not simply residences in foreclosure. A "residence in default" is defined by the Acts as residential real property in the State on which the mortgage is at least 60 days in default.

Foreclosure consultants are prohibited under the Acts from engaging in, arranging, promoting, promising, soliciting, participating in, assisting with, or carrying out a "foreclosure rescue transaction." A foreclosure rescue transaction is defined as a transaction in which a residence in default is conveyed by a homeowner who retains a legal or equitable interest in all or part of the property and that is designed or intended by the parties to prevent or delay foreclosure proceedings, either actual or anticipated. Furthermore, a foreclosure consultant may not receive a commission, regardless of how described, for the sale of a residence in default that exceeds 8 percent of the sales price. The Acts also prohibit foreclosure consultants from receiving any money to be held in escrow or on a contingent basis on behalf of the homeowner. The required contents of a foreclosure consulting contract are modified to include additional disclosures and notices.

The Acts subject title insurers, licensed title insurance producers, and licensed mortgage brokers to the provisions of the law. A person who holds or services a mortgage loan secured by a residence in default is exempted while the person performs servicing, collection, and loss mitigation activities in regard to that mortgage loan, provided the mortgage loan did not arise as a result of a foreclosure consulting contract. The exemptions for licensed mortgage lenders and licensed real estate brokers, associate brokers, and real estate salepersons are retained, but are subject to additional conditions.

Senate Bill 218/***House Bill 361*** require a foreclosure consultant who provides real estate brokerage services to be licensed as such. The consultant must present a copy of the license to a homeowner before a foreclosure consulting contract is executed. The Acts require a specific notice to be provided to the homeowner along with any contract for the sale or transfer of a residence in default that is included in a foreclosure consulting contract or arranged by a foreclosure consultant. Under the Acts, such sale or transfer of a residence in default may not be carried out using a quit claim deed. If a tenancy agreement is included in a contract for the sale or transfer of a residence in default, the Acts require a purchaser to provide a homeowner with a specific document about the tenancy. The purchaser must provide the homeowner with a signed and dated copy of the statement about tenancy immediately upon execution of the contract. Under the Acts, the time during which the homeowner may cancel the contract does not begin to run until the purchaser has complied with these requirements.

Senate Bill 218/***House Bill 361*** grant the Commissioner of Financial Regulation concurrent jurisdiction with the Attorney General to investigate, enforce, and enjoin action in cases involving violations of the law. The Acts also requires that the commissioner receive notice containing the name and address of any person convicted under the statute, along with a copy of the judgment, within 30 days of the conviction.

The fourth component of the Administration's legislative package to address the foreclosure crisis deals with credit regulation, ***Senate Bill 270*** ***(Ch. 7)***/***House Bill 363*** ***(Ch. 8)***. For a detailed discussion of this issue, see the subpart "Commercial Law – Credit Regulation" within Part I – Financial Institutions, Commercial Law, and Corporations of this *90 Day Report*.

Common Ownership Communities

Condominiums, homeowners associations, and cooperative housing corporations, collectively referred to as common ownership communities (COCs), continue to be the focus of a large number of bills introduced each session. Many such bills introduced during this session were prompted by recommendations of the final report of the Task Force on Common

Ownership Communities, issued in December 2006. A number of these bills were referred to interim study by the House Environmental Matters Committee, including ***House Bill 988*** (approval requirements for COC expenditures), ***House Bill 993*** (COC assessments and reserves), ***House Bill 1053*** **(**(COC fidelity bond coverage), ***House Bill 1402*** (requirements for condominium proposed annual budgets), ***House Bill 1420*** (submission of condominium lien disputes), ***House Bill 1496*** (condominium property insurance and unit repair), and ***House Bill 1515*** (condominium ownership classes vote percentages).

One of the findings of the task force was that many older COCs are severely restricted in the frequency with which they may modify their governing documents, as well as the percentage of owners required to approve such changes. ***Senate Bill 101*****/*****House Bill 1129*** ***(both passed)*** authorize a governing document of a homeowners association created before January 1, 1960, to be amended at least once every five years, unless a greater frequency is allowed in the document, by the affirmative vote of lot owners having at least two-thirds of the votes in the development, or a lower percentage if required in the governing document.

Property insurance and the repair of damaged property is another significant concern for COCs. ***House Bill 646*** ***(passed)*** increases the amount of a condominium unit owner's financial responsibility for the property insurance deductible of the council of unit owners in situations where the cause of damage or destruction originated in the owner's unit, from a maximum of $1,000 to a maximum of $5,000. The amount of the deductible that is a common expense is correspondingly increased from the amount exceeding $1,000 to the amount exceeding $5,000. As under current law, if the cause of damage or destruction originates from a common element, the deductible is a common expense.

Landlord and Tenant

Landlords are required by State law to follow specific procedures in order to evict tenants who fail to pay rent or otherwise breach the terms of a lease. However, when a tenant is deceased with no apparent next of kin, repossessing and renting the unit can be problematic. ***House Bill 452*** ***(passed)*** addresses the situation where a tenant has died without a will and without next of kin. In order to file for an eviction in such cases, the bill requires the landlord to certify to the court in the written complaint that, to the best of the landlord's knowledge, the tenant is deceased, intestate, and without next of kin. Under the bill, property or income from property that a landlord holds for such a tenant is presumed abandoned according to State law. The bill permits service of process in these situations to be achieved by a sheriff's delivery to any named persons found on the property or at another known address, or, if no such persons are found, by affixing an attested copy of the summons conspicuously upon the property. The affixing of the summons upon the property is conclusively presumed to be a sufficient service to all persons to support the entry of a default judgment for possession of the premises, together with court costs, in favor of the landlord, but it is not sufficient service to support a default judgment in favor of the landlord for the amount of rent due.

Mobile Home Parks

The number of households in Maryland that reside in mobile homes has declined steadily in past decades, and continues to decline. According to the U.S. Census Bureau, in 1990 there were 55,992 such households in Maryland. By 2000, there were 43,462, and by 2006 there were 38,421. As development has increased, mobile home park owners have found it increasingly more profitable to sell their land for development rather than continue to operate parks, as a typical mobile home park resident pays between $200 and $700 per month in rent. The dislocation of mobile home park residents due to park closings across the State prompted the introduction of several bills this session, including ***House Bill 555*** ***(failed)***, which would have placed a number of restrictions on mobile home park owners who wish to close a park. The bill would have required park owners to file proposed changes in land use with local zoning authorities prior to any such changes, and simultaneously deliver notice of the proposal to affected park residents. In addition, park owners would have been required to provide each dislocated park resident with relocation assistance valued at either $2,500 or $5,000, depending on when notice of the closing was given.

Local legislation was also introduced to address mobile home park issues in specific counties. ***Senate Bill 798***/***House Bill 816*** ***(both passed)*** require a mobile home park owner in St. Mary's County who is applying for a change in land use for a park to submit a plan with the application that provides alternative arrangements for each park resident. In addition, the bills provide that if a park's land use is to be changed, the park owner must send to the county commissioners a copy of the one-year prior written notice of termination required under current law. ***House Bill 1382*** ***(failed)*** would have required a mobile home park owner in Howard County to notify park residents and the director of the county department of housing and community development of intent to sell the park and would have required the park owner to allow the residents to purchase the park under specific conditions.

Other Real Property Issues

Solar Collector Systems – Easements and Restrictions on Use

Current law states that it is in the public interest to promote solar energy projects by providing State grants, loans, and other financial assistance. Problems can occur for property owners who have or wish to install solar energy systems, however, when the location for such a system on their property is blocked from adequate access to direct sunlight. ***House Bill 117*** ***(passed)*** permits property owners who have installed or intend to install solar collector systems to negotiate to obtain a solar easement that must be recorded in writing. In real property law, an easement can generally be described as the right to use or prevent the use of another person's real property for a specific purpose. An easement holder does not have the right to possess the property affected by the easement, but the easement can be transferred to another holder and generally cannot be terminated unilaterally by the owner of the affected property. The bill requires that any written instrument creating a solar easement include (1) a description of the dimensions of the easement expressed in measurable terms; (2) the restriction placed on vegetation, structures, and other objects that would impair the passage of sunlight through the easement; and (3) the terms under which the easement may be revised or terminated.

House Bill 117 also states that a restriction on use may not impose or act to impose an unreasonable limitation on the installation of a solar collector system on the roof or exterior walls of improvements, provided that the property owner owns or has the right to exclusive use of the roof or exterior walls. A "restriction on use" includes any covenant, restriction, or condition contained in a deed, declaration, contract, bylaws or rules of a condominium or homeowners association, security instrument, or any other instrument affecting the transfer or sale of real property or any other instrument in real property. The bill does not apply to a restriction on use on historic property that is in, or determined by the Director of the Maryland Historical Trust to be eligible for inclusion in, the Maryland Register of Historical Properties.

Construction Contracts – Retention Proceeds

Generally, a contractor or subcontractor who performs work under a construction contract is entitled to prompt payment for services rendered under the contract. Current State regulations prohibit State agencies from retaining more than 5 percent for a State construction contract if the contractor has furnished 100 percent payment security and 100 percent performance security. In addition, State regulations prohibit a contractor under a State construction from retaining payments due to a subcontractor that exceed the percentage of progress payments retained from the contractor. ***Senate Bill 313*** ***(passed)*** extends these restrictions to private construction contracts, limiting to 5 percent the percentage of a construction contract that an owner can retain to guarantee that a contractor completes the work required by the contract if the contractor has provided 100 percent performance and payment security. The bill also states that if an owner retains less than 5 percent of a contract from a contractor, the contractor may not retain more than that amount from a subcontractor. The bill does provide, however, that additional amounts may be withheld if a contractor's or subcontractor's performance warrants. The bill exempts contracts of less than $250,000 and any projects funded wholly or partially by or through the Department of Housing and Community Development.

Maryland Contract Lien Act – Time for Filing an Action to Foreclose

Under the Maryland Contract Lien Act, a person seeking to create a lien as a result of a breach of contract must give written notice, within two years of the breach, to the person against whose property the lien is intended to be imposed. Within 30 days after service of the notice, the person served may file a complaint in circuit court to determine whether probable cause exists to establish a lien. If the court orders a lien or the property owner fails to file a complaint, the person seeking to create a lien may file a statement of lien in the land records. A lien may be enforced and foreclosed by the lien holder in the same manner, and subject to the same requirements, as the foreclosure of mortgages or deeds of trust on property containing a power or sale or an assent to a decree. Generally, liens against real property take priority in the order in which they are recorded. ***House Bill 645*** ***(passed)*** extends the time during which any action to foreclose a lien may be brought, from 3 to 12 years, following recordation of the statement of lien.

Estates and Trusts

Uniform Power of Attorney Act

A Uniform Durable Power of Attorney Act drafted by National Conference of Commissioners on Uniform State Laws (NCCUSL) in 1979 and amended in 1987 was enacted in 43 states, the District of Columbia, and the U.S. Virgin Islands. In 2006, a new Uniform Power of Attorney Act was drafted, approved, and recommended for enactment in all states because, according to NCCUSL, states had incorporated numerous nonuniform provisions, causing divergence and confusion. The 2006 Act was drafted based on a national review of state power of attorney legislation, a national survey sent to state bar associations and other pertinent organizations, and input from various other sources. According to NCCUSL, the 2006 Act serves as a codification of state legislative trends and collective best practices and enhances the usefulness of durable powers of attorney while protecting the principal, the agent, and those who deal with the agent. ***Senate Bill 87*/*House Bill 412* (both failed)** would have adopted the 2006 Uniform Power of Attorney Act in Maryland.

Qualifications of Orphans' Court Judges

Under the Maryland Constitution, orphans' court judges must be citizens of the State and residents of the city or county for which they are elected for the 12 months preceding the election. A proposed constitutional amendment, ***House Bill 387* (failed)**, would have allowed the General Assembly, on request by the governing body of a county or Baltimore City by resolution, to prescribe qualifications for orphans' court judges in addition to the qualifications required by the Maryland Constitution, but not qualifications more stringent than those prescribed in the constitution for judges in other courts. As amended in the Senate, the crossfiled bill, ***Senate Bill 293* (failed)**, would have applied only to the judges of the Orphans' Court for Baltimore City. The bills would not have applied to Montgomery and Harford counties, where circuit court judges sit as the orphans' court.

Part G
Transportation and Motor Vehicles

Transportation

Transportation Financing

Transportation Trust Funding Enhancement

November 2007 Special Session: On October 15, 2007 Governor O'Malley issued Executive Order 01.01.2007.23 which convened a special session beginning on October 29, 2007. After three weeks of hearings and deliberation, the legislature completed action on a fiscal plan to address the long-term structural deficit as well as providing an additional $413 million in revenue for the Transportation Trust Fund (TTF) through Chapter 6 of the 2007 special session. Following is a summary of the revenue actions that enhanced the TTF:

- **Titling Tax:** The titling tax increased from 5 to 6 percent with all of the revenue from the 1 percent increase dedicated to the TTF. In addition, a trade-in allowance was provided for, which deducts the value of a trade-in vehicle from the purchase price, thus reducing the amount of tax applied to the purchase.

- **Dedication of Sales Tax:** Beginning in fiscal 2009, the TTF was to receive 6.5 percent of the total sales tax receipts in that year with all of the revenue directed to the TTF.

- **Increase in Titling Certificate Fee:** The certificate of title fee, which is paid when a vehicle is purchased, was increased from $23 to $50.

- **Ending Certain General Fund Transfers:** Transfers from the motor fuel tax to the Waterway Improvement Fund and Fisheries Research Development Fund were replaced with mandated general fund appropriations in fiscal 2009. Transfers of revenue from the security interest filing fee to the general fund were eliminated beginning in fiscal 2009 and will be retained by the TTF. Finally, vanity tag revenue, previously transferred to the general fund, will now be retained by the TTF.

In addition, in recognition of the additional revenues provided to the TTF, the limit on debt outstanding was increased from $2.0 billion to $2.6 billion.

2008 Session Activities: During the 2008 session, the additional revenues provided for in the special session are modified by ***Senate Bill 46*** ***(Ch. 10)*** which repeals the sales tax on computer services. In fiscal 2009 revenues are reduced by $14 million which was the TTF share of this revenue. The legislation also provides that the share of the sales tax to be distributed to the TTF is reduced from 6.5 to 5.3 percent for five years. This results in a revenue loss of $51 million in fiscal 2009. **Exhibit G-1** summarizes the impact of ***Senate Bill 46*** on the TTF through fiscal 2013.

Exhibit G-1
Impact of SB 46 on Transportation Trust Fund Revenue
Fiscal 2009-2013
($ in Millions)

Fiscal Year	2009	2010	2011	2012	2013
Estimated Revenue to TTF from Special Session	**$413**	**$430**	**$448**	**$467**	**$489**
Less Repeal of Sales Tax on Computer Services	-14	-14	-15	-15	-16
Less Reduced Sales Tax Share (6.5% to 5.3%)	-51	-54	-56	-59	-61
Subtotal Revenue Loss to TTF	**-65**	**-68**	**-71**	**-74**	**-77**
Revised Additional Revenue to TTF	**$348**	**$362**	**$377**	**$393**	**$412**

Net special fund revenue to the TTF is expected to total $2.9 billion in fiscal 2009, including $370 million in estimated Consolidated Transportation Bonds. This is a net increase of approximately $373 million compared to fiscal 2008 largely due to the additional revenue provided for in the 2007 special session. Operating expenses for all modes totals $1.56 billion; an increase of $123 million or 8.7 percent.

Budget Enhancements: Excluding debt service growth, the Maryland Department of Transportation's total operating and capital budgets increase in fiscal 2009 by a net $359 million in special funds, with approximately $300 million in new spending enhancements as a result of the additional revenue provided during the special session. However due to ***Senate Bill 46***, the amount of revenue the department will receive is reduced by an estimated $65 million, thus it is unclear what impact this will have. As introduced, the operating budget proposed a number of enhancements to transit services provided by the Mass Transit Administration for Core Bus, Light Rail, and MARC service as well as grants to locally operating transit systems. The majority of the additional revenue was utilized to enhance capital appropriations for the Mass Transit Administration and the State Highway Administration. The funding was largely used for a number of system preservation projects for rail cars, roads, and bridges.

Maryland Transportation Authority

The Maryland Transportation Authority (MdTA) is responsible for the operation of the State's seven existing toll facilities. MdTA has assumed an expanded role in financing nontolled transportation facilities since the 1980s. MdTA has provided fund transfers and loans to the Maryland Department of Transportation's TTF and has assumed responsibility for building revenue generating transportation facilities in lieu of financing those facilities from the TTF. MdTA also serves as the conduit through which debt backed by a variety of revenue sources is issued.

Revenue Bonds: Revenue bonds issued by MdTA are backed by toll revenues and do not count against State debt limits. ***Senate Bill 182*** ***(passed)*** increases the limit on the aggregate outstanding and unpaid principal balance of revenue bonds issued by MdTA from $1.9 billion to a maximum of $3.0 billion; however, MdTA's maximum aggregate amount of revenue bonds that may be outstanding and unpaid must be reduced by the amount of:

- any loan extended to the State under the federal Transportation Infrastructure Finance and Innovation Act (TIFIA); and
- any line of credit extended to the State under TIFIA, to the extent the State draws on the line of credit.

Primarily driving the need for the increase in the revenue bond cap is the simultaneous construction of two large capital projects: the InterCounty Connector (ICC) and the Express Toll Lanes on I-95 north of Baltimore. In total, these two projects account for $3.6 billion in MdTA's six-year $4.4 billion capital program. Other major projects are lane expansions and numerous improvements along I-95, the redecking and painting of the Bay Bridge and improvements to the Hatem Bridge, and interchange and associated improvements to the Baltimore tunnels. The increase in the bond cap, therefore, alleviates pressure upon MdTA to reduce its capital programs and/or increase tolls to produce adequate cash to pay for projects on a pay-as-you-go basis.

ICC Financing and General Fund Repayment: Under current law, financing for the $2.5 billion ICC project includes the general fund, the TTF, Grant Anticipation Revenue Vehicle or GARVEE bonds, federal funds, MdTA toll revenue bonds, and a TIFIA line of credit. ***Senate Bill 182*** smoothes general fund payments to MdTA for the ICC in fiscal 2010 and 2011 to moderate demands on the general fund budget. **Exhibit G-2** presents the general fund repayment for the ICC before and after ***Senate Bill 182***.

Exhibit G-2
General Fund Repayment for the ICC
Current Law vs. SB 182, with SB 46 of 2008 Enacted
($ in Millions)

		2009	2010	2011	2012	Total
Current Law	General Fund Repayment	$85.0	$126.9			$211.9
SB 182	General Fund Repayment	85.0	63.0	63.9		211.9
Change		**($0.0)**	**($63.9)**	**$63.9**	**$0.0**	**$0.0**

MdTA is required each year to develop and submit a six-year financial forecast for its operations. A draft of the financial forecast must be submitted when the budget bill is submitted to the General Assembly, and the final MdTA-approved financial forecast must be submitted on or before July 1 of each year. Among other things, the forecast must include actual information for the last full fiscal year and forecasts for each of the six subsequent fiscal years. The six-year forecast period includes the fiscal year in which the forecast is prepared, the fiscal year for the proposed budget, and the next four fiscal years.

Senate Bill 182 provides that, by December 1 of each year until completion of construction of the ICC, MdTA must continue to submit a report on the status of the ICC to specified legislative committees. The report must include comparisons between current and original project information (*e.g.*, costs, funding sources, progress schedule) provided to the legislative committees in January 2005.

Public Transit Services – Farebox Recovery and Performance Measures

Farebox recovery is the ratio of public transit operating revenues compared to operating expenditures. To the extent expenditures are not covered by fares, the operating deficit for public transit is paid from the TTF. The Maryland Transit Administration (MTA) is required by law to achieve 40 percent farebox recovery for Baltimore area transit services, including bus, light rail, and Metro subway service. This requirement increases to 50 percent on July 1, 2008. MTA is also required to obtain a separate 50 percent minimum farebox recovery ratio for Maryland Area Rail Commuter (MARC) service. In addition, the statutory formula governing State grants for local bus service in Montgomery and Prince George's counties includes a 40 percent farebox recovery goal for those systems. The farebox recovery for MTA's Baltimore transit service was 32 percent in fiscal 2007. MARC's farebox recovery was 56 percent in fiscal 2007.

House Bill 1185 ***(passed)*** alters the statutory farebox recovery ratios and extends and expands the current requirement for MTA to submit annual performance reports. The bill requires MTA to obtain 35 percent farebox recovery for Baltimore area transit, including bus, light rail, and Metro subway service. A separate 35 percent farebox recovery ratio is required for

MARC service. The bill also establishes a 35 percent farebox recovery goal for eligible local bus service in Montgomery and Prince George's counties. MTA is required to report annually to the General Assembly on farebox recovery, including a discussion of its success or failure to achieve the required farebox recovery ratios and comparisons of its performance with other transit systems nationwide. The bill extends the statutory requirement for MTA to submit reports on three additional performance measures: operating expenses per revenue vehicle mile; operating expenses per passenger trip; and passenger trips per revenue vehicle mile. For each of these performance measures, MTA is required to establish its own goals each year. The statutory mandate for an independent management audit of MTA's operational costs and revenues every four years is also extended under the bill. This audit must include an evaluation of fares and cost containment measures. The audit is to be used as a benchmark for the annual performance reports. Finally, ***House Bill 1185*** requires MTA to report, by January 1, 2009, to the General Assembly on the number of free trips allowed on the Baltimore bus, light rail, and subway systems.

Transport by Privately Owned Helicopter

Senate Bill 810 ***(failed)*** would have authorized the use of the Maryland Emergency Medical System Operations Fund for the reimbursement of private helicopter companies for the transport of patients from the scene of an out-of-hospital medical emergency to a health care facility under specified conditions. Approximately 13,000 patients are transported by air ambulance annually in Maryland. The Maryland State Police Aviation Command transports approximately 7,000 patients from primary scenes to trauma centers while private air ambulance companies complete approximately 6,000 inter-hospital missions and provide backup services to the State Police. Currently, air ambulance companies providing scene transport may charge the patient or the patient's insurance company but may not to seek reimbursement from the State, a local jurisdiction, a municipality, or volunteer fire company. A small number of patients transported from the scene by an air ambulance company could be faced with a sizeable bill if the service is not covered by their payor, the air ambulance company is not part of their insurance company's provider network, or they are uninsured and do not meet the requirements of the air ambulance company's charity care policy.

Miscellaneous Transportation Legislation

Transit-oriented Development

Transit-oriented development is development that leverages transit stations as the foundation for vibrant communities with a dense mix of commercial, residential, and retail development. By clustering development around transit sites, transit-oriented development seeks to maximize the State's investment in transit by promoting increased ridership and enhanced opportunities for pedestrian and bicycle mobility. According to MTA, the benefits of transit-oriented development include easing congestion on roadways, curbing greenhouse gas emissions, reducing pollution, and providing a viable alternative to sprawl.

MDOT has over 70 sites that are potential transit-oriented development projects. Transit-oriented development opportunities exist along the Baltimore Metrorail system, the Baltimore Central Light Rail Line, and MARC lines throughout the Baltimore and Washington regions. Several additional opportunities will be created with the expansion of the existing transit network to include such projects as the WMATA Purple Line and the Baltimore Region Red and Green lines. In Maryland, several sites are being considered or are under development in accordance with transit-oriented development principles. These include the Laurel MARC station, the Odenton MARC station, the Owings Mills metro station, the Reisterstown Plaza metro station, the Savage MARC station, and the State Center in Baltimore.

Senate Bill 204/***House Bill 373*** ***(both passed)*** define transit-oriented development and include transit-oriented development among those transportation purposes established by law as "essential" for the "economic welfare and vitality" of the State and the development of its political subdivision. The bills are consistent with the current policy of MDOT, which promotes transit-oriented development by working with local governments to implement land use policies that are consistent with transit-oriented development, partnering with the private sector to complete transit-oriented development projects, and leveraging federal funds to facilitate transit-oriented development.

Senate Bill 204/***House Bill 373*** define transit-oriented development as a mix of private or public parking facilities; commercial and residential structures; and uses, improvements, and facilities customarily appurtenant to such facilities and uses that:

- is part of a deliberate development plan or strategy involving property that is located within one-half mile of the passenger boarding and alighting location of a planned or existing transit station;
- is planned to maximize the use of transit, walking, and bicycling by residents and employees; and
- is designated as a transit-oriented development by the Secretary of Transportation in consultation with other specified State agencies and the local government or multicounty agency with land use and planning responsibility for the relevant area.

The bills specify that the establishment of transit-oriented development as a transportation purpose may not be construed to limit the authority of local governments to govern land use or grant the State or a department of the State additional authority to supersede local land use and planning authority. It also expresses the intent that in order for areas with planned transit stations to be considered for designation as a transit-oriented development, local governments must coordinate with MTA on land use planning elements.

Transit Service for Disabled Persons – Records Check and Training for Persons Providing Service

MTA is responsible for public transportation and operates and maintains the public bus, subway, and rail systems. MTA is required to develop an effective and efficient transit service to meet the special needs of the elderly and disabled.

House Bill 505 ***(passed)*** requires MTA to ensure that a person employed or offered employment by MTA or an MTA contractor who provides transit service to disabled persons obtains State and national criminal history records checks and successfully completes a course on matters relating to appropriate accommodation, including customer service, sensitivity, and respectful and courteous treatment of all passengers, including disabled persons. The bill requires that the curriculum be jointly developed by the Maryland State Department of Education and the Department of Disabilities and be approved by MTA. The bill's requirements supplement current MTA training activities.

Motor Vehicles

Statewide Automated Speed Enforcement

Photo-radar enforcement systems that detect speeding vehicles operate in a manner similar to red light cameras. A photo-radar system may be located in a mobile or stationary unit. The system has a radar detector and a camera. A speeding vehicle triggers the camera and a photograph is taken of the vehicle. The photos have the date, time, and speed recorded. Some states have limited or banned automated speed enforcement, while others have considered authorizing or expanding its use. Most states have no provisions related to automated speed enforcement.

Montgomery County is the only jurisdiction in Maryland authorized to issue citations for speeding based on recorded images collected by automated speed monitoring systems. In Montgomery County, a "speed monitoring system" is a device with one or more motor vehicle sensors producing recorded images of motor vehicles traveling at least 10 miles per hour above the posted speed limit. Automated speed enforcement applies to speeding violations in Montgomery County that occur on a highway in a residential district with a maximum posted speed limit of 35 miles per hour or in an established school zone. The maximum civil penalty is $40.

Concerns about injuries and fatalities to highway workers in highway construction zones and the drivers and passengers traveling through those work zones has also prompted the consideration of the use of automated speed enforcement in these work zones. ***Senate Bill 269***/***House Bill 364*** ***(both failed)*** would have authorized the use of work zone speed control systems by the State Highway Administration and local jurisdictions. The bills also would have expanded the Montgomery County program to apply statewide. The bills would have authorized the use of automated speed enforcement:

- for local jurisdictions, in a school zone or on highways with a maximum posted speed limit of 45 miles per hour; and

- for the State and local jurisdictions, in highway work zones on expressways or controlled access highways where the speed limit is 45 miles per hour or greater.

Senate Bill 269 would have imposed a maximum fine of $40 for a violation and would have increased the speed tolerance to 12 miles per hour. County delegations also considered various bills establishing local authority to implement automated speed enforcement, including ***House Bill 174*** ***(failed)*** (Baltimore County), ***House Bill 1198*** ***(failed)*** (Howard County), and ***House Bill 1017***, ***House Bill 1024***, ***House Bill 1034***, and ***Senate Bill 963*** ***(all failed)*** (Prince George's County).

Teen Driving Safety

When a minor receives a citation for driving at least 20 miles per hour over the speed limit, the Motor Vehicle Administration (MVA) is required to notify the cosigner of the minor's driver's license application. ***Senate Bill 460/House Bill 511*** ***(both passed)*** apply this notification requirement to a citation for any moving violation.

Before issuing a driver's license, MVA is required to issue a learner's instructional permit to an applicant unless the individual is otherwise authorized to drive. An individual must be at least 15 years and 9 months old to be eligible for a learner's permit. ***House Bill 1426*** ***(passed)*** extends the validity of a learner's permit from one year to two years after the date of issuance and repeals the exception that allows a person who is at least 15 years old to drive under the supervision of a driving instructor without a learner's permit.

Driving with Wireless Communication Devices

The use of telephones while driving and the impact of other distractions on drivers has been a major traffic safety issue for the past several years. In addition to telephones, cars are equipped with on-board navigation systems, DVD players, and television monitors, all competing to divert the driver's attention away from the road. A persistent problem complicating efforts to understand the impact of the use of wireless devices in motor vehicles has been the mixed results of published studies; however, more recent studies have indicated a stronger connection between the use of wireless communication devices and risky driving behavior.

Senate Bill 2 ***(failed)*** would have prohibited the driver of a moving school vehicle carrying passengers or a holder of a learner's instructional permit or provisional driver's license who is age 18 or older from using any wireless communication device. In addition, the bill would have prohibited any other driver of a moving motor vehicle from using the driver's hands to use a wireless communication device other than to initiate or terminate a wireless telephone call or to turn the wireless communication device on or off. This prohibition would not have applied to the use of a wireless communication device to call a 9-1-1 system in an emergency situation or to use by specified professionals under specified circumstances.

Enforcement of a violation would have occurred only as a secondary action when a police officer was detaining a driver for another suspected violation. For a first offense, the violator would have been subject to a fine of up to $50, but no points could have been assessed unless the offense contributed to an accident. A court could have waived the fine for a first-time conviction if the person acquired a hands-free accessory, attachment, add-on, or built-in feature for the wireless communication device. For a second or subsequent offense, the maximum fine would have been $100. The bill would have terminated two years after enactment.

The General Assembly considered other legislation concerning the use of wireless communication devices while driving. For example, ***House Bill 380*** ***(failed)*** and ***House Bill 1110*** ***(failed)*** generally would have prohibited a Maryland driver from using a text messaging device to write, send, or read a text message while operating a motor vehicle. A violator would have been guilty of a misdemeanor and subject to a maximum fine of $500.

Licensing and Registration

Medical Advisory Board Driver Safety Research

The Medical Advisory Board consists of physicians and optometrists who determine whether to license, or to restrict the license of, individuals suffering from certain disorders that would adversely affect their ability to drive. In the process of making this determination the Medical Advisory Board compiles personal information. Access to this information is restricted by law except to those on the Medical Advisory Board and, in specified instances, MVA. ***Senate Bill 578*/*House Bill 766*** ***(both passed)*** authorize MVA to use this information in the Medical Advisory Board records for the purpose of driver safety research, on the condition that no personal information is disclosed. The driver safety research may be conducted in collaboration with outside medical research entities.

Motor Vehicle Documentation Fraud

The creation of fraudulent vehicle documents, such as certificates of title and vehicle identification numbers (VIN), is a major concern for law enforcement agencies in combating vehicle theft, and is a growing concern nationwide for those tasked with enforcing immigration laws. In Maryland, a person who alters or forges specified motor vehicle related documents is guilty of a misdemeanor and subject to a maximum of two months imprisonment or a $500 fine. However, this violation is not among those for which a law enforcement officer may make a warrantless arrest. Under ***House Bill 847*** ***(passed)***, if a police officer has probable cause to believe that a person has, with fraudulent intent, committed various specified offenses related to altering or forging motor vehicle documents, the officer may arrest the person without a warrant.

Registration Plates

Special Registration Plates: The Gold Star has become a widely recognized symbol to honor members of the armed forces who lost their lives in combat and their surviving family members. To date, at least 20 states have created Gold Star motor vehicle registration plates available for certain Gold Star recipients. ***House Bill 1425*** ***(passed)*** establishes a special registration plate available exclusively for a recipient of a U.S. Department of Defense Gold Star, indicating status as a surviving spouse, parent, or next of kin of a member of the armed forces killed in combat.

Motorcycle Registration Plates: Currently, motorcycle registration plates, produced by Maryland Correctional Enterprises, are 8.5 inches wide by 4.5 inches in height. ***House Bill 844*** ***(passed)*** requires Maryland motorcycle plates to be 7 inches wide by 4 inches in height, consistent with 47 other states.

Motor Vehicle Excise Tax Credit for Military Members

The owner of a motor vehicle must pay an excise tax for each original or subsequent certificate of title issued in Maryland. If a vehicle was titled in another state, the owner only need pay the difference between the tax rate paid in the other state and the excise tax rate due in Maryland. However, this provision only applies to new residents titling their motor vehicle within 60 days of residency or to active duty members of the military who have not been in Maryland for more than 1 year. ***House Bill 669*** ***(passed)*** expands the eligibility of this provision to include a member of the military who applies for a certificate of title within one year of returning to Maryland from active duty.

Rules of the Road

Penalties for Failure to Yield

Senate Bill 712 ***(passed)*** alters the penalties for a person convicted of failing to yield the right of way if the violation contributes to serious bodily injury or death. The bill provides that a violator is subject to maximum penalties of a $1,000 fine and a 180-day license suspension. A driver subject to these sanctions may request a hearing on the license suspension.

Equipment and Inspections

Child Safety Seats

Senate Bill 789 ***(passed)*** expands the child safety seat requirement to apply to all children under the age of 8 years, unless the child is 4’9” tall or taller or weighs more than 65 pounds. The bill expressly applies the child safety seat requirement to the transportation of a child in any Class E (truck) vehicle or any vehicle registered in another state or Puerto Rico.

Towing Procedures

Following a deadly and highly publicized accident on the William Preston Lane, Jr. Memorial Bridge (Chesapeake Bay Bridge) involving a trailer that detached from its towing vehicle, the Maryland Transportation Authority conducted an investigation and concluded that the safety chains connecting the two vehicles were too long and that there was no evidence that a hitch pin had been used. ***Senate Bill 174/House Bill 1119*** ***(both passed)*** were introduced in response to that tragic accident. The bills clarify standards and requirements for towing and towed vehicles. The bills also increase the penalty for a violation of State towing provisions that leads to serious bodily injury or death to a maximum fine of $1,000.

Miscellaneous

Redefining Motorcycles

Under federal regulations, "motorcycle" means a "motor vehicle with motive power having a seat or saddle for the use of the rider and designed to travel on not more than three wheels in contact with the ground." ***House Bill 221*** ***(passed)*** more closely conforms the State definition for "motorcycle" to the federal law by adding the element that the vehicle be designed to travel over 35 miles per hour.

Maryland Quiet Vehicles and Pedestrian Safety

Organizations representing visually impaired persons, such as the National Federation of the Blind, and traffic safety advocates have expressed concerns about the production of electric and hybrid motor vehicles because the vehicles are so quiet that it could be difficult for someone, but especially a person who is blind or visually impaired, to detect their presence. ***Senate Bill 276/House Bill 1160*** ***(both passed)*** establish the Maryland Quiet Vehicles and Pedestrian Safety Task Force staffed by the Maryland Department of Transportation. The task force is charged with studying the effects of vehicle sound on pedestrian safety and all available technology that may enhance the safety of blind pedestrians. The task force must recommend a minimum sound level and the nature and characteristics of the minimum sound to be required for all new vehicles sold and registered in the State and the use of technology to enhance the safety of blind pedestrians. The bills require the task force to submit a report to the General Assembly by December 31, 2008.

Vehicle Salvage

Inspection Fee: The Automotive Safety Enforcement Division of the Department of State Police inspects salvage vehicles. However, the $25 inspection fee that is credited to the State Police's Vehicle Salvage Fund is not collected until the title certificate application is submitted to MVA. Thus, approximately one-third of salvage vehicles that are later titled out-of-State never pay the inspection fee. ***House Bill 225*** ***(passed)*** requires the Automotive Safety Enforcement Division rather than MVA to collect the inspection fee at the time of inspection.

Title Branding: Maryland has implemented a vehicle salvage program to help prevent vehicle theft and to facilitate consumer protection with respect to the sale of used vehicles. ***Senate Bill 568*** ***(passed)*** requires MVA to issue a certificate of title for a salvage vehicle with a brand of "rebuilt salvage" if the cost to repair the vehicle for highway operations is greater than 75 percent of the vehicle's fair market value before sustaining the damage for which the claim was paid. The bill also repeals the requirement to obtain a salvage certificate if the cost of repair is 75 percent or less than the vehicle value, establishes a vehicle title brand for cosmetic or flood damage, and extensively clarifies current law with respect to salvage certificates.

Part H
Business and Economic Issues

Business Occupations

State Board of Law Examiners

Authority of the State Board of Law Examiners Extended

The State Board of Law Examiners is subject to periodic review under the Maryland Program Evaluation Act (also known as the sunset law). A 2007 preliminary evaluation of the board by the Department of Legislative Services recommended that the Legislative Policy Committee waive the board from further evaluation. The evaluation also recommended extending the board's termination date to July 1, 2020.

Senate Bill 514 ***(passed)*** implements these recommendations and increases the statutory cap on the bar examination fee that must be set by the Court of Appeals to a maximum of $250 in fiscal 2009 and $400 beginning in fiscal 2010. The bill expresses the intent of the General Assembly that fee revenues approximate the board's expenditures.

Stationary Engineers

Heating Boilers Exempted from Oversight Requirements

Chapter 613 of 2005 requires an individual to be licensed by the State Board of Stationary Engineers before providing stationary engineer services in the State. Licenses are issued in five grades, generally distinguished by the horsepower of the boiler the licensee is authorized to oversee. A license is required of any individual who oversees a boiler that operates at a pressure of more than 15 pounds per square inch and a minimum of 30 horsepower.

Senate Bill 622**/*****House Bill 808******(both passed)*** establish that a licensed stationary engineer is not required to oversee the operation of a heating boiler. The provisions of the bill do not supersede the authority of the Board of Boiler Rules to implement boiler and pressure vessel safety standards.

Resource Recovery Facility Operators Exempted from Licensing Requirements

Resource recovery facilities process solid waste to produce steam, electricity, metals, or refuse-derived fuel. These facilities rely on waste heat, rather than fossil fuels, to generate energy that is transmitted off premises. The incinerator operators at these facilities are certified by the Maryland Department of the Environment (MDE), which establishes training and examination requirements.

***Senate Bill 969*/*House Bill 1561* (both passed)** establish that an individual who provides stationary engineer services at a resource recovery facility does not have to hold a license from the State Board of Stationary Engineers if otherwise certified by MDE.

Certified Public Accountants

Practice Privilege Established for Out-of-state Licensees and Permit Holders

The State Board of Public Accountancy regulates and licenses certified public accountants and issues permits to business entities that provide accountancy services. ***House Bill 1296* (passed)** establishes practice privilege for certified public accountants, which authorizes an individual licensed by another state to practice without a Maryland license while remaining subject to the State's regulatory and disciplinary authority.

An individual who qualifies for practice privilege and the firm that employs the individual is subject to the authority of the board and must comply with all State accountancy laws. Practice privilege applies as long as an individual holds a valid license from another state. Sole practitioners operating under the practice privilege are limited in the services they are authorized to provide and must associate with a permitted firm.

House Bill 1296 also repeals the requirement that a partnership, limited liability company, or corporation hold a permit issued by the board before offering certified public accountancy services. Instead, businesses offering these services must hold a permit if operating an office in Maryland that performs attest services or if performing certain attest services for a client with a home office in Maryland. In general, firms must also be permitted if an office in the State uses the title "CPA" or "CPA firm."

A firm that does not have an office in the State may provide financial statement review or compilation services for a client in Maryland if the firm meets applicable application and peer review requirements and performs services through an individual who qualifies for practice privilege. Other professional services may be offered without a permit if provided by an individual with practice privilege in the state where the individual retains a principal place of business.

Individual Tax Preparers

Registration of Individual Tax Preparers by the State Board of Individual Tax Preparers Established

Senate Bill 817 ***(passed)*** establishes an eight-member State Board of Individual Tax Preparers in the Department of Labor, Licensing, and Regulation to register qualified individuals to provide individual tax preparation services. The bill also establishes an Individual Tax Preparers Fund to approximate the costs associated with administration and enforcement requirements of the bill.

An individual is required to be registered by the board before providing individual tax preparation services in the State. To qualify, an individual must be at least age 18, a high school graduate, and pass an examination equivalent to the Special Enrollment Examination prepared by the Internal Revenue Service.

A registered individual tax preparer must disclose certain information to a customer prior to rendering services, including the preparer's credentials and contact information. The preparer must sign a return that he or she prepares, obtain the customer's signature on a completed return, and maintain confidentiality.

Persons exempted from the registration requirements include persons licensed by the State Board of Public Accountancy or a licensing authority in another state, persons admitted to practice law in Maryland or another state, persons employed by government in performance of official duties, persons enrolled to practice before the Internal Revenue Service under Circular 230, and persons serving as an assistant to an individual tax preparer or exempted professional.

An individual who provides tax preparation services has until June 1, 2010, to meet registration requirements. The board must waive examination requirements for an individual who has at least 15 consecutive years of individual tax preparation experience, has completed at least eight hours of annual continuing education, and is in good standing with federal and State regulatory agencies.

Home Inspectors

Insurance and Training Requirements Increased

An individual must be licensed as a home inspector by the State Commission of Real Estate Appraisers and Home Inspectors before practicing in the State. ***Senate Bill 196*** ***(passed)*** increases training requirements to include at least 72 hours of on-site training approved by the commission and a national home inspection organization. (Current law requires a minimum of 48 hours of an off-site training course.) The course must include successful completion of the National Home Inspector Examination or an equivalent examination.

A home inspector licensed by the commission has to maintain general liability insurance of at least $150,000. Proof of insurance is required as part of the initial application or renewal of a license. A licensee must notify the commission at least 10 days before the cancellation of his or her general liability insurance policy. The commission may reprimand a licensee or suspend or revoke a license for failure to maintain minimum required levels of insurance.

Makeup Artists

Limited Licensing Repealed

An individual is required to be licensed by the State Board of Cosmetologists before practicing cosmetology in the State. A limited license to provide makeup artist services authorizes the holder to apply creams, lotions, cosmetic preparations, and cleansing solutions to an individual's face for compensation. ***Senate Bill 144*** ***(Ch. 18)*** repeals limited licensing of makeup artists, as the Department of Labor, Licensing, and Regulation has determined that regulation of makeup artists is not necessary to protect public health or safety.

Real Estate Brokers

Penalty Provisions Expanded

House Bill 626 ***(passed)*** increases criminal penalties for violations of specified provisions of the Maryland Real Estate Brokers Act. For persons who violate the act, the bill establishes a high penalty for second and subsequent offenses. First offense penalties remain at a fine of up to $5,000 and/or imprisonment up to one year. A person found guilty of a second violation is subject to a fine of up to $15,000 and/or imprisonment for up to two years; subsequent violations are punishable with a fine of up to $25,000 and/or imprisonment for up to three years. The bill also makes a licensee acting as an agent subject to criminal penalties for failure to properly disclose a relationship with a seller and makes any licensee subject to criminal penalties for failure to fulfill his duties to a client.

For corporations, partnerships, and other associations, the bill establishes a higher penalty for second and subsequent offenses of committing or contributing to an act that constitutes grounds for disciplinary action against a licensee or violates any other provision of the act. The bill increases the maximum penalty to $15,000 for a second violation and $25,000 for any subsequent violation for a corporation, partnership, or other association that commits or contributes to an act that constitutes grounds for disciplinary action (first offense penalty remains at a fine up to $5,000.)

Business Regulation

Privacy of Soldiers

Use of Soldier's Image Prohibited

Senate Bill 3/***House Bill 64*** ***(both passed)*** prohibits the knowing use of the name or image of a soldier killed in the line of duty within the previous 50 years in advertising the sale of merchandise or services. A person using such an image is required to obtain prior consent from the soldier, the soldier's next of kin, or a representative before using the image to gain commercial advantage. A person who violates these provisions is guilty of a misdemeanor and is subject to a fine of up to $2,500 and/or imprisonment for up to one year. Restrictions do not apply to noncommercial uses of a soldier's name or image, including use in print media, broadcast programming, film, a photography exhibition, or a performance.

Elevator Safety Review Board

Special Fund Established to Support Board Activity

House Bill 63 ***(passed)*** establishes the Elevator Safety Review Board Fund to retain fee revenues generated from licensing of elevator mechanics and contractors and registration of third-party qualified elevator inspectors. At the end of each fiscal year, special fund revenues in excess of 10 percent of the Elevator Safety Review Board's direct and indirect costs revert to the general fund. Expenditures for the board are expected to approximate $100,000 on an annualized basis.

The bill establishes an ongoing source of revenue to support the activities of the Elevator Safety Review Board, which was established in 2001 to license elevator contractors and mechanics. Prior to fiscal 2009 the Governor's annual operating budget did not include funds for the board and the credentialing program was not implemented. With the dedicated funding source established in the bill, the board is expected to begin to credential applicants in fiscal 2009, with full initial licensing complete by fiscal 2011.

Employment Agencies

Commissioner of Labor and Industry Authorized to Enforce Bonding Requirements

An employment agency is an entity that obtains an employee for another person, obtains employment for a client, or provides information that enables a client to gain employment. These agencies do not include businesses that directly employ individuals to provide part-time or temporary services.

An employment agency is required to submit a penal bond of $7,000 to the Commissioner of Labor and Industry as payment for any damages caused by the agency's deceit, fraud, misrepresentation, or misstatement. ***Senate Bill 650/House Bill 866*** ***(both passed)*** authorize the commissioner to initiate an investigation or investigate a complaint that an employment agency has failed to submit a penal bond. In investigating an employment agency that has failed to submit a penal bond, the commissioner may require an employment agency to submit the required bond or provide information showing that the employment agency is not required to comply with bonding requirements.

If an employment agency complies with bonding requirements, the commissioner may terminate proceedings or schedule a hearing. The commissioner is authorized to impose a civil penalty of between $500 and $1,000 for each violation identified during the hearing. The commissioner is also authorized to impose a civil penalty of between $500 and $1,000 for each failure to comply with an order or failure to submit a timely response.

Boat Sales

Boat Brokers Required to Keep Funds in Trust Account

House Bill 648 ***(passed)*** requires a boat broker to place trust money received in anticipation of a boat purchase in a trust account until the boat is purchased. If the purchase is not completed, the trust money must be returned to the buyer.

Secondhand Precious Metal Object Dealers

Licensing Requirements Extended to Traditional and Online Auctioneers

The Department of Labor, Licensing, and Regulation regulates dealers who acquire and trade secondhand precious metal objects, including gold, iridium, palladium, platinum, silver, precious and semiprecious stones, and pearls. Dealers of these objects, including individuals, retail jewelers, and pawnbrokers not otherwise regulated by a county must be licensed before doing business in the State.

Senate Bill 569**/*****House Bill 422*** ***(both passed)*** expand the definition of a secondhand precious metal object dealer to include an individual who is compensated for the sale or delivery of a secondhand precious metal object on behalf of an unlicensed party. This definition includes auctioneers of secondhand precious metal objects, including those who operate at traditional auction sites and those who arrange for sale of objects on Internet auction sites. All dealers of secondhand metal objects must meet licensing requirements to continue to do business in the State.

Mixed Martial Arts

Mixed Martial Arts Contests Regulated by the State Athletic Commission

The State Athletic Commission has jurisdiction over all boxing, kick boxing, and wrestling contests held in the State, with the exception of intercollegiate or amateur events. The commission licenses participants, managers, referees, judges, seconds, matchmakers, and promoters of these contests. ***Senate Bill 649*****/*****House Bill 795*** ***(both passed)*** extend the commission's regulatory authority to include mixed martial arts contests, defined as competitions in which contestants use interdisciplinary forms of fighting, including striking with the hands, feet, knees, or elbows and grappling by take-downs, throws, submissions, or choke holds. Mixed martial arts contestants are required to be licensed by the commission in order to participate in a regulated event.

Licensing requirements do not apply to amateur mixed martial arts conducted under the supervision of an amateur kick boxing or mixed martial arts organization reviewed and approved by the commission; however, the commission is required to adopt regulations to ensure the safety of individuals who participate in these events. Licensing requirements also do not apply to exhibition events.

The bill extends the boxing and wrestling tax to gross receipts derived from admission charges for mixed martial arts events and their telecast. The commission is required to impose a penalty of up to $5,000 for failure to pay this tax, which also applies to gross receipts from boxing or wrestling contests.

Maryland Home Improvement Commission

In general, a person must be licensed by the Maryland Home Improvement Commission before acting as a contractor, subcontractor, or salesperson in the State. In addition to other licensing and regulatory duties, the commission maintains the Home Improvement Guaranty Fund to reimburse homeowners from losses that result from an act or omission by a licensed contractor or that licensee's subcontractor, salesperson, or employee.

Claims on the Home Improvement Guaranty Fund

House Bill 409 ***(passed)*** authorizes the commission to issue a proposed order without a hearing for claims against the Home Improvement Guaranty Fund of up to $5,000, an increase of $2,500. The limit on an award to a single claimant for an act or omission of a single contractor is increased from $15,000 to $20,000.

Mold Remediation Companies Must Be Licensed

House Bill 1309 ***(passed)*** requires the commission to establish a licensing program for companies and firms that provide mold remediation services on residential property. To qualify for licensure, an applicant must submit proof that each employee who provides mold remediation services is certified by an accreditation body as a microbial remediation supervisor or microbial remediation technician. An application for a firm license must be made by a representative member of the organization.

An applicant for a license must submit an application fee, proof of employee certification, and proof of insurance. The commission is authorized to waive certain requirements for applicants licensed in another state. Licensees are required to conspicuously display their license and license number in their principal place of business and on any company vehicles. A company or firm providing mold remediation services must be licensed by the commission by June 1, 2010, to continue to provide services.

Home Builders

Rename of the Home Builder Registration Unit and Sales Representative Registration

***Senate Bill 1008*/*House Bill 1557* (both passed)** rename the Home Builder Registration Unit within the Consumer Protection Division of the Office of the Attorney General to be the Home Builder and Home Builder Sales Representative Registration Unit. The bills expand the purview of the unit to include sales representatives employed by a home builder and repeal current licensing requirements for these sales agents. The bills require sales representatives for a home builder to register with the before providing services in the State. A sales agent for a nonprofit organization with at least a two-year record of developing affordable housing is not required to be registered by the unit.

Once registered, a sales representative must display the registration certificate at his or her primary place of business. A home builder must provide a written disclosure regarding the professional relationship between the builder and the sales representative, with any materials available at a property serviced by a registered sales representative; this disclosure must also be included with the first agreement signed by the consumer.

Home Builder Registration Fees: The bills double the initial registration fee for home builders to $600. The renewal fee is doubled to $300 for a builder who has been issued building permits for fewer than 11 homes in the preceding year; the fee for a builder who has been issued 11 or more new building permits is likewise doubled to $600.

Montgomery County home builders, who are currently exempt from State registration requirements, are required to pay a $150 administrative fee to the county. The county must remit this fee to the unit for deposit in the Home Builder Registration Fund.

Home Builder Guaranty Fund: The Consumer Protection Division is required to establish a Home Builder Guaranty Fund to compensate claimants for an actual loss that results from an act or omission by a registrant. The division must maintain a minimum balance of $1 million in the Guaranty Fund. Direct and indirect costs incurred in administering the fund are charged to the Home Builder Registration Fund. A home builder is required to pay a Guaranty Fund fee of up to $50, as determined by the division, with each application for a new home construction permit.

The division may award up to $50,000 to one claimant for acts or omissions of one builder; the division may not award more than $300,000 to all claimants for acts or omissions of a single builder unless the builder reimburses the fund for all or a portion of these claims. The division may not award an amount for attorney's fees, court costs, damages, or interest. In general, a claim against the Guaranty Fund must be filed within two years of discovering any damage or defect.

A builder whose act or omission gave rise to a claim against the Guaranty Fund must reimburse the Guaranty Fund. If a builder liable for reimbursing the Guaranty Fund fails to do so, the division may refer the matter to the Central Collection Unit and place a lien on the person's real property. The division may also suspend the builder's registration until claims against the fund are reimbursed in full.

Public Service Companies

Of all the areas regulated by the Public Service Commission (PSC), electricity by far garnered the greatest attention during the 2008 legislative session.

Electric Restructuring

History

Effective July 2000, the Maryland Electric Customer Choice and Competition Act of 1999 restructured the electric utility industry in the State to allow electric retail customers to potentially shop for electric power from various electric suppliers. Implementation of the Act was predicated on the supposition that the emergence of a competitive retail market would put downward pressure on prices and provide consumers with lower cost power. Before restructuring, the local electric utility, operating as a regulated, franchised monopoly, supplied all end-use customers within its service area with the three principal components of electric power service: generation, transmission, and distribution.

Separate restructuring settlements were agreed to in 1999 with the four large investor-owned electric companies that operate in the State: BGE, PEPCO, Potomac Edison (Allegheny), and Delmarva. Restructuring settlements were designed to implement electric restructuring as adopted by the General Assembly. With Maryland's restructuring of the electric power industry, generation of electricity is offered in a competitive wholesale marketplace. Prices for power supply are determined by electric suppliers operating in the market, rather than being determined by PSC in a regulated environment.

Merchant generators or unregulated utility affiliates now own most power plants serving the State. Consequently, residential, commercial, and industrial customers purchase power from electric suppliers; residential and small commercial customers have the additional option of being supplied standard offer service, procured by the local electric company. Power supplies are purchased from electric suppliers, who either own generation assets or have purchased power from the wholesale market which is overseen by the Federal Regulatory Energy Commission. This power is transported through the local utilities' transmission and distribution system and delivered to retail customers.

A number of bills during the 2008 session considered aspects of electric industry restructuring by modifying the current market structure, altering PSC abilities, or requiring PSC to undertake additional investigations or reports to those required under current law.

PSC Proceedings and Reports

Chapter 5 of the 2006 special session and Chapter 549 of 2007 required PSC to conduct studies and complete reports to assist the General Assembly in assessing the status of electric restructuring on the State. PSC was charged with reevaluating (1) the general regulatory structure, agreements, orders, and prior actions of PSC under the 1999 Act, including the determination of and allowance for stranded costs; (2) the availability of competitive generation to residential and small commercial customers and the structure of standard offer service for these customers; and (3) options for re-regulation, if advised. A final report containing the complete set of evaluations, findings, and recommendations is due December 1, 2008.

In the December 2007 interim report, PSC stated that Maryland faces a serious reliability concern in the 2011-2012 timeframe. The lack of new generation in the State, coupled with inadequate transmission capability and growing demand means Maryland faces the prospect of brownouts or even rolling blackouts on hot summer days in 2011 and 2012. In January 2008, PSC issued another report that, in part, asserted that the 1999 PSC order approving the 1999 BGE settlement resulted in unforeseen financial gains to BGE. The report concluded that, had foresight and the actual cost and benefits of the settlement been properly weighed, under the current PSC, the BGE settlement might not have been found to be in the public interest. Soon after the report was issued, and for a number of reasons, Constellation gave the State notice that the company would abandon the standstill agreement entered into after the enactment of Chapter 5, and shortly after that agreement terminated, the State and Constellation sued each other, as explained below.

2008 Constellation Settlement

Senate Bill 1013 ***(passed)/House Bill 1626*** ***(failed)*** were introduced as part of a 2008 settlement agreement to resolve pending litigation and other disputed matters between the State of Maryland, certain State officials, and various Constellation Energy Group, Inc. companies, including BGE. The Attorney General and Governor O'Malley had filed suit in Baltimore City Circuit Court asking the court to find the credits to BGE customers specified in Chapter 5 to be constitutional and legal acts of the General Assembly. Constellation Energy Group had filed suit in federal court to affirm BGE's 1999 settlement agreement that implemented electric restructuring in the BGE service territory. The latter suit sought to prevent what was alleged to be an unconstitutional taking of the $386 million that Chapter 5 had required to be paid or otherwise credited to BGE's residential customers.

In 1999, PSC adopted a settlement establishing a restructuring plan for BGE. The plan included rate reductions, rate freezes, capped BGE's responsibility for Calvert Cliffs nuclear decommissioning costs, unbundled electric rates, and provided for the transfer or sale of generation facilities. The agreement also provided BGE with after-tax transition costs of $528.0 million to be recovered by customers by June 30, 2006.

Chapter 5 required BGE to credit $18.7 million in annual nuclear decommissioning charges for 10 years. The amount totals to $186.6 million over the 10-year period. BGE also collects $18.7 million from industrial, commercial, and residential customers and redistributes this total amount to residential customers as a credit, resulting in a reduction in residential rates. The remaining $200 million of the total $386 million of rate relief for residential customers is from a suspension of the collection of the residential return component of the administrative charge collected by BGE for providing standard offer service (deemed to be an annual value of $20 million for 10 years).

In the 2008 settlement agreement, all parties acknowledged and agreed that the terms of the agreement are subject to enactment of conforming legislation. The parties agreed on specified issues, including Calvert Cliffs decommissioning, a $187.0 million BGE electric rate credit to residential customers (approximately $170 for each of BGE's 1.1 million residential customers), the terms of collection of the return component of BGE's residential SOS, resolution of ongoing PSC proceedings, and elimination of PSC's obligation to prepare certain final reports to the General Assembly. When enacted, ***Senate Bill 1013***, which incorporates these terms in legislation, will seal the agreement.

The bill incorporates in Maryland law oversight of public utility holding companies derived from the federal Energy Policy Act of 2005, which granted states the right to oversee the operations of utilities' parent companies as part of the repeal of the federal Public Utilities Holding Companies Act (PUHCA). In order to enhance the ability of Constellation to attract capital investment for development of generation in the State, the bill establishes as a "safe harbor" the acquisition of up to 20 percent of the capital stock of the parent company without requiring prior PSC approval. However, ***Senate Bill 1013*** specifically asserts the authority of PSC to investigate and take action to preserve the regulated utility, BGE, regardless of how much or little stock an acquiring entity owns, if the acquiring entity is found to exercise substantial actual influence over the operation of the regulated utility. The bill specifically applies strong State merger oversight to acquisition of a gas and electric company or its parent, and requires PSC to review its ring fencing provisions each time it reviews a merger or acquisition of an electric company, gas company, or gas and electric company.

Senate Bill 1013 deems the ratepayers' obligations for decommissioning expenses for Calvert Cliffs to be satisfied. Once the original term of decommissioning payments under the 1999 settlement agreement ceases in 2016, ratepayers will be entirely free from liability for nuclear decommissioning (valued at $5.2 billion and a savings to ratepayers of $1.5 billion). That liability will rest with the plant's owner, Constellation Nuclear. The bill restores residential ratepayer credits relating to the residential return component that Constellation challenged in its suit, although the credits are suspended for two years to cover certain cash flow issues. The bill also limits the ability of BGE to file and obtain a rate increase for its distribution services, which have not increased since 1993. Any increase could not take effect until October 2009 and would be limited to 5 percent, absent a specific PSC finding to the contrary.

Other Restructuring Proposals

Several other legislative proposals were introduced to modify or restructure the electric industry in Maryland. Although electricity supplies can be enhanced through additional transmission capacity to support the import of lower cost power supplies, development and construction of capacity resources in the State, and implementation and demand-side, retail customer-based efforts, many of the 2008 legislative restructuring proposals focused on the generation component of the electric industry. Legislative proposals were also submitted that would return a number of functions to PSC or delay PSC's current abilities to implement or impose requirements on the State's electric companies.

Long-term Contracts: Under current law, in order to meet long-term, anticipated demand in the State for residential and small commercial standard offer service (SOS) and other electricity supply, PSC may require or allow an investor-owned electric company to construct, acquire, or lease, and operate, its own generating facilities, and transmission facilities necessary to interconnect the generating facilities with the electric grid, subject to appropriate cost recovery.

One of the two main subject areas identified in PSC's September 25, 2007, "Notice Initiating Phase II Proceeding" is the need for utilities to build and procure "new build" capacity to avert a potential electric supply reliability problem within the next four or five years. ***House Bill 1578*** ***(failed)*** would have authorized PSC to authorize a consortium of electric companies, including electric cooperatives, to build or lease new generation capacity as an alternative to long-term supply contracts. ***Senate Bill 991/House Bill 822*** ***(both failed)*** would have delayed PSC from requiring electric companies to enter into long-term electricity generation contracts until other options such as transmission enhancements, demand response solutions, and power plant development by private electric company consortia had been considered as alternatives and reported on to the Governor and the General Assembly.

Supplier Referral Program: ***Senate Bill 329/House Bill 1165*** ***(both failed)*** would have required PSC to establish a competitive electricity supplier referral program for residential and small commercial retail electric customers. The bills would also have strengthened the position of competitive electricity suppliers regarding handling of accounts receivable and turnoffs.

Reliability and Constraints in Maryland's Electricity Supply

Electric restructuring was intended to bring increased efficiencies to the electric utility industry, resulting in lower overall costs for industrial, commercial, and eventually residential customers. The result has been quite different. Growth in demand based on increasing population, as well as the proliferation of new devices requiring electricity has outstripped any efficiencies created by restructuring, at least as to the residential sector. This demand, coupled with the lack of any substantial new generating capacity in the State, as well as constrained transmission facilities and little in the way of substantial increase in transmission capacity has led the State to the brink of threatened brownouts during times of peak demand as soon as 2011.

The transmission system, as regulated by the Federal Energy Regulatory Commission (FERC) and operated regionally by PJM Interconnection, LLC, is currently inadequate to allow the unrestrained importation of cheaper electricity from coal-based plants in the Ohio River valley, both on economic and physical grounds. The response by FERC has been to impose capacity surcharges on electricity transmitted into central Maryland, in hopes of spurring development of additional transmission facilities. The response by PJM has been twofold – imposition of locational marginal pricing (LMP) under which electricity is priced as a commodity based on a continuous auction of operating plants, with the final resulting price based on the bid of the most expensive plant actually dispatched to serve the load, adjusted for delivery into a constrained area; and an explicit forward-looking capacity market, the reliability pricing mechanism (RPM), in which electricity providers bid to provide various forms of supply capacity in future years, and for which electricity customers pay.

There is some evidence that electricity suppliers that own and develop "iron in the ground" – physical power plants and transmission lines – are starting to respond to some or all of these federal and regional incentives, though the timeframe for most of these new or expanded facilities extends beyond critical congestion effects in Maryland. Between permitting and construction, neither a substantial base-load power plant nor a high-capacity transmission line can reasonably be constructed in less than five years, with many proposals expected to take twice as long. In addition, all these pricing mechanisms contribute to raising the retail price of electricity in constrained areas – such as central Maryland and the Eastern Shore – and all are out of the control of Maryland policymakers and regulators.

The Administration Package

Faced with electricity prices increasing due to factors outside of State control, and with the possibility of rolling brownouts within as little as three years, the Administration, PSC, and the Maryland Energy Administration (MEA) worked on legislative proposals to address both short-term and long-term issues of reliability and capacity within the legal jurisdiction of the State. Issues and solutions for reliability and capacity of the State's electricity system must address one or more of the three basic components of that system – generation, transmission, and demand. Transmission is primarily a federal issue, other than siting authority for facilities located in the State. Generation may be addressed through the incentive payment system in PJM or by any of several options on the State level. Demand may be addressed through energy efficiency and conservation – which are arguably the quickest acting and cheapest alternatives to building new supply, though they are also fraught with issues of reliable quantification and implementation.

The Administration's package of legislative proposals in the 2008 session addresses both the generation of and the demand for electricity. The three principal proposals are "EmPOWER Maryland Energy Efficiency Act of 2008," ***House Bill 374*** ***(passed)***, "Regional Greenhouse Gas Initiative – Maryland Strategic Energy Investment Program," ***Senate Bill 268***/***House Bill 368*** ***(both passed)***, and "Renewable Portfolio Standard Percentage Requirements – Acceleration." ***Senate Bill 209***/***House Bill 375*** ***(both passed)***. The first two proposals address supply concerns through promotion of energy efficiency and conservation, while the last addresses diversity of generation.

Other Administration bills deal with the Solar and Geothermal Grant Program, ***House Bill 377*** ***(passed)***, and the High Performance Building Program, ***Senate Bill 208*** ***(passed)***. The

Constellation settlement bill, ***Senate Bill 1013***, discussed above, also addresses supply by removing certain barriers to investment in order to ease proper review and development of a potential third reactor at Constellation's Calvert Cliffs facility.

Maryland Strategic Energy Investment Program and Fund

Under the Healthy Air Act, enacted by Chapters 23 and 301 of 2006, Maryland joined the Regional Greenhouse Gas Initiative (RGGI) compact to limit greenhouse gas emissions in the participating states. Under that compact, Maryland is preparing to participate in auctions of carbon dioxide emissions allowances starting in September 2008. The State's primary sources of carbon dioxide emissions are power plants fired by coal and natural gas and industrial facilities such as steel mills and brick yards.

Under current law, RGGI auction proceeds would be paid into the Maryland Clean Energy Fund, which the Department of the Environment uses to administer its federally delegated air quality control programs. That fund, however, has a cap of $750,000, beyond which excess monies revert to the general fund. The RGGI compact specifies the permissible uses of auction proceeds, which do not include general expenditures. Accordingly, the State needs a separate special fund to receive RGGI auction proceeds, which are estimated to yield between $80 and $140 million each year.

Senate Bill 268/***House Bill 368*** ***(both passed)*** establish a Maryland Strategic Energy Investment Program and Fund administered by MEA. The program applies proceeds from the sale of RGGI carbon dioxide allowances to specified purposes, including low-income energy assistance, energy efficiency and demand response programs, and ratepayer relief. The stated purpose of the fund is to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy to fuel Maryland's future prosperity. The bills repeal the Maryland Renewable Energy Fund and redirects revenues currently paid into that fund to the new fund, along with RGGI auction proceeds. The bills specify allocations from the fund, establish a related advisory board, and establish planning and reporting requirements. Finally, the bills modify provisions relating to the Maryland Clean Air Fund by segregating RGGI proceeds from it and by raising to $2 million the cap before reversion to the general fund.

The bill establishes specified duties for MEA with respect to managing, supervising, and administering the fund. Among other things, MEA must adopt regulations to implement the program and to ensure that fund resources are used only to carry out the purposes of the program.

MEA must use the fund to:

- invest in the promotion, development, and implementation of cost effective energy efficiency and conservation programs, projects, or activities; renewable and clean energy resources; climate change programs; and demand response programs designed to promote changes in customer electric usage;

- provide targeted programs, projects, activities, and investments to reduce electricity consumption by low-income and moderate-income residential customers;
- provide supplemental funds for low-income energy assistance to the EUSP Fund;
- provide residential customers with rate relief by offsetting electricity rates of residential customers, including an offset of surcharges imposed on ratepayers for utility energy efficiency programs;
- provide grants, loans, and other assistance and investment as necessary and appropriate;
- implement energy-related public education and outreach initiatives regarding energy consumption and greenhouse gas emissions; and
- pay the expenses of the program.

The bill specifies that compliance fees currently paid into the Maryland Renewable Energy Fund that are redirected to the new fund must be used in the same manner as provided by the current RPS law. Other monies, in particular RGGI proceeds, are allocated as provided in **Exhibit H-1**.

Exhibit H-1
Maryland Strategic Energy Investment Fund Allocations

Low-income assistance through EUSP and related programs	17.0%
Residential rate relief	23.0%
Energy efficiency, conservation, and demand response	at least 46.0%
Renewable and clean energy, climate change, and energy-related public education and outreach	up to 10.5%
MEA administration	up 3.5%, but not more than $4.0 million
Total	**100.0%**

Of the allocation for energy efficiency, conservation, and demand response programs, at least one-half must target the low-income residential sector with no cost to participants and the moderate-income residential sector.

By December 15, 2008, MEA must develop a plan for expenditures from the fund for fiscal 2009 and 2010. By September 1, 2009, and every three years thereafter, MEA must develop a plan for expenditures covering the next three fiscal years. After holding public meetings in conjunction with the development of a plan, MEA must submit the plan to the advisory board for review. MEA also must regularly disclose specified summary information on any contract that encumbers $100,000 or more from the fund. The bill also establishes specified requirements for MEA with respect to monitoring and analyzing program impacts and outcomes.

By January 1 of each year, MEA must report to the Governor and the General Assembly on the uses and expenditures of the fund from the prior fiscal year. The bill establishes several requirements for that report.

For discussion of some of the environmental aspects of these bills, see also the subpart "Environment" in Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

EmPOWER Maryland

During an energy seminar sponsored by MEA in July 2007, Governor O'Malley announced a State goal of reducing "15 by 15" – 15 percent of electricity demand from State facilities by 2015 and an aspirational goal of reducing per capita electricity demand statewide by 15 percent by 2015, based on 2007 levels, through energy efficiency and conservation efforts. In order to address reliability and capacity concerns, the Administration then sought to solidify these goals through legislation.

House Bill 374 ***(passed)***, the EmPOWER Maryland Energy Efficiency Act of 2008, requires electric companies to procure and provide customers with energy conservation and energy efficiency programs and services that are designed to achieve targeted electricity savings and demand reductions for specified years through 2015. Electric company plans must include program descriptions, anticipated costs, projected electricity savings, and other information PSC requests. Electric companies must consult with MEA regarding cost recovery, program design, and adequacy to meet the target reductions. PSC must review the plans for adequacy and cost effectiveness in achieving the electricity savings and demand reduction targets.

Using 2007 as a base year, the bill establishes a per capita State goal of achieving a 15 percent reduction in per capita electricity consumption and a 15 percent reduction in per capita peak demand by the end of 2015. Beginning with the 2008 calendar year and each year thereafter, PSC must calculate the per capita electricity consumption and peak demand for the year. On or before December 31, 2008, PSC, to the extent it determines that cost effective energy efficiency and conservation programs are available for each affected class, must require electric companies to procure and provide customers with a cost effective demand response program that is designed to achieve targeted electricity savings and demand reduction through 2015. Utility-based reductions of 5 percent are required in both electricity consumption in peak demand by 2011, and utility programs must reduce electricity consumption by 10 percent by 2015. Additional 2015 per capita reductions in electricity consumption of 5 percent may be achieved independent of the bill, through MEA efforts to obtain the overall 15 percent reduction in electricity consumption in 2015.

Electric companies must submit plans for obtaining the targeted reductions in July 2008, and every three years following, and must provide annual updates on progress. PSC must monitor progress to achieve the best possible results and may require an electric company to include specific measures designed to achieve the targeted reductions.

For discussion of some of the environmental aspects of this bill, see also the subpart "Environment" in Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Renewable Energy Portfolio Standard Acceleration

A long-term concern related to capacity and reliability is the State's continued heavy reliance on fossil fuels for generating electricity. Even under the traditional rate-of-return regulatory mechanism, electricity customers were exposed to fluctuations in prices based on the cost of fuel, although the overall cost of generation from fossil fuels remains lower than that from alternative technologies. Fossil fuels also give rise to significant fuel-related issues such as carbon dioxide emissions and other byproduct and waste disposal matters.

In 2004, Maryland adopted its Renewable Energy Portfolio Standard (RPS), under which electricity suppliers must include a certain percentage of energy derived from renewable sources through purchase of renewable energy credits (RECs) each year, or pay a compliance fee into the Renewable Energy Fund, which is replaced by the Maryland Strategic Energy Investment Fund under ***Senate Bill 268***/***House Bill 368***. However, because neighboring states have adopted more aggressive compliance schedules and fees than those in effect in Maryland, there has been little incentive to deploy renewable generation sources in Maryland.

Senate Bill 209/***House Bill 375*** ***(both passed)*** seek to increase the diversity of generation sources available to Maryland customers by increasing the RPS percentages and compliance fees, while modestly shrinking the area within which RECs may be created to satisfy Maryland's RPS. These Administration bills accelerate the increase in Tier 1 percentage requirements of the RPS to 20 percent in 2022 and beyond. Percentage requirements begin to accelerate beginning in 2011. Effective January 1, 2011, Tier 1 compliance fees rise to four cents per kilowatt-hour, from the current 2 cents, and the geographic scope in which renewable resources can be obtained for compliance is restricted. Through December 31, 2018, however, an electricity supplier that demonstrates to PSC that the compliance cost for obtaining nonsolar Tier 1 RECs exceeds 10 percent of the supplier's total in-state revenues may defer the scheduled increase in the RPS percentage for a year. Unlike the preceding two proposals, the RPS acceleration legislation is acknowledged to involve a continuing charge to residential customers, although it is intended to be offset by savings developed through the Strategic Energy Investment Program and the EmPOWER Maryland Program. For discussion of this legislation from the environmental perspective, see also the subpart "Environment" in Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Solar and Geothermal Grant Program

Over time, the inflexibility of grant amounts under the Solar and Geothermal Grant Program has been cited as a reason that MEA has been able to give few grants, leaving an unspent balance at the end of the fiscal year. In order to allow the program to respond better to potential demand, ***House Bill 377***, an Administration bill, increases specified grant limits under the Solar Energy and Geothermal Heat Pump grant programs and allows MEA to vary the size of the grant with the capacity of the supported system. The bill exempts the sale of specified solar energy and geothermal equipment from the State sales and use tax, and exempts specified solar energy property from State and local real property taxes. The bill also provides that a geothermal heating and cooling system, either as a stand-alone system or as a combined geothermal and conventional system, may not be assessed at more than the value of a conventional system for property tax purposes.

High Performance Buildings

Senate Bill 208, another Administration bill, was introduced to implement recommendations made by the Maryland Green Building Council in its December 2007 report. The bill requires new or renovated State buildings and new school buildings to be constructed as high performance buildings under specified circumstances. For a more detailed discussion of this legislation, see the subpart "Procurement" under Part C – State Government of this *90 Day Report*.

Other Electricity Issues

Poultry Litter

In order to address reliability concerns in the transmission-constrained Eastern Shore and significant environmental concerns with nutrient-rich runoff, ***Senate Bill 348***/***House Bill 1166*** ***(both passed)*** elevate generation of electricity from poultry litter-to-energy to the list of eligible Tier 1 renewable energy sources under the RPS. Under the bills, poultry litter-to-energy is an eligible resource only if the source is connected with the electric distribution grid serving Maryland.

State Power Authority

One option for increasing the State's generating capacity that PSC identified in its December 2007 interim report was the establishment of a State power authority, though PSC did not specifically endorse that option. ***House Bill 1509*** ***(failed)***, a departmental bill, would have authorized the Maryland Environmental Service (MES) to engage in additional types of energy projects and services, such as the construction of power plants, the undertaking of energy conservation measures, and engaging in research and development studies, all unrelated to the agency's current authority to engage in projects involving water resources and waste treatment. The projects envisioned by MES were primarily focused on leveraging current projects, directly implementing smaller-scale renewable projects, and assisting public or private entities with larger energy projects. However, the bills would have allowed MES, as a State power authority, to construct, own, and operate power plants of any capacity.

A similar bill, ***House Bill 1384*** ***(failed)***, would have established a Maryland Energy Generation Authority as an instrumentality of the State, possessing bonding authority, with the purposes of acquiring and operating generating facilities in the State, and facilitating procurement of affordable electricity for low-income populations.

Other Energy Efficiency and Conservation Measures

Currently, electric utilities in Maryland must develop and implement energy efficiency and conservation programs, subject to review and approval by PSC. PSC compares the benefits with the costs of a program to determine if the program should be implemented and a surcharge placed on customer rates. PSC also determines the appropriateness of the program for utility customers and considers the impacts on jobs, the environment, rates, and cost effectiveness. In determining the usefulness of a program, PSC undertakes a series of cost-effectiveness tests each designed to measure the benefits in relationship to costs.

In January 2008, Allegheny Power stopped a compact fluorescent light (CFL) mailing program sponsored with Energy Star. Allegheny Power had undertaken the program as a PSC-approved effort, sending two CFLs to each of 220,000 Maryland residential households. To recover program costs, Allegheny Power was allowed to include an energy conservation surcharge of 96 cents a month for 12 months, totaling $11.52. CFLs are advertised as using about 75 percent less energy a month and lasting 10 times as long as a traditional incandescent light bulb, thereby saving customers between $30 and $60 over the life of the unit. However, residential customers expressed concerns with respect to the incurred costs for the program. In response, the electric utility apologized, gave the bulbs away free of charge, stopped collecting the surcharge, and undertook efforts to develop a mechanism with PSC approval to refund all monies collected since the energy conservation surcharge began in October 2007.

Senate Bill 417/***House Bill 608*** ***(both passed)***, emergency legislation, require each electric and gas company to notify affected customers once a year of the energy efficiency and conservation charges imposed and the benefits conferred by publication on each company's web site and inclusion with billing information, such as a bill insert or bill message. By February 1, 2009, and every two years following, PSC, in consultation with MEA, must report to the General Assembly on the status of energy efficiency and conservation programs and services and a recommendation on the appropriate funding levels for these programs.

Common Carriers

Paid intrastate transportation services for the use of the general public typically require a motor carrier permit issued by PSC, except for governmental transportation authorities, certain school transit services and similar vanpool arrangements, and separately licensed taxicab services. The presence of a large university with its own internal transportation system may as a practical matter interfere with the development of local municipal fee-based transportation systems. In order to accommodate the needs of College Park residents for access to the shuttle system of the University of Maryland, College Park, ***Senate Bill 31***/***House Bill 340*** ***(both passed)*** allow the university to open its shuttle system to the public on a paid basis without obtaining a motor carrier permit, for a three-year trial period. The bills require a report on this pilot program to the General Assembly.

Insurance Other Than Health

Maryland Insurance Commissioner

Adoption of Regulations During Emergency

In light of harm to consumers resulting from emergencies and disasters both locally and nationally, the Maryland Insurance Administration (MIA) has determined that the Maryland Insurance Commissioner needs additional flexibility in an emergency to ensure that consumers are protected. ***House Bill 277*** ***(Ch. 63)*** requires the Commissioner to adopt regulations that may be applied when the Governor has declared a state of emergency or the President of the United States has issued a major disaster or emergency declaration. To activate a regulation, the Commissioner must issue a bulletin in the manner specified in the Act.

The regulations may address (1) the submission of claims or proof of loss; (2) grace periods for payment of premiums and performance of other duties by insureds; (3) temporary postponement of cancellations, nonrenewals, premium increases, or policy modifications; (4) procedures for obtaining nonelective health care services; (5) time restrictions for filling or refilling prescription drugs; (6) timeframes applicable to an action by the Commissioner; and (7) any other activity necessary to protect the residents of the State.

Regulation of Injured Workers' Insurance Fund

The Injured Workers' Insurance Fund (IWIF) administers workers' compensation for the State and provides workers' compensation insurance to firms unable to procure insurance in the private market. IWIF only writes policies in Maryland and is a major insurer with almost one-third of the market share. Chapter 567 of 2000 and Chapter 22 of 2003 extended specific regulations to IWIF, primarily provisions of the Insurance Article regulating examinations, risk-based capital standards, assets and liabilities, reserves, reinsurance, and impaired entities. However, the Maryland Insurance Commissioner was prohibited from taking any action (such as a corrective order) to enforce any of the provisions governing IWIF.

Senate Bill 679 ***(passed)*** subjects IWIF to additional regulation by the Commissioner. With the exception of rate making, rating, and rate review, IWIF is subject to examination and enforcement by the Commissioner in the same manner as other property and casualty insurers.

The bill also requires MIA to study the impact of subjecting IWIF to the provisions of law regarding rate making, rating, and rate review that are enforced by MIA for other property and casualty insurers. The study is required to include (1) an analysis of whether IWIF's current rate making practices produce actuarially sound rates; (2) a determination of the cost impact to IWIF if required to file rates with a rating organization; and (3) a comparison of the experience rating plan used by IWIF for small employers as compared to the experience rating plan established by a rating organization for small employers. MIA also is required to identify other provisions of law relating to consumer protections and financial soundness that are enforced by MIA and are applicable to other property and casualty insurers but are not applicable to IWIF. MIA is required to seek input for the study from specified stakeholders and is required to report its findings and recommendations on how rates should be established for IWIF to the Senate Finance Committee and the House Economic Matters Committee on or before December 1, 2008.

Insurance Fraud

In the past, the Insurance Fraud Division of the Maryland Insurance Administration has been unable to prosecute perpetrators of insurance fraud because these individuals had not been given notice that certain activity is criminal. In insurance fraud cases, prosecutions are strengthened significantly by the ability to show that an individual was already aware of what constitutes insurance fraud, as well as the possible penalties, when the individual completed the insurance application, filed claim forms, and endorsed the claim payment instrument.

House Bill 404 ***(passed)*** requires insurers to include a fraud disclosure statement on all applications for insurance and all claim forms that informs the consumer that it is a crime to commit insurance fraud. The requirement does not apply to (1) reinsurance applications or claim forms; or (2) the uniform claims forms for reimbursement of hospital services or health care practitioners services. The bill specifies that the lack of the required statement does not constitute a defense in any legal action. All insurers must comply with the requirement by April 1, 2009.

Insurance Producers

Licensing Requirements

Chapter 731 of 2001 incorporated provisions of the Model Producer Licensing Act adopted by the National Association of Insurance Commissioners (NAIC) into Maryland's agent and broker licensing provisions, as required by the federal Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley). As part of its efforts to comply with Gramm-Leach-Bliley, NAIC established a goal of uniform educational requirements for resident insurance producer licenses.

House Bill 1589 ***(passed)*** includes a number of provisions from the NAIC model law on producer licensing. The bill authorizes the Maryland Insurance Commissioner to waive specified requirements for an insurance producer license applicant if the applicant has certain professional designations. The bill also increases continuing education requirements for insurance producers from 16 to 24 hours every 2-year renewal period, with exceptions for (1) title insurance producers, who will continue to be required to receive 16 hours of continuing education; and (2) insurance producers who have held licenses for 25 or more consecutive years, who are required to receive no more than 8 hours. Of the required hours of continuing education per renewal period, at least 3 hours must relate directly to ethics. Finally, the bill staggers renewals of insurance producer licenses every 2 years based on the licensee's birth month.

Life and Health Insurance Examinations

***Senate Bill 701*/*House Bill 1100* (both passed)** require the Commissioner (or the Commissioner's designee), by April 1 of each year, to prepare and publish a report regarding the life and health insurance producer examinations administered during the preceding calendar year. The report must include information on (1) the total number of examinees; (2) the percentage and number of examinees who passed the examination; (3) the mean and standard deviation of scaled scores; and (4) the correct answer rate and correlation rate for each test question and each test form. Information must be presented for all examinees combined and separately by race or ethnicity, gender, race or ethnicity within gender, educational level, and native language. The bills terminate at the end of September 30, 2011.

Property and Casualty Insurance

Omnibus Coastal Property Insurance Reform Act

In recent years, a number of large insurance companies have decided to stop offering property insurance in coastal areas due to an increased risk of hurricane damage linked to rising ocean temperatures. A number of insurance companies, including Allstate, Liberty Mutual, Nationwide Mutual, and State Farm, have decided to stop offering property insurance in Mid-Atlantic coastal areas, including many counties in Maryland. On February 11, 2008, the Maryland Insurance Commissioner announced a decision accepting Allstate's move to refuse to issue new homeowners' insurance policies in specific coastal areas, holding that the company's decision did not violate existing State law.

As a result of the actions of certain insurance companies, the General Assembly enacted Chapter 486 of 2007 to create the Task Force on the Availability and Affordability of Property Insurance in Coastal Areas. The task force was charged with examining methods to ensure the continued availability and affordability of property insurance in coastal areas of Maryland. The task force's final report concluded that while it does not believe there is currently an issue of either availability or affordability of property insurance in the coastal areas of Maryland, it wants to make sure this situation remains that way and that the market place remains stable.

***House Bill 1353* (passed)** makes numerous changes to the law governing property insurance in coastal areas of the State, as discussed in the task force's final report. Under the bill, an insurer may not adopt an underwriting standard that requires a deductible that exceeds 5 percent of the "Coverage A – Dwelling Limit" of the policy in the case of a hurricane or other storm unless the Commissioner has approved the underwriting standard. If an insurer has adopted a percentage underwriting standard, the deductible may be applicable only beginning at the time that the National Hurricane Center of the National Weather Service issues a hurricane warning for any part of the State where the insured's home is located and ending 24 hours after termination of the warning. The insurer is required to provide a policyholder with an annual statement explaining the manner in which the deductible is applied.

The bill also requires an insurer to offer at least one actuarially justified premium discount on a policy of homeowner's insurance to a policyholder who submits proof of improvements made to the insured premises as a means of mitigating loss from a hurricane or other storm. Qualifying improvements include (1) hurricane shutters; (2) secondary water barriers; and (3) reinforced roof coverings. The improvements must be inspected by a contractor licensed by the Department of Labor, Licensing, and Regulation, and an insurer must be allowed to inspect the improvements.

Under the bill, insurers that use a catastrophic risk planning model or other model in setting rates or refusing to issue or renew homeowner's insurance because of the geographic location of the risk must file a description of the specific model with the Commissioner and make arrangements to explain the model to the Commissioner. Insurers must notify the Commissioner of any changes to the model. This information is deemed proprietary and confidential information under State law.

In addition, the bill establishes procedures for insurers to implement plans of material reduction for the orderly reduction in coverage provided by homeowner's insurance policies. A "material reduction" is defined as a reduction of homeowner's insurance policies in force for an insurer on a statewide basis by 3 percent or more due to cancellations or nonrenewals solely because the subject of the risk or the insured's address is located in a certain geographic area. The bill requires an insurer to file with the Commissioner a plan for orderly reduction at least 60 days before implementing a plan of material reduction.

Finally, the bill requires the Department of Housing and Community Development to review current statewide building codes and develop enhanced codes for coastal regions of the State that promote disaster-resistant construction in these regions. The department has to report its findings and recommendations to the Senate Finance Committee and the House Economic Matters Committee on or before October 1, 2010.

Homeowner's Insurance

Coverage for Loss from Water or Sewer Backup: An insurer that issues or delivers a homeowner's insurance policy must offer to provide coverage for loss that is caused by or results from water that backs up through sewers or drains and is not caused by the negligence of the insured. The Maryland Insurance Administration (MIA) has adopted and enforced the position that this mandatory offer of water backup damage coverage must be provided by insurers at the time of both policy renewal and initial application.

To codify this practice, ***House Bill 405*** ***(Ch. 72)*** specifies that an insurer issuing, selling, or delivering homeowner's insurance policies in the State must offer the insured in writing the opportunity to purchase coverage for sewer or drain water backup damage at the time of initial policy application and at each renewal. If an application or renewal is made by telephone, the insurer is in compliance with the Act's requirements if the insurer sends the offer to the applicant or insured by certificate of mailing within seven calendar days after the date of application or renewal. If an application or renewal is made using the Internet, the insurer is in compliance if the insurer provides the offer to the applicant or insured prior to submission of the application or renewal.

Coverage for Additional Living Expenses: Coverage for additional living expenses (ALE) in the case of the loss of a home is generally assumed by a purchaser of a homeowner's insurance policy to provide coverage until the home has been rebuilt. However, ALE coverage varies from insurer to insurer and may not always cover the insured until the home has been rebuilt.

House Bill 859 ***(Ch. 95)*** provides a uniform minimum standard for ALE coverage. The Act prohibits a policy of homeowner's, fire, farmowner's, or dwelling insurance from containing a clause that purports to limit coverage for additional living expenses incurred by an insured as a result of a covered loss to a period of time that is less than 12 months. Any such clause is void and unenforceable. In addition, the Act authorizes the Commissioner to require that an insurer provide coverage for additional living expenses under a policy for up to 24 months if the Commissioner finds that the covered property remains uninhabitable due to a delay in repair or replacement caused by the insurer or factors beyond the control of the insured.

Transfers of Policyholders Between Insurers

House Bill 1581 ***(Ch. 117)*** provides that, with respect to private passenger motor vehicle insurance and homeowners' insurance, the transfer of policyholders among affiliates within the same insurance holding company system is classified as a renewal if (1) the policyholder's premium does not increase; and (2) the policyholder does not experience a reduction in coverage. With respect to policies of personal insurance and private passenger motor vehicle liability insurance, the issuance by an insurer of a new policy to replace an expiring policy issued by that insurer is a renewal – as is the issuance of a new policy to replace an expiring policy issued by another admitted insurer within the same insurance holding company system, subject to the same two conditions that apply to transfers. If a policyholder is being transferred between affiliate insurers in the same insurance holding company system, the Act requires the insurer to send a notice disclosing the transfer instead of sending a notice of cancellation or nonrenewal.

Notice of Cancellation During Underwriting Period

Chapter 580 of 2006 authorized the cancellation of policies or binders of specified property and casualty insurance during a 45-day underwriting period. Although other cancellation notices for property and casualty insurance must be sent by certificate of mail, the 2006 law did not specify the required method of notice for cancellations during an underwriting period. The practice of MIA, however, is to require insurers to send the notices via certificate of mail.

House Bill 750 ***(Ch. 88)*** codifies the practice of MIA and requires insurers to send notices of policy or binder cancellation by certificate of mail. Certificate of mail is the least expensive method that provides a record of the date of mailing. A record of mailing is important to MIA when a consumer complaint triggers an investigation regarding insurer compliance with State law. Records of mailings also assist MIA in monitoring insurer practices relating to cancellations.

Maryland Automobile Insurance Fund

Senate Bill 603/***House Bill 32*** ***(both failed)*** would have permitted the Maryland Automobile Insurance Fund (MAIF) to accept premiums on an installment basis. As amended by the Senate Finance Committee, ***Senate Bill 603*** would have (1) required the Maryland Insurance Commissioner to make a determination as to whether the MAIF surplus is excessive and submit reports on or before October 1, 2008, and October 1, 2011, or two years following the inception of the offering of an installment plan; (2) authorized the Commissioner, as the Commissioner determines necessary, to determine whether the MAIF surplus is excessive and make recommendations for potential distributions of any excess surplus; and (3) authorized MAIF to accept premiums on an installment basis only on 12-month personal lines policies, subject to the requirements established by the bill, including a minimum 25 percent down payment of the total premium and a maximum of six installments. MAIF, as well as insurance producers, would have been required to disclose to MAIF applicants and insureds the payment options available to the applicants and insureds. Further, the bill would have required the premium finance companies to return to the MAIF insured, within 15 days of cancellation of a MAIF policy, any unearned premium and finance charges, calculated by the actuarial method.

Title Insurance

Commission to Study the Title Insurance Industry in Maryland

Title insurance regulation and the title insurance industry have come under heightened scrutiny, due in large part to a significant rise in property foreclosure rates in many areas, including Maryland. Much of the concern regarding title insurance stems from cases in which title insurers have used illegal sales tactics. While property purchasers are free to choose their own title insurance provider, in most cases purchasers defer to their real estate agent or mortgage lender. This has led to situations in which title insurers have sometimes provided kickbacks to these decision makers or developed other conflicts of interest.

Senate Bill 61/***House Bill 600*** ***(both passed)*** establish a Commission to Study the Title Insurance Industry in Maryland staffed jointly by the Department of Labor, Licensing, and Regulation and the Maryland Insurance Administration, to make recommendations for changes to laws relating to the title insurance industry.

To develop its recommendations, the commission is required to (1) review State laws relating to the title insurance industry; (2) review the mechanisms available to enforce State laws relating to the title insurance industry; (3) identify title insurance industry issues that affect consumers in Maryland; (4) examine the rate-setting factors for title insurance premiums; (5) examine how rates and services in a title plant state compare to those in Maryland; (6) identify ways to improve consumer education about the title insurance industry; (7) study whether mechanics' liens on properties scheduled for settlement have an impact on the timeliness of settlements or on title insurance premium rates; (8) review the time limits, subsequent to closing, for the issuance of title insurance policies; (9) study affiliated business arrangements among businesses involved with the settlement of real estate transactions to determine the impact of these arrangements on title insurance premium rates; and (10) study any other issue with significant impact on the title insurance industry.

The commission is required to report on its findings and recommendations to the Governor and the General Assembly by December 15, 2009.

Surety Insurance

A surety insurer that is removed by the District Court from the list of insurers eligible to post bonds with the court because of failure to resolve or satisfy one or more bail bond forfeitures is subject to penalties under the Insurance Article. These penalties include suspension or revocation of the insurer's certificate of authority, as well as a fine of between $100 and $125,000. The Maryland Insurance Commissioner also may order a certificate holder to make restitution to any person who has suffered financial injury because of the violation. ***Senate Bill 571*/*House Bill 915* (both passed)** extend these penalties to surety insurers that are precluded or removed by a circuit court from the list of insurers eligible to post bonds with any circuit court due to failure to resolve or satisfy one or more bail bond forfeiture judgments.

Horse Racing and Gaming

Horse Racing

Payment of Taxes

A recent legislative audit of the Maryland Racing Commission determined that pari-mutuel taxes were not being paid by mile thoroughbred licensees within the required statutory timeframe of three days after each racing day. ***Senate Bill 179* (Ch. 22)** addresses this issue by extending the time within which a mile thoroughbred licensee must pay specified pari-mutuel racing taxes to the Racing Commission to seven days after each racing day. The State tax on wagers is 0.32 percent imposed on the pari-mutuel handle for each racing day.

Maryland Standardbred Race Fund

***Senate Bill 197* (passed)** repeals the requirement that a race funded by the Maryland Standardbred Race Fund be canceled if there are fewer than two separate entries.

The Maryland Standardbred Race Fund supports purses for two sets of races, the Maryland Standardbred Fund (or the Foaled Stakes Program) and the Maryland Sire Stakes Program. Only standardbred horses foaled in Maryland may start in races under the Foaled

Stakes Program, and only standardbred horses that are sired by a Maryland stallion may start in races under the Maryland Sire Stakes Program.

Task Force to Study Thoroughbred Horse Racing at Rosecroft Raceway

House Bill 1506 ***(passed)*** establishes a Task Force to Study Thoroughbred Horse Racing at Rosecroft Raceway, which is a track currently conducting harness racing. The eight-member task force is charged with studying the feasibility of conducting thoroughbred horse racing at Rosecroft Raceway, including determining the probable impact of such racing on the community adjacent to the raceway and on the overall horse racing industry in the State, and determining whether State funds would be available to facilitate thoroughbred horse racing at the raceway. The task force is required to report its findings and recommendations to the Governor, the General Assembly, and the County Executive and County Council of Prince George's County on or before December 31, 2008.

Slot Machines

In the 2007 special session, the General Assembly passed legislation that provides for the introduction of a total of 15,000 video lottery terminals at five locations in the State, provided that Marylanders approve an amendment to the State constitution that will be put to a vote at the November 2008 election. The topic of slot machines arose again in the 2008 session in the wake of a proliferation of electronic gaming devices in several counties, pursuant to the Maryland Court of Appeals case *Chesapeake Amusements Inc. v. Riddle,* 363 Md. 16 (2001), in which the court held that an electrically operated machine that dispenses paper pull-tab tickets from a roll of preprinted paper pull-tabs is not a slot machine prohibited under State law.

Senate Bill 959 ***(passed)*** alters the definition of slot machine to include a machine, apparatus, or device that through the "the reading of a game of chance, [or] the delivery of a game of chance" awards money or objects that can be converted into money. The bill excludes from the definition of "slot machine" a machine, apparatus, or device that:

(1) awards the user only free additional games or plays;

(2) awards the user noncash merchandise or noncash prizes of minimal value;

(3) dispenses paper pull-tab tip jar tickets or paper pull-tab instant bingo tickets that must be opened manually by the user, provided that the machine, apparatus, or device does not read the tickets electronically, alert the user to a winning or losing ticket, or tabulate a player's winnings and losses;

(4) displays facsimiles of bingo cards that users mark and monitor according to numbers called on the premises by an individual where the user is operating the machine and does not permit a user to play more than 54 bingo cards at the same time;

(5) is used by the State Lottery Commission in the operation of the State lottery; or

(6) if the constitutional amendment authorizing video lottery terminals is approved, would qualify as a video lottery terminal.

The bill, however, does allow an entity licensed to offer instant bingo under a commercial bingo license as of July 1, 2007, or certain qualified organizations on their own premises, to continue operating a game of instant bingo in the same manner using electronic machines until July 1, 2009, provided that (1) the machines have been in operation for a one-year period ending December 31, 2007; (2) the entity does not operate more than the number of electronic machines operated as of February 28, 2008; and (3) the conduct of the gaming and operation of the machines is consistent with all other provisions of the Criminal Law Article.

The bill also requires the State Lottery Agency to report to certain legislative committees of the General Assembly about the gaming activities in local jurisdictions and the impact they have on other types of gaming regulated by the State. This report must be submitted on or before December 15, 2008.

State Lottery

Lottery Tickets and Prizes

Senate Bill 180 ***(passed)*** prohibits a licensed agent of the State Lottery Agency from paying a prize winner less than the lawful amount when redeeming lottery tickets and prizes. The bill specifically prohibits an agent from seeking a cashing fee, deceiving a prize winner, purchasing a lottery ticket, or otherwise circumventing the payment of prize winnings.

Economic and Community Development

Economic Development

Economic Development Laws – Code Revision

The new Economic Development Article, ***House Bill 1050*** ***(passed)***, is a product of the continuing nonsubstantive bulk revision of the Annotated Code of Maryland by the Department of Legislative Services. The first revised articles were enacted in 1973 and, to date, 31 other revised articles have become law. The purposes of code revision work are modernization, logical organization, and clarification, not policymaking by way of new law.

House Bill 1050 revises, restates, and recodifies the laws of the State that relate to economic development. The new article is a nonsubstantive revision of the statutes that pertain to the Department of Business and Economic Development (DBED), its component parts and programs, and independent economic development units and programs. This article consists of two divisions. Division I derives primarily from Article 83A – Department of Business and Economic Development and Article 23 – Miscellaneous Companies. Division II derives primarily from Articles 20 A-D – Tri-County and Regional Councils; Article 41 – Governor – Executive and Administrative Departments; Article 43C – Maryland Health and Higher Educational Facilities Authority; Article 45A – Industrial Development; Article 78D – Baltimore Metropolitan Council; Article 83A – Department of Business and Economic Development; the Financial Institutions Article; and the State Government Article.

The companion bill, ***House Bill 1051*** ***(passed)***, corrects cross-references to the new article in other provisions of the Annotated Code, makes nonsubstantive corrections to the new article, and addresses several matters brought to the attention of the General Assembly by the Economic Development Article Review Committee.

Base Realignment and Closure

In order to address an excess capacity of military facilities, the U.S. Congress created a process in 1990 known as Base Realignment and Closure (BRAC). The most recent round of federal plans regarding military installations nationwide became effective in November 2005.

In 2003, Maryland created the Maryland Military Installation Strategic Planning Council (Chapter 335 of 2003), consisting of 19 representatives of State agencies and federal military installations, to serve as an advocate for military facilities located in Maryland and coordinate State agency planning in response to changes caused by BRAC. After the approval of the 2005 BRAC plans, the State renamed the council the Maryland Military Installation Council (MMIC) and extended the termination date of the council through December 31, 2011 (Chapter 634 of 2006).

The 2005 BRAC plans impact many of the federal military installations in the State, directly resulting in an estimated 19,536 to 20,836 new jobs and placing Maryland among the largest beneficiaries nationally. These changes are expected to be phased in over a five- to six-year period with the bulk of the gains expected at Aberdeen Proving Ground, Andrews Air Force Base, Fort Meade, and the National Naval Medical Center, and most of these jobs are projected to be medical professionals, engineers, and managers. An additional 40,000 or more indirect jobs could be created through contractors and related services. It is further estimated that Maryland will gain approximately 28,000 households by the time the BRAC process is complete.

Chapter 6 of 2007 created a 10-member BRAC Subcabinet in the State government chaired by the Lieutenant Governor. The BRAC Subcabinet held a number of public meetings throughout the State since May 2007 and reviewed the action plans submitted by the nine jurisdictions that will experience the greatest growth as a result of the 2005 BRAC – Anne Arundel, Baltimore, Cecil, Frederick, Harford, Howard, Montgomery, and Prince George’s counties and Baltimore City. Based on the local plans, the subcabinet prepared and will implement a statewide plan for legislative and budgetary BRAC priorities. The subcabinet released this comprehensive plan and submitted it to the Governor on November 19, 2007.

Under the coordination of MMIC, State agencies are taking steps to prepare for the significant influx of military personnel, civilian employees, contractors, and families in the affected areas. The Maryland Department of Planning (MDP) conducted a study of the employment and residential growth associated with BRAC-related changes at the affected military installations and the impact of that growth on housing supply and demand and water and sewer, power, fiber optic, transportation, and school systems. The Departments of Education, Transportation, Housing and Community Development, and Environment, among others, have been heavily engaged in BRAC planning and implementation activities.

In addition, the affected jurisdictions have been actively engaged in BRAC preparation efforts. They have been meeting and working with MMIC and the subcabinet, and each has prepared a BRAC action plan. Many counties have established a web site relating to BRAC; created a BRAC office, task force, or implementing commission; and appointed a BRAC director. A number of the counties have also applied for and received federal grants to address BRAC-related issues such as transportation, housing, utilities, services, and education.

Senate Bill 206 ***(passed)*** authorizes the Secretary of Business and Economic Development to designate BRAC Revitalization and Incentive Zones in the State. A local government may apply to have one of these BRAC Zones located within its jurisdiction. Among the factors to be considered by the Secretary in designating a BRAC Zone are the smart-growth and mixed-use characteristics of the area, the area's population density, whether the area is designated as an enterprise zone, the area's transportation options, and the overall State fiscal impact of the designation. Up to six BRAC Zones may be designated each year. The designation process is modeled on that for enterprise zones.

The benefits of a BRAC Zone designation are primarily tax-related financial incentives, including State support of up to 100 percent of the increase in the State property tax of any qualifying property and 50 percent of the local property tax for any increase in the local tax revenues collected on the increased value of qualifying property. These financial incentives are to begin in fiscal 2010 and are limited to $5 million per year. Local jurisdictions and businesses in the BRAC Zone may also receive priority consideration for financial assistance projects in the BRAC Zone from the Department of Business and Economic Development (DBED), MDP, the Department of Housing and Community Development (DHCD), or any other appropriate State program.

One additional benefit developed under ***Senate Bill 206*** is explicit authorization of a payment in lieu of taxes (PILOT) agreement for privately developed facilities in federal military reservations, also known as "federal enclave property." The bill establishes a negotiation process for State, local, federal, and private development interests to engage in to structure a PILOT agreement. Under federal law, in the absence of such an agreement, privately developed facilities in federal military reservations are subject to the full real property tax in effect in the local jurisdiction.

The membership of the legislature's Joint Committee on Base Realignment and Closure, first established under Chapter 6 of the Acts of 2007, increases to 16 as a result of ***Senate Bill 39*/*House Bill 152* (both passed)**.

Tourism, Film, and the Arts

Tourism Promotion: Studies indicate that under recent economic conditions $1 invested by the State into marketing Maryland as a tourism destination brings $28.24 of return on investment. To this end, the Maryland Tourism Development Board in the Department of Business and Economic Development promotes Maryland tourism through various media by administering a program of local matching grants for local tourism development. In addition, many local governments support "destination marketing organizations" which received approximately $1.5 million in fiscal 2008. ***Senate Bill 458* (passed)** requires the Comptroller to calculate the amount in sales tax revenue that is generated by Maryland's tourism industries and to report this amount to the Governor for consideration of inclusion within the annual appropriation for the Tourism Development Board. The bill states the intent of the General Assembly, however, that any year-on-year appropriation increase for the board not exceed $5.0 million. In addition, the bill mandates an appropriation of at least $2.5 million in annual grants to the destination marketing organizations beginning in fiscal 2011.

Baltimore Convention Center: The Baltimore Convention Center hosted 166 events and 545,000 event attendees in fiscal 2007, generating $730.0 million in business for the State and approximately $30.5 million in sales and income tax revenues. However, the Baltimore Convention Center, like convention centers generally, is not a fiscally self-sustaining entity. The convention center's operating deficit is covered by an arrangement under which Baltimore City funds one-third of the necessary support, and the Maryland Stadium Authority contributes two-thirds. ***House Bill 1433* (passed)** extends the duration of this funding arrangement through December 31, 2014, thereby extending the current, significant general fund expenditure of approximately $4.1 million beginning in fiscal 2009.

Arts and Entertainment Districts: ***House Bill 680* (passed)** expands the eligibility criteria for the tax benefits available for qualifying residing artists in Arts and Entertainment Districts. An individual who creates original jewelry, clothing, or clothing design will be classified as an artist under the program.

Life Science and Technology

Maryland currently supports a bioscience industry of 370 firms with $450.0 million in State investment in addition to the $12.2 billion in federal funds. In addition, DBED has identified 36 nanotechnology companies in Maryland. The Maryland Technology Development Corporation (TEDCO) runs the Maryland Technology Incubator Program, a leading source of funding for seed capital and entrepreneurial business assistance. Programs like this have earned TEDCO recognition as the most active early/seed stage investor in the nation for the third year in a row by a national business magazine. ***Senate Bill 735*/*House Bill 1409* (both passed)** establish the Coordinating Emerging Nanobiotechnology Research in Maryland Program (CENTR) and Fund in TEDCO. The CENTR is to provide grants specifically for nanobiotechnology research projects to support advanced nanobiotechnology research at higher education institutions and promote Maryland as a key location for private-sector firms in the industry. Unless alternative financing is identified, general or special fund expenditures could increase, potentially by $2.5 million to $3.0 million annually, to provide for grants under the program.

Tax Credits

Distressed Counties: Maryland counties that qualify as "distressed" are eligible for targeted assistance under the Maryland Economic Development Assistance Authority and Fund, for waiver of certain insurance premiums under the Maryland Industrial Development Financing Authority, and for the One Maryland tax credits. However, certain criteria used in determining county eligibility for the tax credit have been found not to assess a county's actual need accurately. ***House Bill 408*** ***(passed)*** alters the definition of a "qualified distressed county" by making the historical measuring periods for a county's unemployment rate and per capita personal income more appropriately reflect a county's economic well-being measured over a uniform 24-month period, and by making allowance for 12-month seasonal variations. One Maryland tax credits are typically between $500,000 and $5.0 million in value.

Job Creation Tax Credit: The Job Creation Tax Credit provides a tax credit to businesses that create new jobs in Maryland by expanding or establishing new facilities. In any one year, the credit can be applied against any one of the following taxes: corporate or personal income; insurance premium; and public service franchise. ***House Bill 721*** ***(passed)*** extends this tax credit and the deadline for eligible projects by an additional four years to January 1, 2014.

Alternative Energy Promotion

Jane E. Lawton, a two-term member of the House of Delegates serving District 18 of Montgomery County, passed away on November 29, 2007. Lawton was widely recognized as a vigorous advocate for environmental protection and energy conservation. In tribute to Lawton's work on behalf of energy efficiency and conservation causes, ***Senate Bill 885***/ ***House Bill 1301*** ***(both passed)*** create the Jane E. Lawton Loan Program. This new program merges and consolidates the existing Community Energy Loan Program and Energy Efficiency and Economic Development Loan Program. The program provides low-interest loans to nonprofit organizations, local jurisdictions, and eligible businesses undertaking energy efficiency and conservation projects.

House Bill 1337 ***(passed)*** establishes a Maryland Clean Energy Center to promote and assist the development of the clean energy industry in the State. For a more detailed discussion of ***House Bill 1337***, see subpart "Environment" within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Other Economic Development Legislation

One concern common to many economic development programs has been the ability of the State to protect its investment when projects go awry. ***House Bill 406*** ***(Ch. 73)*** specifies the rights and strengthens the enforcement capability of DBED in its collection efforts through its economic assistance lending capacity. The Act also simplifies the transfer of title to projects undertaken by local governments with financial assistance from the Maryland Economic Development Assistance Authority and Fund.

Although new not-for-profit entities have many of the same organizational issues and concerns as other start-ups, they have not historically been eligible for the same sorts of government-sponsored support as for-profit small businesses and minority-owned enterprises. ***House Bill 1214*** ***(passed)*** seeks to provide organizational support for newly formed not-for-profit entities organized for charitable purposes, funded by a $50 surcharge on the articles of incorporation of these types of entities through the Not-For-Profit Development Center Program and Fund under DBED.

Housing

Housing Programs and Standards

The Department of Housing and Community Development (DHCD) operates several different programs to expand housing opportunities in both rental housing and homeownership. This year, several measures were passed to enhance some of these programs.

Maryland Housing Rehabilitation Program: The Maryland Housing Rehabilitation Program provides financing assistance to families of limited income for the acquisition and rehabilitation of single and multifamily housing. To qualify for a loan, the program requires a mortgage or deed of trust as security in the event of a default on the loan. Members of a housing cooperative, however, have been unable to utilize this loan program because they do not acquire a traditional ownership interest when they purchase a home in the housing cooperative but rather acquire a "membership interest" which is a form of a leasehold interest. ***House Bill 74*** ***(passed)*** adds a member of a housing cooperative to those eligible for a loan under this program by allowing the member to use the membership interest as collateral for the loan, if DHCD and the housing cooperative reach an agreement regarding the creation of this security interest.

Disaster Relief Housing Program: In response to the housing problems created by Hurricane Isabel, the General Assembly approved emergency legislation (Chapter 8 of 2004) during the 2004 session that established the Hurricane Isabel Housing Rehabilitation and Renovation Program. This program allowed DHCD to issue loans and provide credit enhancement or interest rate buy downs to qualified borrowers. However, the program terminated on May 31, 2005. ***House Bill 309*** ***(Ch. 66)*** establishes the Disaster Relief Housing Program within DHCD to enable the department to quickly and efficiently assist homeowners in a government-declared disaster area with repairing or replacing their primary residences through below market or zero percent interest rate financing.

Rental Allowance Program: The Rental Allowance Program authorizes the State to provide fixed, flat-rate grant subsidies to counties to assist low-income families who are homeless or have an emergency housing need. The program has also been utilized in the past to provide other forms of emergency housing needs, such as for evacuees afflicted by Hurricane Katrina. ***House Bill 231*** ***(Ch. 60)*** repeals the existing program and adds a similar but expanded framework of rental assistance programs. The bill indicates that it is the intent of the General Assembly to preserve the existing network of resources and services dedicated to rental assistance.

State Financed Housing Loans: In recent months there has been a slow-down in repayments on State funded housing loans. However, in order to keep pace with the demand for such loans, DHCD requires additional sources of funding. ***House Bill 975*** ***(passed)*** authorizes DHCD and the Community Development Administration in DHCD to sell any mortgage or other obligation that it holds, retain the servicing rights, and charge servicing fees for any obligation it sells. The proceeds from any sale and servicing fees earned may go to the Homeownership, Rental Housing, Partnership Rental Housing, Special Loan, and Workforce Housing funds.

Visitability Standards for New Single-family Housing: In an attempt to make residences more accessible for visitors who are mobility-limited, whether by permanent or temporary disability or illness or by aging, ***Senate Bill 792/House Bill 448*** ***(both failed)*** as introduced would have required DHCD to adopt as a modification to the Maryland Building Performance Standards minimum standards for "visitability" in the design and construction of new single-family dwellings. The measures did not pass but were referred to interim study by the House Environmental Matters Committee.

Affordable Housing

Local Government Authority: Chapter 300 of 2007 authorized counties or municipalities to support, foster, or promote an affordable housing program for individuals or families of low- or moderate-income by specified means, including providing funding or property, supporting payment in lieu of taxes programs, or enacting legislation to restrict prices or require development of affordable housing as part of a subdivision in return for added density. This year, an additional tool was added to this list by ***Senate Bill 281***/***House Bill 742*** ***(both passed)***. These bills expressly allow a county or municipality to waive or modify building permit or development impact fees and charges that are not mandated under State law for the construction or rehabilitation of lower-income housing units (1) in proportion to the number of lower-income housing units of a development; (2) and that are financed, in whole or in part, by public funding that restricts the rental or sale of the housing units to lower-income residents or are developed by a tax-exempt nonprofit organization that requires the homebuyer to participate in the construction or rehabilitation of the housing unit.

Maryland Affordable Housing Trust: The Maryland Center for Community Development was a statewide organization dedicated to affordable housing. A representative of this organization has been 1 of the 11 voting members of the Board of Trustees of the Maryland Affordable Housing Trust. However, because the center no longer exists, ***House Bill 1513*** ***(passed)*** deletes the obsolete reference and requires the Governor to appoint an additional representative of the public.

Lead Paint in Housing

Although the number of children with elevated blood lead levels in Maryland has decreased significantly over the past dozen years and the number of children tested continues to grow, lead paint still remains a significant health issue in Maryland. ***Senate Bill 718*** ***(passed)*** requires a person acquiring an occupied and affected property to come into compliance with provisions of the Reduction of Lead Risk in Housing laws. ***Senate Bill 557/House Bill 589*** ***(both passed)*** require an application form for a contractor's license issued by the Maryland Home Improvement Commission to contain accreditation information for use by the Maryland Department of the Environment. For a more detailed discussion of these bills, see the subpart "Environment" within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Workers' Compensation

Compensation for Permanent Partial Disability

Compensation for permanent partial disability is divided into three tiers, depending on the severity of the injury.

- Compensation for a period of less than 75 weeks is generally available for lesser injuries or the loss of a finger or a toe and cannot exceed $114 per week. The maximum benefit is lower for claims arising prior to 2000. Maximum first-tier awards are higher for certain disabilities and for specified public safety employees.

- Compensation for a period equal to or greater than 75 weeks but less than 250 weeks is generally available for the loss of a thumb, partial hearing loss, or disfigurement. These claimants are entitled to compensation equal to two-thirds of the employee's average weekly wage, not to exceed one-third of the State average weekly wage (currently $292).

- Compensation for a period of 250 weeks or more is generally available for the most serious injuries, such as loss of a hand, arm, foot, leg, eye, or total loss of hearing. These claimants are entitled to compensation equal to two-thirds of the employee's average weekly wage, not to exceed 75 percent of the State average weekly wage (currently $658).

House Bill 700 ***(Ch. 85)*** gradually increases the maximum benefit for first-tier claims (less than 75 weeks) for a permanent partial disability occurring on or after January 1, 2009, from $114 to one-sixth of the State average weekly wage (currently $146). The maximum weekly benefit amount would increase on an incremental basis over three calendar years to 14.3 percent of the State average weekly wage in calendar 2009 (about $125), 15.4 percent in calendar 2010 (about $135), and 16.7 percent in calendar 2011 (about $147) and thereafter.

State expenditures to provide the maximum weekly benefits under the bill could increase by $321,750 in fiscal 2009 and $872,115 in fiscal 2013. Local expenditures would also increase under the bill. For example, Montgomery County expenditures would increase by $357,500 in fiscal 2009 and $969,000 in fiscal 2012, according to data supplied by the county and analyzed by the Department of Legislative Services.

Covered Employment – State Government Volunteer Workers

The law has traditionally provided workers' compensation coverage for State volunteers who volunteer in emergencies, such as volunteer members or trainees of the Maryland Emergency Management Agency. Also, under Chapter 369 of 2006, individuals who are registered with a State agency to volunteer in an emergency (*e.g.*, a doctor who registers with the Department of Health and Mental Hygiene) are covered. Volunteer fire and rescue personnel are entitled to coverage either by the local government for which they volunteer or by the volunteer company.

Prior to January 8, 2008, other volunteer workers employed by units of State government were provided Volunteer Accident Coverage through the State Treasurer's Office. This coverage consisted of $2,500 in accidental injury compensation and $10,000 in accidental death and dismemberment coverage, which was in addition to the employees' protections afforded by the Maryland Tort Claims Act and any personal health insurance carried by the employee. State governmental units were notified that the Treasurer would no longer be providing coverage. The Department of Natural Resources was particularly concerned with this decision due to the number of volunteers it utilizes.

Accordingly, ***House Bill 1400*** ***(passed)*** provides that any volunteer worker for a unit of State government is entitled to limited workers' compensation benefits under the Maryland Workers' Compensation Act. The benefits are limited, under the bill, to medical services and treatment, including medical, surgical, or other treatment, hospital and nursing services, medicine, artificial prosthetic appliances, crutches, and the replacement of eyeglasses or an artificial eye, limb, tooth, or other prosthetic appliance.

Maryland-National Capital Park and Planning Commission Police Officers – Lyme Disease Presumption

Lyme disease is a bacterial disease most common in New England and the mid-Atlantic region. It is transmitted by the bite of an infected blacklegged tick and, if left untreated, can spread to the joints, heart, and nervous system. In 2006, there were 1,248 cases of Lyme disease reported in Maryland, or 22.6 cases per 100,000 residents. At the time, it was the seventh highest Lyme disease infection rate in the country and more than three times the national average.

Under current law, a paid law enforcement officer of the Department of Natural Resources who is regularly assigned in an outdoor wooded environment and contracts Lyme disease is eligible to be covered for workers' compensation coverage under the presumption that the disease was a result of employment. No time limit is placed on this presumption.

House Bill 933 ***(Ch. 98)*** extends that presumption to park police officers of the Maryland-National Capital Park and Planning Commission (M-NCPPC) by providing that a park police officer who suffers from Lyme disease is presumed to have an occupational disease that was suffered in the line of duty, and compensable under workers' compensation law, if the park police officer was not suffering from Lyme disease prior to being stationed in an outdoor wooded environment. The presumption provided to these M-NCPPC officers would apply for up to three years after the last date that an officer is regularly assigned to a position in an outdoor wooded environment. The provisions of ***House Bill 933*** terminate on September 30, 2015.

Prince George's County Correctional Officers

House Bill 1015 ***(Ch. 109)*** adds Prince George's County correctional officers to the list of public safety officers eligible for enhanced benefits for a compensable permanent partial disability. Correctional officers awarded claims of fewer than 75 weeks would instead be compensated at the rate for awards of 75 to 250 weeks. The rate for awards of fewer than 75 weeks is currently $114 per week (although this rate is increased as discussed above). Under the bill, Prince George's County, which is self-insured for workers' compensation, must pay a correctional officer two-thirds of the correctional officer's average weekly wage, not to exceed one-third of the State average weekly wage ($292 in 2008). Chapter 434 of 2007 made Montgomery County correctional officers eligible for identical enhanced workers' compensation benefits for permanent partial disabilities of fewer than 75 weeks.

Allegany County – Students in Unpaid Work-based Learning Experiences

Employers who provide unpaid work-based learning experiences to public or nonpublic school students must secure workers' compensation coverage for those students. However, the local school board may choose to provide coverage for its participating students. In that event, the participating employers are required to reimburse the local school board the lesser of the cost of the coverage or $250. The Cecil County Board of Education is currently the only local school board authorized to waive the requirement that participating employers reimburse the local school board.

Senate Bill 88 ***(passed)*** authorizes the Allegany County Board of Education to also waive the requirement that the board be reimbursed by a participating employer for providing workers' compensation coverage for students placed in unpaid work-based learning experiences with the participating employer.

Injured Workers' Insurance Fund – Regulation by the Maryland Insurance Commissioner

The Injured Workers' Insurance Fund (IWIF) administers workers' compensation for the State and provides workers' compensation insurance to firms that are financially unable to procure insurance in the private market. First established as the State Accident Fund under the State Industrial Accident Commission, IWIF became an independent agency and adopted its current name in 1990. IWIF is the exclusive residual workers' compensation insurer in the State and cannot decline businesses seeking coverage. IWIF is a major insurer in the State, with almost one-third of the market share. Chapter 567 of 2000 placed IWIF under the oversight of the Maryland Insurance Administration for examinations and certain other provisions; however, it curbed the Insurance Commissioner's authority to take any action (such as a corrective order) and continued the practice of not subjecting IWIF to rate review by the Commissioner.

Senate Bill 679 ***(passed)*** subjects IWIF to the Commissioner's enforcement powers for all provisions that govern IWIF, except that any order of the Commissioner may not include a requirement that IWIF increase rates. The Commissioner may examine or review IWIF's compliance with policy forms and provisions and unfair trade practices and other prohibited practices; but the Commissioner continues to not have authority to examine or review IWIF's rates. For a further discussion, see the subpart "Insurance" under this Part H – Business and Economic Issues of this *90 Day Report*.

Unemployment Insurance

State Collection of Federal Unemployment Insurance Tax

Under the Federal Unemployment Tax Act (FUTA), the Internal Revenue Service is authorized to collect a federal employer tax used to fund state workforce agencies. The tax is paid by employers annually to cover:

- the cost of administering all states' Unemployment Insurance and Job Service programs;
- one-half of the cost of extended unemployment benefits; and
- the cost of maintaining a fund from which states may, if necessary, borrow money.

The FUTA tax rate is 6.2 percent of taxable wages, which is based on the first $7,000 paid in wages to each employee during a calendar year. Employers who pay the state employment tax in a timely manner receive an offset credit of up to 5.4 percent, thus paying 0.8 percent of taxable wages. In Maryland, the FUTA tax provides for 100 percent of the administrative costs for the State's Unemployment Insurance and Employment Service programs.

Currently, there are no federal initiatives to authorize a pilot program granting states the authority to collect the FUTA tax. However, the federal government has proposed such a pilot program, and the Department of Labor, Licensing, and Regulation (DLLR), in anticipation of such a program, introduced a departmental bill under which the State of Maryland would have the authority to collect the tax. The State would be entitled to a minimum of 75 percent of the total amount of FUTA taxes if authorized to collect it.

House Bill 416 ***(Ch. 74)*** authorizes the State's Department of Labor, Licensing, and Regulation to directly collect from employers the FUTA tax if the U.S. Department of Labor authorizes or directs the State to collect the tax. Funds derived by the State from the collection of taxes, estimated at $26.3 million in fiscal 2009 and $35 million annually thereafter, should the federal government authorize such a collection, may only be used for programs administered by the State's Division of Unemployment Insurance and the Office of Employment Services. Any agreement reached by the Department of Labor, Licensing, and Regulation and the federal government must be submitted to the Joint Committee on Unemployment Insurance Oversight for review. This law will expire on September 30, 2013.

Eligibility – Voluntary Quit to Follow a Military Spouse

Under current law, an individual who quits employment to accompany a spouse to a new location is subject to the maximum disqualification before being eligible to receive benefits – that disqualification means the individual must be reemployed and earn wages of at least 15 times the weekly benefit amount before being eligible for unemployment insurance. Once the individual has satisfied this wage earned requirement, the individual would be eligible for unemployment insurance if the individual is laid off from the subsequent job. However, other individuals who quit for valid circumstances (defined as a circumstance of such compelling nature that the individual has no reasonable alternative to leaving employment) are subject to a lesser disqualification, a 5- to 10-week waiting period, before being eligible to receive benefits.

House Bill 749 ***(passed)*** provides that an individual is eligible for unemployment insurance benefits if the individual voluntarily quits employment to follow a spouse (as a valid circumstance) if:

- the individual's spouse serves in the U.S. military *or* is a civilian employee of the military or of a federal agency involved in military operations; and

- the employer of the individual's spouse requires the spouse's mandatory transfer to a new location.

The bill also requires the Department of Labor, Licensing, and Regulation to report to the Senate Finance Committee and the House Economic Matters Committee by June 1, 2009, on the implementation of this legislation, including the number of claims filed, the estimated fiscal impact of those claims, and other issues related to the enforcement of the legislation. DLLR estimates that the legislation will result in approximately $1 million in benefits annually – those benefits will be paid from the Unemployment Insurance Trust Fund. The benefits will not be charged to the employer's rating record and will not directly affect the employer's taxes.

Appeals of Claims Decisions – Lower Appeals Division

House Bill 432 ***(passed)*** codifies the current administrative practice for appeals to unemployment insurance claims within the Department of Labor, Licensing, and Regulation (DLLR). A first level of review is created in the Lower Appeals Division, which hears and decides appeals of unemployment insurance determinations. The Secretary of Labor, Licensing, and Regulation must appoint a chief hearing examiner in the professional service as head of the division. Under current law, the division's hearing examiners are appointed by the Secretary, subject to approval by the Board of Appeals. Under the bill, the division is a separate and independent entity from the Board of Appeals, thus the chief hearing examiner appoints the hearing examiners and other personnel.

Under current law (and unaffected by the bill) a decision of the division may be further appealed to the second level of review, the Board of Appeals, also within DLLR. In certain cases, the Secretary must directly refer claims to the Board of Appeals. Those cases involve labor disputes, multiple claims, or difficult issues of fact or law.

Lawyers – Payment of Unemployment Insurance Contributions

The Maryland Bar created the Client Protection Fund to reimburse claimants for losses caused by theft by members of the Maryland Bar, acting either as attorneys or a fiduciary for a client's funds. About 33,000 lawyers pay an annual fee to support the fund. ***Senate Bill 493 (passed)*** repeals a requirement enacted in 2007 that the fund verify through the Comptroller's Office that a lawyer has paid or entered into an accepted payment plan for all undisputed taxes and unemployment insurance contributions. That verification was required to certify that a lawyer had paid the annual fee.

In its place, this legislation requires that the fund provide the Comptroller with a list of lawyers who have paid annual fees to the fund each year; the Comptroller may then refer a lawyer to the Bar Counsel if the individual does not make payment or payment arrangements on the undisputed past due tax and unemployment insurance contribution amounts. For a further discussion, see the subpart "Miscellaneous Taxes" under Part B – Taxes of this *90 Day Report*.

Labor and Industry

Use of Paid Leave for Family Illness

Since 1999, Maryland law has required an employer that provides paid leave to an employee following the birth of an employee's child to also provide the same benefit to an employee after the adoption of a child. This law is applicable to a unit of State or local government, with the exception of units that employ individuals subject to the State Personnel Management System leave policy. Currently, there are no other requirements regarding the use of paid leave by private-sector employees.

The Federal Family Medical Leave Act of 1993 (FMLA) generally applies to an entity engaged in commerce that employs more than 50 employees; public agencies are considered covered employers irrespective of the number of individuals employed by the agency.

Current FMLA provisions require covered employers to provide eligible employees with up to 12 work weeks of unpaid leave during a 12-month period for:

- the birth and care of an employee's newborn child;
- the adoption or placement of a child with an employee for foster care;
- to care for an immediate family member (spouse, child, or parent) with a serious health condition; or
- medical leave when the employee is unable to work due to a serious health condition.

House Bill 40 ***(passed)*** requires a private-sector employer that employs 15 or more individuals and provides paid leave to an employee under either a collective bargaining agreement or an employment policy to also allow an employee to use earned paid leave to care for a child, spouse, or parent with an illness. The employee may only use the paid leave that the employee has earned. If an employer offers more than one type of paid leave to an employee, the employee may elect the type and amount of leave with pay to use for caring for the sick family member. Employers are prohibited from discriminating against or threatening an employee who exercises rights under the bill or files a complaint against the employer for a violation of the provisions of the bill. ***House Bill 40*** does not apply to private-sector employers that do not provide paid leave to an employee; leave that is granted under the federal Family Medical Leave Act of 1993 is exempted from the provisions of this measure.

Employee Data – Reporting Employee Racial and Gender Classification

The Commissioner of Labor and Industry is currently authorized to require employers, including State and local government, to maintain records of the wages and job classification of employees and other conditions of employment under the State's Equal Pay for Equal Work law. A 2006 report of the Equal Pay Commission, created by Chapter 3 of the 2004 special session, recommended that statewide wage data reporting system be created and that a State agency be assigned to enforce equal pay requirements. ***House Bill 1156*** ***(Ch. 114)*** expands the type of employee data that an employer may need to maintain. Specifically, the bill authorizes the commissioner to require that employers maintain a record on the racial classification and gender of each employee. Under the measure, the commissioner may analyze employee records on wages, job classification, racial classification, gender, and other conditions of employment maintained by the employer in accordance with the commissioner's authority for the purpose of studying pay disparity issues. The commissioner must report to the General Assembly by October 1, 2013, on the pay disparity analysis conducted under the provisions of the Act; and on December 31, 2013, the provisions of the Act will terminate.

Anne Arundel County Correctional Officers – Polygraph Examinations

With certain specified exceptions, an employer is prohibited from requiring, as a condition of employment, prospective employment, or continued employment, that an individual submit to or take a lie detector or similar test. Specified exceptions include an individual who applies for employment or is employed as a correctional officer of the Baltimore City Jail and local detention centers in Baltimore, Cecil, Charles, Frederick, Harford, and St. Mary's counties. Also exempt is any correctional officer, or other person in a capacity that involves direct personal contact with an inmate, in the Washington County and Calvert County detention centers. ***House Bill 287*** ***(Ch. 64)*** exempts from the lie detection test prohibition an applicant for employment with the Anne Arundel County Department of Detention Facilities as a correctional officer or in any other capacity that involves direct contact with an inmate in the department.

Termination of Employment – Wage Payment for Accrued Leave

An employer is currently required to pay an employee all wages due for work that the employee performed before the termination of employment. The payment is due by the date on which the employee would have been paid had the employment not been terminated. In 2007, in an unpublished decision, the Maryland Court of Special Appeals ruled in *Catapult Technology, LTD v. Paul Wolfe*, No. 997 (2007) that accrued leave constitutes a wage under the Maryland Wage Payment and Collection law and is thus payable to the employee when employment has terminated. In the *Catapult* case, when employer Catapult Technology lost a federal contract, 14 employees resigned without providing the required two weeks notice under Catapult Technology's employee handbook. The Court of Special Appeals held that because the 14 employees accrued leave based on hours worked, the employees were entitled to be paid for the value of their unused leave.

Senate Bill 797 ***(passed)***, an emergency bill, requires an employer to provide to an employee at the time of hiring, notice of the leave benefits available to the employee. Further, the bill also exempts an employer from the requirement of paying accrued leave to an employee upon termination of employment if:

- the employer has a written policy limiting compensation of accrued leave to employees;
- the employer notified the employee of the employer's leave benefits; and
- the employee is not entitled to payment for accrued leave at termination under the terms of the employer's written policy.

Additionally, ***Senate Bill 797*** applies retroactively so that an employee whose employment terminated on or after November 1, 2007, is entitled to payment of accrued leave only if the employee is eligible under the terms of the employer's written policy, as communicated to the employee prior to the termination of employment. This provision does not apply to any case for which a final judgment has been rendered and all judicial appeals have been exhausted prior to the effective date of the Act.

Adult Education and Workforce Development Services – Consolidation

On July 1, 2009, Maryland's adult education, literacy services, and correctional institutions' education programs and resources will be consolidated and transferred to the jurisdiction of one State agency, the Department of Labor, Licensing, and Regulation, under the provisions of ***Senate Bill 203*** ***(passed)***. The bill also establishes a Workforce and Adult Education Transition Council to make recommendations, by December 31, 2008, for the integration of these programs. For a further discussion, see the subpart "State Agencies, Offices, and Officials" under Part C – State Government of this *90 Day Report*.

Alcoholic Beverages

Statewide Laws

Underage Drinkers

To help address concerns about underage drinking in the State and its negative impact on teenage health and driving safety, ***Senate Bill 166***/***House Bill 76*** ***(both passed)*** raise the penalty for knowingly furnishing an alcoholic beverage for consumption to an individual under the age of 21 from $1,000 to $2,500 for a first violation and from $1,500 to $5,000 for a subsequent violation.

Beer

Flavored Malt Beverages: For regulatory and tax purposes, the State Comptroller's Office has treated alcoholic beverages, commonly referred to as "flavored malt beverages" (FMBs) or "alcopops," as though they fit the definition of beer under State law. A March 8, 2008 opinion of the Attorney General, however, concluded that FMBs fall within the State definition of distilled spirits rather than beer. Among its findings, the opinion noted that the flavors of FMBs, which are popular among young people, are derived from added sweeteners rather than from malt and other material used in fermentation and that most FMBs contain very little actual beer base. Overriding this opinion, ***Senate Bill 745*** ***(passed)*** expands the definition of "beer" to include FMBs. As a result, persons will need to possess only a beer license, as opposed to a beer, wine, and liquor license, to sell FMBs. In addition, FMBs are taxed at the 9 cents per gallon rate for beer and not the $1.50 per gallon rate for distilled spirits. The bill applies to beverages that fit the FMB determination of the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of the Treasury. Beverages of that nature contain 6 percent or less alcohol by volume, derived primarily from the fermentation of grain, with not more than 49 percent of the volume of the finished product consisting of alcohol derived from flavors and other added nonbeverage ingredients containing alcohol.

Manufacturer and Distributor Agreements: A "successor beer manufacturer" is a beer manufacturer that replaces a beer manufacturer, acquiring the former manufacturer's right to sell, distribute, or import a particular brand of beer. ***Senate Bill 118***/***House Bill 205*** ***(both passed)***

provide that before a successor beer manufacturer may terminate a distribution agreement and replace a surviving beer distributor with a new beer distributor, the surviving beer distributor and the new beer distributor shall negotiate to determine the fair market value of the affected distribution rights that the new distributor should pay the surviving distributor. If negotiations do not result in an agreement, nonbinding mediation and, as a last result, court action would follow.

Special Brewery Promotional Event Permit: ***House Bill 703*** ***(Ch. 86)*** establishes a Special Brewery Promotional Event Permit for a holder of a Class 5 manufacturer's license. A Class 5 manufacturer may not receive more than four permits in a calendar year, and each single promotional event may not exceed three days. A permit holder may provide samples of beer produced by the permit holder and may sell beer produced by the brewer by the glass at a promotional event held on the premises of the brewery.

Direct Wine Shipment: ***Senate Bill 616***/***House Bill 1260*** ***(both failed)*** would have established a licensing procedure by which out-of-state wineries and other persons would have been able to ship wine directly to residents in the State.

Local Laws

City of Annapolis

Administrative Action: ***House Bill 1086*** ***(failed)*** would have added the City of Annapolis to the list of jurisdictions in which the granting of probation before judgment to an alcoholic beverages licensee for selling or furnishing alcoholic beverages to an underage individual does not bar the Board of License Commissioners from taking administrative action against the licensee for the violation, such as suspending or revoking the license.

Anne Arundel County

Hotel Licenses: ***Senate Bill 1003*** ***(failed)*** would have created a Class H-EX beer and light wine license (on- and off-sale) and a Class H-EX beer, wine, and liquor license (on-sale only) that would have authorized licensees to sell alcoholic beverages to registered guests.

Baltimore City

Fees and Licenses: Of the bills relating to alcoholic beverages in Baltimore City, ***Senate Bill 584*** ***(passed)*** is the most extensive. Among other features, the bill clarifies the law by reorganizing a key section of the Alcoholic Beverages Law, while raising certain license fees, raising the salaries of the chairman and other members of the city's Board of Liquor License Commissioners, reducing the number of part-time liquor inspectors from 18 to 12, changing the positions and altering the salary grade level for certain board staff, creating new board staff positions, and altering certain provisions regarding the registration of bottle clubs. The bill also prohibits the board from accepting a renewal of a registration of a bottle club without a public hearing if a protest has been filed against the renewal. ***Senate Bill 496*** ***(passed)*** authorizes the board to issue Class B beer, wine, and liquor licenses to not more than three restaurants in a business planned unit development in Ward 24, Precinct 5 of the 46th Legislative District. ***Senate Bill 18*** ***(failed)*** would have established a beer, wine, and liquor tasting license in Ward 27, Precinct 32 of the 43rd Legislative District.

Calvert County

Fees, Salaries, Protest of License Renewal: ***Senate Bill 55*/*House Bill 633*** ***(both failed)*** would have raised certain alcoholic beverages license fees and the salaries of the chairman and other members of the Board of License Commissioners and would have created a special beer and wine tasting (BWT) license. The bills also would have required that if a protest is lodged against the renewal of a license, the protest must specify the basis on which the protest is made, and the protest must be filed under oath.

Carroll County

Hours of Sale: Hours of sale on Sundays will begin at 11 a.m. for holders of most licenses, according to ***House Bill 902*** ***(passed)***. Under ***House Bill 899*** ***(Ch. 96)***, the Board of License Commissioners may issue a special Class C beer, wine, and liquor license to the Carroll Arts Center, located in Westminster, so that it may serve alcoholic beverages at its entertainment events.

Reduced Fee: The license fee for a special beer festival is reduced from $200 to $50 under ***Senate Bill 987*** ***(passed)***.

Cecil County

Food Receipts: ***House Bill 382*** ***(passed)*** lowers from 51 to 25 percent the minimum percentage of annual receipts from the sale of food required of a restaurant licensed to sell alcoholic beverages.

Dorchester County

License Privileges, Number of Licenses, and Penalties: ***Senate Bill 154*/*House Bill 545*** ***(both passed)*** repeal the off-sale privilege of Class B beer and light wine licenses on or after July 1, 2008. Currently authorized licensees can maintain the privilege throughout the term of the license and may renew the license. The bills also authorize the Board of License Commissioners to (1) limit the number of additional Class A beer and wine licenses that it issues; and (2) issue a special license of any class for an event conducted by a not-for-profit club, society, association, or organization in accordance with certain application requirements. Finally, the bills establish penalties for certain violations of requirements for catered events and alter the hours of sale for certain licenses.

Harford County

Cafe License: A Class B Cafe beer and wine license for on- and off-sales is created by ***Senate Bill 63/House Bill 428 (both passed)***. The bills prohibit the Liquor Control Board from issuing more than five cafe licenses and require the board to set a maximum and a minimum seating capacity for each cafe license. The bills also allow a licensee to hold an on-premises wine tasting event every day of the year. However, a cafe license may not be used for off-premises catering.

BDR License: ***Senate Bill 62/House Bill 437 (both passed)*** eliminate the Class BDR (deluxe restaurant) beer, wine, and liquor license and increase the number of Class B (restaurant) licenses that may be issued to an individual from two to nine. The bills also define when an indirect ownership interest in a license is presumed to exist.

Howard County

Employment of Hearing Board Members: ***House Bill 163 (Ch. 46)*** prohibits a member of the Appointed Alcoholic Beverage Hearing Board from being employed by the county government. The board conducts hearings and renders decisions on cases involving alcoholic beverage licensees in the county. The board consists of five members, one from each council district appointed by the county executive from a list of persons provided by the county council.

Garrett County

License for Hotels, Motels, or Inns: Hotels, motels, or inns that are equipped with at least 10 bedrooms, a lobby, and a restaurant with a seating capacity for at least 20 persons will qualify for a Class B beer and light wine license under ***Senate Bill 221 (passed)***. The license may be issued with or without a catering option.

Sunday Sales: Whether Sunday sales will be allowed to expand in the county will be determined at the November 2008 election. ***Senate Bill 292/House Bill 276 (both passed)*** authorize Sunday sales of specified alcoholic beverages in those election districts in which voters approve a local referendum in favor of the sales. Currently, Sunday sales are allowed only in election districts 11 and 15, where voters approved them in a November 1996 referendum.

Kent County

Wineries: Wineries will be able to sell their product at retail to visitors under ***House Bill 5 (passed)***. The bill adds the county to the list of counties in which a Class A light wine license may be issued to a holder of Class 3 manufacturer's license or a Class 4 manufacturer's license.

Montgomery County

Items for Sale in Dispensaries: County retail dispensaries will be allowed to sell not only alcoholic beverages but also items commonly associated with alcoholic beverages, such as bottle openers, corkscrews, drink mixes, and lime juice, under ***House Bill 827*** ***(Ch. 92)***. However, the sale of snack foods and soft drinks at dispensaries is prohibited.

Restaurant License Requirements: ***House Bill 828*** ***(Ch. 93)*** repeals capital investment and seating capacity requirements for a licensee's additional Class B beer, wine, and liquor (on-sale) restaurant license for certain premises.

Performing Arts Facility License: ***House Bill 823*** ***(passed)*** eases the minimum capacity requirement for a Class B-BWL (performing arts facility) license. Under the bill, the facility must be able to hold only 1,500 persons, not 2,000 persons.

Golf Course Licenses: Certain public golf courses in the county are under the jurisdiction of the County Revenue Authority. To streamline the administrative process, ***House Bill 1225*** ***(Ch. 115)*** designates the executive director or designee of the authority as the holder of alcoholic beverages licenses issued for the golf courses, replacing the director or deputy director of the county Parks Department of the Maryland-National Capital Park and Planning Commission.

Prince George's County

Licenses for the National Harbor Project: Several bills were introduced this session as a result of the opening of the $2 billion National Harbor Project, a major waterfront entertainment retail complex located along the Potomac River in the county. When fully developed, the 300-acre project will encompass 10 acres of meeting space and will include numerous hotels and restaurants along with retail and residential development.

Senate Bill 626/House Bill 1479 ***(both passed)*** create a Class B-CC (convention center) beer, wine, and liquor license designed for the recently opened hotel built by the Gaylord National Resort and Convention Center in the National Harbor Project. The annual license fee is $20,000. The hours during which alcoholic beverages may be served are from 6 a.m. until 3 a.m. the next morning, seven days a week.

The legislation intended to create a variety of licenses for use in other locations within the National Harbor, however, was unsuccessful. ***Senate Bill 837/House Bill 1478*** ***(both failed)*** would have licensed bars and restaurants. The bills would have created a Class B (entertainment venue) beer, wine, and liquor license for use by an establishment that provides comedy, dancing, music, theater, or similar art, but not movies or entertainment prohibited by county law and a Class A (waterfront plaza) beer and wine license that would have the effect of allowing patrons to consume beer and wine anywhere within an entertainment district within the project that the Board of License Commissioners approves.

The bills also would have established a wine festival license and would have authorized the board to issue or approve the transfer of a Class A, B, or D beer and wine license or beer, wine, and liquor license to a supermarket or grocery store within the waterfront entertainment retail complex.

Keg Sales: A person licensed to sell beer in kegs at retail is required to provide each purchaser with a registration form that affixes to the keg. ***Senate Bill 9*** ***(passed)*** requires in Prince George's County only the keg licensee, and not the purchaser, to complete the registration form. Included in the form must be the purchaser's name, the date of purchase, and the address of the purchaser as shown on the identification card produced or, if the person provides a U.S. military identification card, the address that the purchaser provides. The purchaser shall sign the form, and the keg licensee shall record on a copy that the licensee retains the purchaser's identification number and the date the purchaser's identification was issued.

Other Licenses: Several bills created or amended other alcoholic beverages licenses. ***House Bill 1021*** ***(Ch. 110)*** creates a Class B (TP) beer, wine, and liquor theme park license, designed for the Six Flags America theme park in Mitchellville. The license entitles the licensee to sell beer, wine, and liquor by the drink within the theme park. ***House Bill 1013*** ***(passed)*** allows up to four Class B-DD (development district) licenses for restaurants within the area of the Greenbelt Metro Station. ***House Bill 1013*** also increases the annual license fee of a Class BH (hotel) license from $3,850 to $5,000. ***House Bill 1020*** ***(failed)*** would have authorized a Class A light wine license to be issued to the holder of a Class 4 manufacturer's license (limited winery). In addition to specifying the annual salary of each inspector, ***House Bill 1031*** ***(failed)*** would have provided, as amended on the Senate floor, for the total number of restaurant beer, wine, and liquor licenses that a newly merged entity could hold in order to keep the restaurant owned by the entity operational as to their sales of alcoholic beverages.

Appeal of Order to Close: ***Senate Bill 128*** ***(failed)*** would have specified that in an appeal from a decision of the Board of License Commissioners, the court may not stay an order of the board to close a place a business.

Drive-through Purchase Facilities: ***Senate Bill 130*** ***(failed)*** would have prohibited the Board of License Commissioners from issuing a new alcoholic beverages license on or after July 1, 2008, for use in a drive-through purchase facility in which alcoholic beverages are to be sold and dispensed through a window or door to a purchaser in or on a motor vehicle.

Compensation and Salaries: ***House Bill 1016*** ***(passed)*** specifies that in fiscal 2008 only, the county council must, on the submission of a request by the Board of License Commissioners, pay the board attorney up to $53,500, as requested by the board. This payment is in addition to the annual salary of the attorney that is in effect. The bill repeals a provision allowing the board to pay legal fees that the board approved but did not pay in prior fiscal years. ***House Bill 1031*** ***(failed)*** would have fixed the annual salary of liquor inspectors at $10,900.

St. Mary's County

Maximum Fine: ***House Bill 331*** ***(failed)*** would have raised the maximum fine for any violation of county alcoholic beverages laws to $1,000.

Somerset County

Death of Licensee: ***House Bill 173*** ***(Ch. 50)*** adds the county to the list of counties that, on the death of certain alcoholic beverages licensees, automatically issue a license under certain circumstances to the surviving spouse, the surviving partners for the benefit of the partnership, or the senior surviving officer for the benefit of the corporation.

Licenses, Fees, and Fines: ***House Bill 198*** ***(Ch. 52)*** authorizes a holder of a Class D beer and light wine license to sell beer and wine for both on- and off-sale consumption. The bill also sets the fee for a special beer; beer and light wine; or beer, wine, and liquor license at $63 for each license day. Finally, the bill raises to $4,000 the maximum fine the Board of License Commissioners may impose on a licensee for any violation that is cause for suspension.

Washington County

Licenses: Three types of licenses are created by ***House Bill 1087*** ***(passed)*** – a caterer's license, a stadium (on-sale) beer and light wine license for the owner of a professional team franchise, and a sidewalk cafe license that entitles the holder to sell and serve alcoholic beverages in an area on the sidewalk directly in front of the licensed establishment.

Annual Audit: ***House Bill 634*** ***(Ch. 81)*** requires the Board of License Commissioners to engage an independent certified public accounting firm to conduct an audit to express an opinion on the fair presentation of the financial statements of the board.

Wicomico County

Licenses: ***Senate Bill 157/House Bill 203*** ***(both passed)*** authorize the holder of a Class 6 pub-brewery license to sell malt beverages for off-premises consumption in sealed refillable containers. The bills also authorize the issuance of a Class 7 micro-brewery (on- and off-sale) license and create a Class B special wine license for the sale of wine for consumption off the premises. A special Class C beer; beer and wine; or beer, wine, and liquor license also created by the bills is designed for use by fire departments in the county. Finally, the bills allow the issuance of one Class 6 pub-brewery license or one Class 7 micro-brewery license, but not both, to a person that holds not more than three Class B beer, wine, and liquor licenses. The extra license may be used only at a location in an enterprise zone in the City of Salisbury.

Worcester County

Fine for Late Renewals: ***House Bill 171*** ***(Ch. 49)*** specifies that the Board of License Commissioners may receive late applications for license renewals during April and fine the licensee up to $50 for each day the application is late.

Service of Notice of Charges: ***House Bill 170*** ***(Ch. 48)*** requires that a notice of charges of complaint in measures affecting licenses be given to the licensee or an employee by personal service or by any other method of service of notice that conforms to the Maryland Rules of Court.

Part I
Financial Institutions, Commercial Law, and Corporations

Financial Institutions

Intergovernmental Information Sharing

Government agencies that regulate financial institutions have experienced a growing need to share information in order to prevent terrorist financing and money laundering. The federal USA PATRIOT Act provides financial institutions with a liability umbrella when they properly disclose private financial information to law enforcement agencies and to other financial institutions and encourages financial institutions to share information with each other if they suspect illegal activity. ***House Bill 417*** ***(passed)*** allows the Commissioner of Financial Regulation to participate more fully in this information-sharing process by authorizing the commissioner to enter into cooperative and information-sharing agreements with any federal or State regulatory agency that has authority over financial institutions, provided the agreements prohibit the agency from disclosing shared information without the commissioner's prior written consent. The bill also authorizes the commissioner to share information about a financial institution, including information obtained during an examination, with any State or federal regulatory agency having authority over the financial institution.

Regulatory Reforms

State-chartered banking institutions often are subject to State law requirements and regulations that do not apply to their federal or out-of-state counterparts that do business in the State. ***House Bill 751*** ***(Ch. 89)*** institutes several regulatory reforms to reduce unnecessary requirements that place State-chartered banking institutions at a competitive disadvantage with respect to out-of-state financial institutions. The deregulatory measures are intended to expedite installations of automated teller machines by banks and credit unions; streamline the procedures a bank must comply with to acquire or establish an affiliate or conduct a new activity at an affiliate; and relax requirements for filling vacancies on a bank's board of directors.

The Act also brings fingerprinting requirements as well as capital requirements into closer conformity with federal law, while increasing the penalty for banks that fail to meet reporting requirements. In addition, the Act streamlines the requirements for approving foreign banking permits and requires banks to obtain sufficient financial information from a person in order to support an unsecured loan of $10,000 or more.

Assessments and Fees

House Bill 752 ***(passed)*** establishes the Banking Institution and Credit Union Regulation Fund to receive all fees, assessments, and revenues received for the chartering and regulation of banking institutions and credit unions in the State and to pay all costs and expenses incurred by the Commissioner of Financial Regulation related to the regulation of these institutions. The fund is established in response to the preference of banking institutions chartered in Maryland to have their State assessments used exclusively for the regulation and supervision of depository institutions. In addition, the commissioner has noted that the Division of Banking Regulation has been criticized by its accrediting body, the Conference of State Bank Supervisors, for not having control over funding issues should special needs or emergencies arise.

The bill also increases fees and establishes new fees and assessments for depository institutions chartered in the State.

Commercial Law – Credit Regulation

Mortgage Lending

Since 2007, changes in the real estate market and the economy in general have had a number of negative effects on lenders and borrowers, both nationwide and in Maryland. One of the most significant of these effects has been a marked increase in the number of foreclosures affecting homeowners and their mortgage lenders. Many such foreclosures have involved residential properties that were financed through sub-prime loans and nonbank loan originators, leading to increased concerns regarding the lending practices that surround these nontraditional financing methods. To address these and other issues relating to the mortgage foreclosure crisis, ***Senate Bill 270*** ***(Ch. 7)***/***House Bill 363*** ***(Ch. 8)*** make a number of substantive changes to the laws relating to mortgage lending and the regulation of mortgage lenders.

The Acts prohibit lenders from requiring or authorizing the imposition of penalties, fees, premiums, or other charges for a mortgage loan in the event the loan is prepaid in whole or in part, except for reverse mortgage loans. The Acts also raise the maximum amount of a commercial loan that may be assessed a prepayment charge or penalty on a prepayment of the unpaid principle balance from $5,000 to $15,000, and prohibit the imposition of any prepayment penalty on a loan to a consumer borrower.

For various types of mortgage loans, including both primary and secondary mortgage loans, the Acts modify the factors that a lender or credit grantor must consider when making the loans. The Acts require that due regard be given to the borrower's ability to repay a loan in accordance with its terms, including the fully indexed rate of the loan, if applicable, as well as property taxes and homeowner's insurance, regardless of whether an escrow account is established for the collection and payment of these expenses. Due regard is required to include (1) consideration of the borrower's debt to income ratio; and (2) verification of the borrower's gross monthly income and assets by review of specified third-party documentation. The income and asset verification requirements do not apply to mortgage loans approved for government guaranty by the Federal Housing Administration, Veterans Administration, or Community Development Administration.

The Acts further authorize the Commissioner of Financial Regulation to participate in the establishment and implementation of a multistate automated licensing system for mortgage lenders and mortgage originators, and to adopt regulations that waive or modify licensing requirements in order to facilitate implementation of the multistate system. The commissioner is required to conduct studies on (1) the feasibility of conducting examinations of mortgage lender licensees using a risk-based approach rather than a fixed schedule approach; and (2) the use of a call feature in loans that accelerate the indebtedness of a mortgage loan. Both reports are due by January 1, 2009, to the Senate Finance Committee and the House Economic Matters Committee.

The Acts also add to the statutorily required qualifications for obtaining a mortgage lender's license from the commissioner a requirement that an applicant for a mortgage broker license or current licensee maintain a minimum net worth ranging from $25,000 for an applicant or licensee that does not lend money to $100,000 for an applicant or licensee that has lent more than $5 million in the 12 months prior to the application or renewal. On January 1, 2009, the minimum net worth requirements increase to $250,000 for an applicant or licensee that has lent more than $10 million in the previous 12 months. The Acts also raise the amount of the surety bond required of applicants for both new mortgage lender licenses as well as license renewals.

With respect to mortgage originators, the Acts authorize the commissioner to adopt regulations defining the written test required of license applicants. For both mortgage lenders and mortgage originators, the Acts authorize the commissioner to set reasonable fees for licensing and investigations, and require the commissioner to deny an application or revoke the licenses of individuals or entities associated with individuals who have been convicted within the last 10 years, or while licensed, of a felony involving fraud, theft, or forgery.

The measures set forth in the Acts reflect recommendations made by the Legal and Regulatory Workgroup of the Homeownership Preservation Task Force established by the Governor in 2007. For a more detailed discussion of foreclosure-related issues, see the subpart "Real Property" within Part F – Courts and Civil Proceedings of this *90 Day Report*.

Loan Prepayment

On December 13, 2007, the Court of Appeals concluded in *Bednar v. Provident Bank of Maryland*, 402 Md. 532 (2007) that the practice of closing cost "recapture" violates the Maryland Credit Grantor law. Under a closing cost recapture plan, a lender pays the borrower's loan closing costs and agrees to defer collection of these costs from the borrower as long as the borrower keeps the loan open for a specified period of time. If the borrower keeps the loan open for the specified time, the lender forgives the closing costs, but if the borrower prepays and closes the loan, the borrower is required to pay those costs to the lender. Closing cost recapture programs are a standard practice of lenders across the nation, offering an initial incentive to the borrower in exchange for an increased assurance that the borrower will not repay the loan before a certain time, as would occur if the borrower refinanced with another lender.

The Court in *Bednar*, however, concluded that a recapture charge is a prepayment penalty and, therefore, prohibited by statute. The Court's decision places Maryland-chartered banks, credit unions, and independent mortgage lenders at a competitive disadvantage compared to federally chartered financial institutions and their affiliated lenders because, due to federal preemption, the latter continue to be able to offer closing cost recapture programs to borrowers in Maryland.

In response to the Court's decision, the General Assembly passed ***Senate Bill 347* *(Ch. 34)***/***House Bill 852* *(Ch. 35)*** as emergency measures. The Acts alter the Maryland Credit Grantor law to provide that fees and charges permitted by statute with respect to unsecured open end and closed end credit plans may be imposed, charged, and collected at any time. The Acts thus allow State-chartered banks and independent mortgage lenders to continue the practice of "recapturing" loan closing costs, initially paid for by the lender, in the event that the borrower prepays the loan before a specified time.

The Acts also create exceptions to penalty provisions that apply to a credit grantor that violates the laws governing open end and closed end credit plans. The exceptions apply to contracts entered into prior to the effective date of the Acts but do *not* apply to a case in which a final judgment has been rendered and for which all judicial appeals have been exhausted. Under the Acts, credit grantors that commit a violation are not restricted to collecting only the principal amount extended if the credit grantor (1) used a form or procedure that has been approved by the Commissioner of Financial Regulation; or (2) performed or omitted an act in conformity with or in reliance on a written opinion of the Attorney General of Maryland, a regulation adopted by the commissioner, a written opinion by the commissioner or deputy commissioner, or an interpretation by the commissioner in a written notice or examination report.

Debt Management Services

The debt management services industry has experienced significant nationwide growth since the early 1990s, and it received a boost in 2005 from amendments to the federal Bankruptcy Act which require most filers to receive credit counseling before filing for bankruptcy. ***Senate Bill 646***/***House Bill 947*** ***(both passed)*** repeal the State law requirement that a licensed debt management services provider be a nonprofit entity, thus allowing a for-profit entity to become licensed in the State. Additional consumer protections also are provided under the Acts.

These protections include a requirement that a debt management services provider may not provide services to a consumer unless (1) the provider makes a determination based on analysis of information provided by the consumer that debt management services are suitable and that the consumer will be able to meet the payment obligations under the debt management services agreement; (2) the provider gives the consumer a written summary of the counseling options and strategies for addressing the consumer's debt problems; (3) the consumer signs an acknowledgment stating that the consumer has reviewed the summary and has decided to proceed with entering into an agreement with the provider; and (4) the provider gives the consumer a notice stating that if the consumer files for bankruptcy, the consumer will be required under federal law to receive counseling from a nonprofit credit counseling agency. Under the bills, debt management counselors must receive comprehensive training in counseling skills, personal finance, budgeting, and credit and debt management before providing counseling to a consumer. The bills also require a licensee to include certain additional information in an annual report that must be submitted to the Commissioner of Financial Regulation.

Credit Cards – Marketing to Students

The General Assembly also approved a measure related to credit card marketing and merchandising activities conducted on campuses of institutions of higher education. For a more detailed discussion of ***House Bill 1210*** ***(passed),*** see the subpart "Higher Education" within Part L – Education of this *90 Day Report*.

Commercial Law – Consumer Protection

Automotive Repair Facilities

Bailment is a typical common law situation in which a property owner (the "bailor") gives the property to another person (the "bailee") for a specific purpose. Most business activities involve some type of bailment, including automobile repairs where a customer-bailor gives his or her property to the shop-bailee in order to obtain services. The liability of the bailee for loss of or damage to the bailor's property varies depending on the specific type of bailment, but if the bailor can establish in court that the property was lost or damaged, the bailee generally must prove that the bailee maintained the applicable standard of care and was not negligent. ***House Bill 1057*** ***(passed)*** requires a statement regarding the responsibility of an automotive repair facility for damage to a customer's vehicle to be included on an invoice, a written estimate for repairs, and a form for authorization of repairs. The bill requires that the statement say clearly that, while a customer's motor vehicle is on the premises of the repair facility, the repair facility may not be responsible for damage to the customer's vehicle under certain circumstances and that the customer should ask a representative of the facility about the extent of its responsibility.

Halal Food Products

"Halal" is an Arabic term that means "permissible," and in the English language it most frequently refers to food that is permissible according to Islamic law. ***House Bill 1079*** ***(Ch. 112)*** prohibits the false representation of food as halal and requires the prominent and conspicuous display of a specific disclosure statement by establishments that publicly represent the service or sale of halal food products. A violation of the Act's provisions is an unfair or deceptive trade practice under the Maryland Consumer Protection Act, subject to civil and criminal penalties.

Rebates

The Maryland Consumer Protection Act states that an unfair or deceptive trade practice includes any false, falsely disparaging, or misleading oral or written statement, visual description, or other representation of any kind which has the capacity, tendency, or effect of deceiving or misleading consumers. ***House Bill 1350*** ***(passed)*** specifically extends the scope of the Consumer Protection Act by requiring a merchant to disclose that a rebate is only available by mail in an advertisement for a rebate for consumer goods if the rebate is only available by mail.

Commercial Law – Generally

Musical Performances

Senate Bill 711 ***(passed)*** prohibits a person from advertising or conducting a live musical performance or production in the State through the use of a false, deceptive, or misleading affiliation, connection, or association between a performing group and a recording group. A "recording group" is defined as a vocal or instrumental group with at least one member who has previously released a commercial sound recording under that group's name and has a legal right to use the group's name without having abandoned the name or affiliation with the group. A "performing group" is defined as a vocal or instrumental group seeking to use the name of a recording group.

The bill's general prohibition against false, deceptive, or misleading advertisements and performances does not apply if (1) the performing group is the authorized registrant and owner of a service mark for that group that is registered with the U.S. Patent and Trademark Office; (2) at least one member of the performing group was a member of the recording group and the member has a legal right to the recording group name due to the member's use of or operation under the group name without having abandoned the recording group name or affiliation with the recording group; (3) the live musical performance or production is identified in all advertising and promotion as a salute, tribute, parody, or satire, and the performing group name is not so closely related or similar to that used by the recording group that it would tend to confuse or mislead the public; (4) the advertising does not relate to a live musical performance or production in the State; or (5) the performance or production is expressly authorized by the recording group.

The bill authorizes the Attorney General to seek an injunction prohibiting a person from engaging in a violation of the bill's provisions if the Attorney General believes that a person has engaged in or will engage in a violation and that an injunction would be in the public interest. A court, upon issuing a permanent injunction, may enter a judgment to restore to a person any money or real or personal property acquired from the person by means of a violation. In addition, a violator is subject to a civil penalty of at least $5,000 but not more than $15,000 for each violation. Each performance or production in violation of the bill's provisions is considered a separate violation.

Corporations and Associations

Publicly Traded Corporations – Stock Appraisal Rights

Senate Bill 556 /***House Bill 728*** ***(both passed)*** grant stock appraisal rights to the stockholders of a publicly traded corporation chartered in the State in the event of a merger, consolidation, or share exchange of the corporation under three scenarios:

- if, with respect to the merger, consolidation, or share exchange, stock of the corporation is required to be converted into or exchanged for anything of value *except* (1) stock of the corporation surviving or resulting from the transaction, or depository receipts for the stock; (2) stock of any other corporation, or depository receipts for the stock; (3) cash in lieu of fractional shares of the stock or depository receipts under items (1) or (2); or (4) any combination of the preceding items.

- if, the directors and executive officers of the corporation were the beneficial owners, in the aggregate, of 5 percent or more of the outstanding voting stock of the corporation at any time within the one-year period ending on either the day the stockholders voted on the transaction or, with respect to certain mergers of a subsidiary corporation with or into a parent corporation, the effective date of the merger.

- if, within the one-year period described above, and as part of or in connection with the merger, consolidation, or share exchange, any stock held by a director or executive officer of the corporation is converted into or exchanged for the stock of a person who is a party to the transaction, or an affiliate of the person, on terms that are not available to all holders of stock of the same class or series. However, appraisal rights do not apply in this scenario if the stock in question is held in accordance with a compensatory plan or arrangement approved by the board of directors of the corporation and the treatment of the stock in the merger, consolidation, or share exchange is approved by the board.

General Corporation Law

Senate Bill 696/***House Bill 743*** ***(both passed)*** update and modernize the Maryland General Corporation Law. The bills alter various provisions of Maryland's corporation laws, including provisions relating to subscriptions for stock, the issuance of shares without stock certificates, director resignations, delegations of power to a committee of the board of directors, director and officer indemnification, stockholder quorum and voting requirements, and the contents of articles of consolidation, merger, or share exchange.

Subscriptions for Stock

The bills repeal the requirement that a corporation, in connection with a subscription for stock, give at least 10 days' written notice to each subscriber of the amount, time, and place of payment. The bills also repeal the requirement that any call made by the board of directors for payment on subscriptions for stock be uniform as to stock of the same class.

Shares Issued Without a Stock Certificate

The bills alter the requirement that a corporation, at the time of issue or transfer of shares without certificates, send the stockholder a written statement containing specified information about the corporation and the stock. The bills provide that this obligation is triggered only on the stockholder's request and require the corporation to send the information to the stockholder without charge.

Resignation of a Director

Maryland's corporation laws do not specifically regulate the resignation of a corporate director. The bills address this area by specifying that a director's resignation given in writing or by electronic transmission may provide that (1) the resignation will be effective at a later time or on the occurrence of an event; (2) the resignation is irrevocable on the occurrence of the event; and (3) the resignation is irrevocable if it is effective on the failure of the director to receive a specified vote for reelection.

Committees of the Board of Directors

Except for certain enumerated powers that a board of directors may not delegate, a board is generally free to delegate its powers to a committee of the board. Included in the list of powers that a board may not delegate to a committee of the board is the power to recommend to the stockholders any action that requires stockholder approval. The bills alter this restriction by explicitly authorizing a board to delegate to a committee the power to recommend to the stockholders the election of directors. The bills also expand a committee's authority to authorize or fix certain terms of stock.

Indemnification of Directors and Officers

Generally, a corporation may indemnify any director made a party to any proceeding by reason of service as a director. For purposes of indemnification, "director" means any person who is or was a director of a corporation and any person who, while a corporate director, is or was serving at the corporation's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan. The bills expand the indemnification provisions to include any person who, while serving as a corporate director, is or was serving at the corporation's request as a director, officer, partner, trustee, employee, or agent of a limited liability company.

Annual Meetings

The bills alter the provisions governing the timing of an annual meeting of a corporation's stockholders to simply require that the annual meeting be held at the time or in the manner provided in the bylaws.

Informal Action by Stockholders

Maryland law provides that, if authorized by the corporate charter, common stockholders entitled to vote generally in the election of directors may take action or consent to any action by delivering a consent of at least the minimum number of votes that would be necessary to authorize or take the action at a stockholders meeting if the corporation gives notice of the action to each holder of the class of common stock no later than 10 days after the action's effective date. The bills require that the corporation also gives notice to each stockholder who, if the action had been taken at a meeting, would have been entitled to notice of the meeting.

Quorum and Voting Requirements

The bills establish new quorum rules for corporations that (1) have a class of equity securities registered under the Securities Exchange Act of 1934 and at least three directors who are not corporate officers or employees; or (2) are registered as an open-end investment company under the Investment Company Act of 1940 (commonly called mutual funds). Unless the corporation's charter or bylaws provide otherwise, at a meeting of stockholders of these corporations, the presence (in person or by proxy) of a majority of all votes entitled to be cast at the meeting constitutes a quorum. The bills also specify that a quorum provision in the bylaws of these corporations may not be less than one-third of the votes entitled to be cast at the meeting.

Contents of Charter Documents

Articles of consolidation, merger, or share exchange must contain (1) the terms and conditions of the transaction; and (2) the manner of carrying it into effect, including certain information regarding the transaction. The bills provide that these charter documents, in addition to containing the required information, may provide the number and names of those directors or trustees of the successor, or of persons acting in similar positions, who will hold those positions as of the effective date of the consolidation, merger, or share exchange if the persons serving in those positions will be changed as a result of the transaction. The articles of consolidation, merger, or share exchange also may provide the titles and names of one or more officers of the successor, or persons acting in similar positions, who will hold those positions as of the effective time of the consolidation, merger, or share exchange if the persons serving in those positions will be changed as a result of the transaction.

Real Estate Investment Trusts

A real estate investment trust (REIT) is an unincorporated trust or association in which property is acquired, held, managed, administered, controlled, invested, or disposed of for the benefit and profit of any person who may become a shareholder. A share is a transferable unit of beneficial interest in a REIT. Unless the declaration of trust provides otherwise, the trustees of a REIT may authorize the issuance of some or all of the shares of any or all of its classes or series without certificates.

Senate Bill 548/***House Bill 154*** ***(both passed)*** clarify the definition of REIT to mean an unincorporated *business* trust or association. The bills also repeal the requirement that a REIT send a written statement regarding the terms of shares issued or transferred without certificates at the time of issuance or transfer. Instead, the bills require that the written statement be sent on request of a shareholder and without any charge to the shareholder.

Part J
Health and Human Services

Public Health – Generally

Medicaid

Funding Increases in Fiscal 2009

The fiscal 2009 budget increases funding for Medicaid, the Maryland Children's Health Program (MCHP), and the Primary Adult Care program by $425.3 million or 8.7 percent. Medical inflation and utilization patterns are expected to increase expenses by 5.4 percent, while enrollment growth of 2.7 percent (primarily among children in Medicaid and MCHP) accounts for $55.5 million of the overall increase. Additional monies also fund the elimination of hospital day limit cost containment, the nursing facility payment system, an expansion of Medicaid coverage per Chapter 7 of the 2007 special session, and higher dental and physician provider rates.

Hospital day limits produce savings by capping the number of days of hospital care that Medicaid will fund for adults. Funds are provided in the budget ($31.9 million) to eliminate hospital day limits beginning December 31, 2008. Legislation discussed later in this subpart, ***Senate Bill 974*/*House Bill 1587* (both passed)**, provide that funds generated from an assessment representing hospital uncompensated care savings may be used to eliminate Medicaid day limits effective July 1, 2008, six months earlier than provided in the fiscal 2009 budget.

Chapter 503 of 2007 imposed a quality assessment on nursing facilities, with revenues dedicated to fully funding the nursing facility payment system. The nursing home assessment will bring in $54.2 million in fiscal 2009, an increase of $27.1 million over fiscal 2008. The State will be increasing the assessment rate from 1.7 percent in fiscal 2008 to 2.0 percent in fiscal 2009, which is the maximum assessment allowed by statute.

The budget also includes $9.2 million of an expected $31.2 million needed to bolster Medicaid physician rates toward 100 percent of Medicare rates. The amount is lower than anticipated because revenues to the Rate Stabilization Fund (the funding source) have been lower than anticipated. ***House Bill 1522* (passed)** authorized the Insurance Commissioner to transfer additional funds from the Rate Stabilization Fund to support higher physician rates in fiscal 2009. In addition, there is $14.0 million to increase dental reimbursement rates. Further discussion of this issue may be found under "Oral Health Initiatives" later in this subpart.

Working Families and Small Business Health Care Coverage Act of 2007

Chapter 7 of the 2007 special session enacted the Working Families and Small Business Health Coverage Act, which expands access to health care in the following ways:

- expands Medicaid eligibility to parents and caretaker relatives with household income up to 116 percent of federal poverty guidelines (FPG), which will be implemented in fiscal 2009;
- incrementally expands the Primary Adult Care program benefits over three years to childless adults with household income up to 116 percent FPG, which will phase in from fiscal 2010 through 2013; and
- establishes a Small Employer Health Insurance Premium Subsidy Program, which will be administered by the Maryland Health Care Commission (MHCC) and funded with $15 million in fiscal 2009.

Special funds, including savings from averted uncompensated care and matching federal funds, will cover the costs of the expansion in fiscal 2009 and 2010, as shown in **Exhibit J-1**; general funds will be needed beginning in fiscal 2011.

Exhibit J-1
Funding for the Health Care Expansion
Fiscal 2009-2013
($ in Millions)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Expenditures					
Medicaid Expansion					
Administration	$3.0	$3.4	$4.7	$7.5	$7.4
Parents	94.6	168.4	185.6	204.3	224.8
Childless Adults	0.0	69.0	171.6	492.3	545.1
Small Employer Subsidy Program	15.0	20.0	32.2	34.1	36.1
End Medicaid Day Limits	38.0	0.0	0.0	0.0	0.0
Total Expenditures	**$150.6**	**$260.9**	**$394.1**	**$738.3**	**$813.4**
Funding Sources					
General Funds	$0.0	$0.0	$68.8	$188.3	$205.2
Special Funds					
Rate Stabilization Fund	3.0	41.5	31.7	0.0	0.0
MHIP Balance	31.8	43.2	0.0	0.0	0.0
Uncompensated Care Savings	48.0	55.7	112.6	197.9	219.6
Federal Funds	67.8	120.4	181.0	352.1	388.6
Total Funds	**$150.6**	**$260.9**	**$394.1**	**$738.3**	**$813.4**

MHIP: Maryland Health Insurance Plan

Note: Exhibit reflects funding as provided under SB 974/HB 1587 of 2008. Exhibit assumes full implementation of the expansion to childless adults, although language in Chapter 7 of the 2007 special session expresses the intent that expansion to childless adults is subject to specified general fund and education trust fund (from video lottery terminals) revenue attainment. Current revenue estimates fall well short of the attainment specified in Chapter 7.

Revisions to 2007 Health Care Expansion Efforts

During the 2008 session, legislation was introduced to revise funding of expansion efforts. ***Senate Bill 974*/*House Bill 1587* (both passed)** repeal the assessment of hospital uncompensated care savings established under Chapter 7 of the 2007 special session and replace it with a new assessment. Whereas the original assessment was hospital specific, retrospective, and nonuniform, the new assessment is broad-based, prospective, and uniform. The new assessment will accelerate access to uncompensated care savings thereby increasing available special funds, allowing higher federal matching funds, and reducing general fund obligations.

In addition to altering funding of health care expansion efforts, ***Senate Bill 974***/***House Bill 1587*** also repeal and reenact a new assessment to fund the Maryland Health Insurance Plan (MHIP). A more detailed discussion of the impact of these bills on MHIP may be found under the subpart "Health Insurance" within Part J – Health and Human Services of this *90 Day Report*.

Senate Bill 545 ***(passed)*** provides additional special funds for Medicaid expansion efforts under Chapter 7 by transferring funds from the balance of the Rate Stabilization Account at the end of fiscal 2008 to the Health Care Coverage Fund established under Chapter 7 in the amounts of $3.0 million for fiscal 2009 expenses and $73.3 million for fiscal 2010 and 2011 expenses. ***Senate Bill 545*** also provides additional funding for Medicaid in fiscal 2009 including $7.0 million to increase fee-for-service provider rates to dentists and up to $13.0 million of any fiscal 2008 State lottery revenue over-attainment to provide inflationary rate adjustments to community services providers both in Medicaid as well as provides care for the developmentally disabled, mentally ill, and substance abusers.

Eligibility for Medicaid Long-term Care Services

In November 2007, Maryland's Court of Special Appeals ruled in *Maryland Department of Health and Mental Hygiene v. Ida Brown* that the Department of Health and Mental Hygiene's (DHMH) Medicaid eligibility standard for home- and community-based services was more stringent than federal requirements. DHMH indicates that the decision could put the State at risk for $68.0 million in additional costs for long-term care services.

Senate Bill 545 (discussed in more detail above) authorizes DHMH to use $17.0 million in total funds currently allocated for nursing home reimbursements in the fiscal 2009 budget to fund an increase in utilization of long-term care services resulting from any changes in the level of care used to determine Medicaid eligibility. By November 1, 2008, DHMH must report on the changes made in the level of care, the number of additional individuals eligible for care as a result of the changes, and the fiscal implications of the change.

Efforts to Increase Enrollment

In 2005-2006, nearly 12 percent of Maryland children were uninsured. Several bills were introduced in 2008 to increase awareness of, and enrollment in, Medicaid and the Maryland Children's Health Program, including ***House Bill 1391*** ***(passed),*** ***House Bill 1099*** ***(failed)***, and ***Senate Bill 965***/***House Bill 1152*** ***(both failed)***.

House Bill 1391 requires the Comptroller to send taxpayers with a dependent child and income less than the highest eligibility standard for Medicaid or MCHP a notice, developed by DHMH that their dependent child may be eligible for Medicaid or MCHP. Beginning in tax year 2008, taxpayers must report on their income tax return the presence or absence of health care coverage for each dependent child for whom an exemption is claimed. If a taxpayer indicates on their tax year 2008 or 2009 return that a dependent child does not have health care coverage and the taxpayer's income is less than the highest income eligibility standard for Medicaid or MCHP, the Comptroller must send the taxpayer applications and enrollment instructions for Medicaid and MCHP. DHMH, in consultation with the Maryland Insurance Administration and the Maryland Health Care Commission must study and make recommendations for improving the processes for determining eligibility for Medicaid and MCHP and increasing the availability and affordability of health care coverage for children with family incomes above 300 percent FPG. Fiscal 2010 and 2011 funding for this initiative was provided through ***House Bill 1522***.

Oral Health Initiatives

Dental Action Committee

During the 2007 regular session, the General Assembly passed a bill establishing the Oral Health Safety Net Program. Later that year, DHMH formed a Dental Action Committee. The fiscal 2009 budget includes $16.1 million to implement a number of recommendations made by the committee.

Medicaid Oral Health Initiative: Low provider participation has been identified as the main barrier to comprehensive oral health services for Medicaid enrollees. One assessment showed that all of Maryland's Medicaid reimbursement rates are below the twenty-fifth percentile of the American Dental Association's South Atlantic charges, and many are below the tenth percentile. As a result, the Medicaid budget for fiscal 2009 includes $14.0 million to increase dental reimbursement rates. This is the first year of a three-year plan to get Medicaid dental rates up to the fiftieth percentile of the dental association's South Atlantic charges.

Improve the Public Dental Infrastructure: DHMH's Office of Oral Health will receive $1.4 million in the fiscal 2009 budget to improve access to dental care. Most of the funding ($900,000) is provided through the operating budget, and the remaining $500,000 in the capital budget. Funds will be provided as grants to local health departments, federally qualified health centers, or nonprofit community health organizations and targeted to the Upper Eastern Shore and Southern Maryland.

School-based Dental Services: The Office of Oral Health will receive $700,000 for school-based dental health services. The office plans to purchase a dental van outfitted with the equipment and supplies needed to provide comprehensive dental services. Remaining funds will be used to establish two school-linked portable dental programs that will consist of portable dental equipment staffed by a full-time dental hygienist and a full-time dental assistant.

Developmental Disabilities and Mental Health

Providers and Reimbursement Rates

The Community Services Reimbursement Rate Commission (CSRRC) was created in 1996 as an independent unit within DHMH. ***Senate Bill 305***/***House Bill 1059*** ***(both passed)*** extend the termination date for CSRRC from September 30, 2008, to September 30, 2011, and alter CSRRC's required duties, scope of issues to assess, and the information required in CSRRC's annual report. The bills also require the Maryland Board of Nursing to provide CSRRC copies of any regulations that may impact the costs incurred by community service providers paid for by the Mental Hygiene Administration (MHA) or Developmental Disabilities Administration (DDA).

Veterans' Mental Health

The fiscal 2009 budget includes just over $2.8 million in MHA to improve access to behavioral health services for veterans. ***Senate Bill 210/House Bill 372*** ***(both passed)*** require DHMH to establish behavioral health service coordination for certain veterans for a three-year period. The intent of the program is two-fold: to link veterans to mental health services provided by the U.S. Department of Veterans Affairs (VA) and to provide gap services if there is a delay in services available from the VA. The State will provide crisis intervention; individual, group, and family therapy; substance abuse early intervention and detoxification services; and medications until the veteran can access VA care.

The funding is aimed at the significant numbers of military personnel returning from Iraq and Afghanistan. According to the VA, one-third of all combat veterans are diagnosed as having a mental disorder. Data indicates that 10 to 15 percent of combat veterans have post-traumatic stress disorder and another 10 percent have signs of the disorder, depression, or anxiety and may benefit from care. Co-occurring substance abuse problems are also common among this population as are high suicide rates and homelessness.

Emergency Evaluation Petitions

House Bill 116 ***(Ch. 43)*** authorizes licensed clinical marriage and family therapists to diagnose a mental disorder for purposes of making a petition for emergency evaluation of an individual.

Rosewood Center

On January 15, 2008, Governor O'Malley announced plans to close the Rosewood Center, a State residential center for developmentally disabled individuals, by June 2009. The decision to close the facility was precipitated by repeated findings issued to the facility by the Office of Health Care Quality, which called into question the quality of care being provided at the facility as well as the potential loss of significant Medicaid recoveries.

There are currently 165 individuals residing at the Rosewood Center; 30 of those are committed by the court to be treated by DDA and 135 are noncourt committed. DDA has produced a detailed plan for the closure of the Rosewood Center, transitioning the noncourt committed individuals to the community and identifying an alternate facility for court-involved individuals in the DDA system.

The closure plan not only affects the residents currently residing at the facility, but also affects how the State will handle the care and treatment of court-ordered individuals in the future. Individuals directed by the court into the custody of DDA will first be evaluated at a new medium security ward at Clifton T. Perkins Hospital to determine the individual's behavioral challenges and service needs. Once individuals are properly assessed, they will be moved to either an appropriate community placement that specializes in serving individuals with a history of challenging behaviors or to a smaller residential facility dedicated solely to the treatment of the court-ordered population.

The closure of Rosewood will cost the State an additional $1.8 million in fiscal 2008 and $4.9 million in fiscal 2009. The additional cost is attributed to the continued operation of Rosewood through the end of fiscal 2009 while also serving those individuals who have moved from Rosewood to the community. The State also loses Medicaid revenues associated with operating Rosewood as an Intermediate Care Facility for the Mentally Retarded.

Automated External Defibrillator Program

Automated external defibrillators (AEDs) are simple-to-use, life-saving devices that are effective in dramatically improving the likelihood of survival for a victim of sudden cardiac arrest. The AED program authorizes facilities to make AEDs available when physician services or emergency medical services are not immediately available. ***Senate Bill 570*** ***(passed)*** renames the AED program the Public Access Automated External Defibrillator Program and alters program requirements to remove barriers to participation and increase AED placement, particularly at high-risk locations. Facilities wishing to participate are no longer required to be authorized but instead must become registered facilities. The program fee is repealed. Each participating facility is required to • maintain each AED and all related equipment and supplies in accordance with manufacturer and U.S. Food and Drug Administration standards; • ensure that each individual who is expected to operate an AED has successfully completed an educational training course and refresher training as required by the EMS Board; and • report the use of an AED to the Maryland Institute for Emergency Medical Systems Services for review by the regional council AED committee.

HIV Testing

An estimated 6,000 to 7,000 HIV-infected women give birth each year in the United States, resulting in 280 to 370 new prenatal infections. However, antiretroviral therapy lowers the risk of mother-to-child transmission of HIV to less than 2 percent. The Centers for Disease Control and Prevention (CDC) recommends HIV screening for all patients in health care settings, including pregnant women, after the patient is notified that testing will be performed *unless* the patient declines. ***Senate Bill 826/House Bill 991*** ***(both passed)*** require a health care provider to inform an individual that an HIV test will be administered and advise the individual that the individual may refuse without penalty. Providers of prenatal care must notify each patient that she will be tested for HIV and that she may refuse without penalty. If she declines, her declination has to be documented in her medical record. The bill also specifies additional testing requirements as well as referral requirements for women who test positive.

Prescription Drugs

Senate Bill 775/House Bill 514 ***(both passed)*** authorize up to $425,000 in funds remaining from the Senior Prescription Drug Program that have accrued to the account of the

Senior Prescription Drug Assistance Program of the Maryland Health Insurance Plan Fund to be transferred and appropriated to DHMH for a grant to the Maryland Medbank Program.

Prescription drug abuse makes up almost one-third of all drug abuse in the U.S., and treatment admission rates have more than doubled in the past 10 years. State prescription drug monitoring programs give health care providers and law enforcement agencies a tool for preventing misuse of controlled substances. ***House Bill 525*** ***(passed)*** establishes an Advisory Council on Prescription Drug Monitoring in DHMH to study the establishment of a prescription drug monitoring program. The council must submit a final report by December 31, 2009, including recommendations for establishing a program that assists health care providers and law enforcement professionals regarding prescription drug abuse and unlawful prescription drug diversion; promotes a balanced use of prescription drug monitoring data; and promotes appropriate and real-time access to prescription drug monitoring data.

Consumer Product Safety

Lead-containing Children's Products

The number of children with elevated blood lead levels decreased in 2006 at both the State and national level compared to 2005. Over the past two years, three children in Maryland were tested and found to have elevated blood lead levels specifically traceable to lead-containing products. ***House Bill 62*** ***(passed)*** prohibits a person from manufacturing, selling, offering for sale, importing, or distributing a lead-containing children's product. A "lead-containing product" is a product or a component of a product containing or coated with lead in a concentration of more than 0.06 percent of the product's total weight or the standard established under federal law. This prohibition includes products such as accessories and jewelry, clothing, decorative objects, furniture, lunch boxes and eating utensils, toys, and any other item specified by the Department of the Environment in regulation.

House Bill 62 also requires a manufacturer of a children's product to test whether the product is a lead-containing product by using an independent, accredited third-party testing entity. The manufacturer is required to issue a certificate that certifies that the product is not a lead-containing product and must ensure that the certificate is transmitted with the product to any distributor or retailer. A more detailed discussion of lead poisoning may be found under the Part K – Environment of this *90 Day Report*.

Influenza Vaccines

The United States Code of Federal Regulations requires, in general, the addition of a preservative to multi-dose vials of vaccines to prevent microbial growth. According to the Institute of Medicine, the preservative thimerosal was removed from all recommended childhood vaccines except influenza. ***Senate Bill 304***/***House Bill 586*** ***(both passed)*** require the Statewide Advisory Commission on Immunizations to conduct a study on the current and anticipated future availability of single-dose influenza vaccines for use in the State and the anticipated future cost differential between single-dose and multi-dose influenza vaccines.

Miscellaneous Public Health Reforms

Newborn Screening

DHMH's newborn screening program provides screening for hereditary and congenital disorders. ***House Bill 216*** ***(passed)*** codifies a statewide system for screening newborn infants and specifies that the DHMH Public Health Laboratory is the only laboratory authorized to perform the screening tests, although DHMH may contract or delegate screening with the approval of the State Advisory Council on Hereditary and Congenital Disorders. While the program currently allows parents to opt out of having their children screened, ***House Bill 216*** requires DHMH to study and report by December 1, 2008, whether a coordinated statewide screening system should be applied to all newborn infants in the State.

Birth Defects

Nationally, approximately 3 percent of all babies are born with birth defects, which are the leading cause of infant death. In Maryland, the Birth Defects Reporting and Information System collects data on the number of babies born with birth defects. ***Senate Bill 828*** ***(passed)*** modifies the circumstances under which birth defects must be reported to DHMH. ***Senate Bill 828*** authorizes DHMH to inspect and maintain medical information relating to a child with a birth defect. The bill also provides legal protections for medical information relating to a child with a birth defect.

Maryland Anatomical Gift Donor Registry

Under the Maryland Anatomical Gift Act, any individual who is age 18 or older and competent to execute a will may make an anatomical gift of all or any part of the individual's body for any one or more of the purposes specified under the Act. ***Senate Bill 766***/***House Bill 906*** ***(both passed)*** require the Secretary of Health and Mental Hygiene to contract with a qualified nonprofit entity by April 1, 2009, for the establishment, maintenance, and operation of a donor registry. The registry is intended to facilitate the making of anatomical gifts.

Antibiotic-resistant Infection Prevention Campaign

Senate Bill 286 ***(passed)*** requires the Secretary of Health and Mental Hygiene, in collaboration with other State agencies, to establish and promote a public awareness campaign on antibiotic-resistant infections. The campaign must develop and disseminate educational materials; distribute the educational materials free of charge to health facilities, health clinics, and schools; and disseminate information about the dangers of antibiotic-resistant infections and methods to reduce their transmission through written materials, posters, or other mediums.

Health Occupations

State Board of Dental Examiners

Dentists

In May 2007, the Governor directed the Department of Health and Mental Hygiene Office of the Inspector General (OIG) to audit the State Board of Dental Examiners with the goal of determining whether the disciplinary operations and sanctioning outcomes of the board incorporate bias and inequities. OIG found no evidence that the board had exceeded its statutory or regulatory authority in sanctioning licensees. However, OIG did make recommendations to improve board functions regarding vacancies, discipline, and data collection.

Senate Bill 764/House Bill 811 (both passed) incorporate some of these recommendations. The bills provide for a balloting process to fill vacancies on the board and require the board to consult with both the Attorney General's Office and the Secretary of Health and Mental Hygiene in drafting new regulations relating to the board's complaint and disciplinary procedures.

Dental Hygienists

In response to concerns regarding a lack of access to oral health care services, the Secretary of Health and Mental Hygiene formed a Dental Action Committee in June 2007. The committee found that only 13 jurisdictions had dental clinical services in local health departments, and only 11 jurisdictions were served by Federally Qualified Health Centers (FQHCs) with dental clinics. To alleviate this access problem, the committee recommended that "public health dental hygienists" be authorized to increase preventive dental services. ***Senate Bill 818/House Bill 1280 (both passed)*** authorize dental hygienists who are employees of the federal government, a State or local government, or FQHC, and working in specified facilities, to apply fluoride and sealants under the general supervision of a licensed dentist.

Additionally, ***Senate Bill 511 (passed)*** exempts dental hygiene students who are engaged in an approved dental hygiene education program from the requirement that a person must have a license issued by the board before practicing dental hygiene.

Massage Therapists

Chapters 673 and 678 of 1996 gave the State Board of Chiropractic Examiners responsibility for regulating massage therapy. ***Senate Bill 960/House Bill 1563 (both passed)*** require massage therapists to be licensed rather than certified by the board in order to practice massage therapy in the State. The bills also add three massage therapists to the board and rename the board to be the State Board of Chiropractic and Massage Therapy Examiners.

Morticians and Funeral Directors

Sunset Review and Program Evaluation

During the 2007 interim, the Department of Legislative Services (DLS) conducted a full evaluation of the State Board of Morticians and Funeral Directors in accordance with the Maryland Program Evaluation Act (Sunset Law). ***Senate Bill 463*** ***(passed)*** extends the termination date of the board from July 1, 2008, to July 1, 2017. Additionally, the bill:

- alters the composition of the board by removing two of the licensed members of the board and adding a consumer member to the board;
- requires a preneed contract to include a statement that informs the buyer that not all costs are covered by the contract and that lists all the funeral goods and services that may be needed by the buyer at the time of service but may not be covered by the contract; and
- requires the board to submit various reports regarding recommendations contained within the DLS evaluation, the resolution of a lawsuit to which the board is a party, the effectiveness of preneed contract regulations, and the outcome of reestablishing the funeral director license.

Family Security Trust Fund and Preneed Contracts

House Bill 1090 ***(passed)*** creates a Family Security Trust Fund within the board to reimburse consumers for losses that occur on or after January 1, 2010, regarding a transaction related to preneed contract services based on the acts or omissions of a licensee or an employee of a licensed funeral establishment. The fund is to be financed through fees imposed on licensed funeral establishments.

Nurses

The State Board of Nursing began requiring criminal history records checks of all new nurses and certified nursing assistant applicants in January 2007. ***House Bill 269*** ***(passed)*** extends to July 2009 the date on which the board will begin checking the criminal history records of existing certificate and license holders. The board may accept an alternative method other than fingerprints for a criminal history records check if two attempts to obtain legible fingerprints have failed.

Extensions of temporary licenses or temporary practice letters may be granted by the board for 90 days pending receipt of criminal history records information under ***House Bill 269***. In all other instances, under ***House Bill 923*** ***(passed)***, temporary licenses or temporary practice letters may be extended every 90 days for up to 12 months if the applicant does not meet specified practice requirements.

***Senate Bill 889*/*House Bill 1140* (both passed)** authorize a registered nurse certified as a nurse practitioner to make certain determinations regarding examination of a pregnant minor and "do not resuscitate" orders under specified circumstances and to provide vital data on birth, death, and other medical certificates.

Nursing Home Administrators

***House Bill 697* (passed)** increases the minimum age for licensure as a nursing home administrator from 18 to 21 years old.

Pharmacists

***Senate Bill 717*/*House Bill 551* (both passed)** authorize a pharmacist to administer a vaccination for pneumococcal pneumonia or herpes zoster if the adult patient has a prescription, the vaccination is administered in accordance with regulations, and the pharmacist informs the prescribing physician and the primary care physician – if different than the prescribing physician – of the administration of the vaccination.

***Senate Bill 767*/*House Bill 1387* (both passed)** authorize a pharmacist to dispense medication from a remote location for the benefit of a nursing home that uses a remote automated medication system. The remote automated medication system must meet specified requirements including the use of bar code technology, electronic reporting, and pictorial or written descriptions of the medications. The pharmacist operating a system must implement a comprehensive system training program and a quality assurance program.

***House Bill 233* (passed)** extends the termination date of the Therapy Management Contract Program between the Board of Pharmacy and the Board of Physicians from May 31, 2008, to September 30, 2010. The program entails an agreement between a physician and a pharmacist that is disease-state specific and specifies the predetermined course of treatment of the patient.

Professional Counselors and Therapists

Sunset Review and Program Evaluation

During the 2006 interim, DLS conducted a preliminary evaluation of the State Board of Professional Counselors and Therapists in accordance with the Sunset Law. The preliminary report recommended a full evaluation which resulted in the introduction of ***Senate Bill 502*/*House Bill 459* (both passed)**. In addition to reorganizing and clarifying existing statutes relating to these health occupations, the bills:

- extend the termination date of the board from July 1, 2009, to July 1, 2019;

- increase the number of board members to 13 and change the composition of the board to include 2 additional licensed clinical marriage and family therapist members and 2 additional licensed clinical alcohol and drug counselors; and

- repeal provisions authorizing the certification of new professional counselors and marriage and family therapists.

Psychological Testing

House Bill 494 ***(passed)*** alters the definition of "appraisal" to authorize a licensed counselor or therapist to engage in psychological testing if the counselor or therapist has completed training including the earning of a specified degree, the completion of 500 hours of supervised assessment testing, and passage of a national examination.

Certified Counselors – Alcohol and Drug

Senate Bill 882 ***(passed)*** authorizes the board to waive the practical experience requirements for qualification as a certified alcohol and drug counselor if the applicant obtained a minimum of five years of clinically supervised experience in alcohol and drug counseling approved by the board prior to obtaining the required educational experience.

Respiratory Care Practitioners, Radiation Therapists, Radiographers, Nuclear Medicine Technologists, and Radiologist Assistants

House Bill 1517 ***(passed)*** updates the titles relating to respiratory care practitioners, radiation therapists, radiographers, and nuclear medicine technologists regulated by the State Board of Physicians to reflect nomenclature used in the professions and requires the professionals to be licensed rather than certified. Additionally, the bill requires the board to establish a licensure program for radiologist assistants in order to have them perform fluoroscopy and selected radiology procedures, patient assessment, and patient management.

Social Workers

Senate Bill 848 ***(passed)*** adds a licensed social worker member to the State Board of Social Work Examiners who is primarily engaged in social worker education at an accredited social work program, nominated from a list of names submitted by the deans and directors of the Maryland Social Work Education Programs.

Miscellaneous

Direct Billing of Anatomic Pathology Services

Senate Bill 602/***House Bill 1089*** ***(both passed)*** require a clinical laboratory or a physician that provides anatomic pathology services for a patient in this State to bill:

- the patient directly;
- a responsible insurer or other third-party payor;
- a hospital, public health clinic, or nonprofit health clinic that ordered the services;
- a referring laboratory; or
- a governmental agency.

Task Forces and Studies

Birth Options Preservation Study: ***House Bill 1407*** ***(passed)*** requires the State Board of Nursing and the State Board of Physicians to conduct a joint study to determine whether there is an appropriate alternative written protocol for nurse midwives to replace the current requirement for a signed written collaborative agreement with a licensed physician.

The Discipline of Health Care Professionals and Improved Patient Care: ***Senate Bill 764***/***House Bill 811*** establish the Task Force on the Discipline of Health Care Professionals and Improved Patient Care. The task force is charged with studying the adequacy of all the health occupation boards' disciplinary systems and potential changes to improve the systems. A report is required by December 1, 2008.

A Review of Physician Shortages in Rural Areas: ***Senate Bill 459*** ***(passed)*** creates a Task Force to Review Physician Shortages in Rural Areas of the State. The task force must make recommendations by December 1, 2008.

Health Care Facilities and Regulation

Nursing Homes

Chapter 503 of 2007 imposed a quality assessment equal to the lesser of 2 percent of the revenues for nursing facilities in the State or the amount necessary to fully fund the nursing facility payment system, for the purpose of increasing Medicaid nursing home reimbursement rates. Beginning July 1, 2008, a portion of the revenues from the assessment was to be distributed to nursing facilities based on accountability measures that indicate quality of care or a commitment to quality of care. A workgroup was charged with developing a possible methodology for the nursing home quality incentive payments. A scoring system has yet to be finalized, but components expected to be measured include staffing levels, health outcomes, and responses to the Maryland Health Care Commission's Family Satisfaction Survey. ***Senate Bill 667***/***House Bill 809*** ***(both passed)*** repeals the requirement that the Department of Health and Mental Hygiene develop accountability measures relating to the nursing home quality assessment and instead requires the department to develop a plan for accountability measures to use in a pay-for-performance program. Implementation of the program is delayed from July 1, 2008, to July 1, 2009.

Prompted by the recent purchase of a major nursing home chain in Maryland by a private investment firm, several bills were considered by the General Assembly that addressed the effect that purchase, and subsequent purchases, could have on the industry as a whole, and the quality of care provided in nursing homes in the State. ***House Bill 1187*** ***(passed)*** requires that information on who owns and who will operate the facility be included in applications for licensure as a nursing home. The Secretary of Health and Mental Hygiene is then authorized to approve, deny, or approve subject to conditions, applications for licensure as a nursing home or the renewal of a license. Nursing homes also have to submit changes in financial condition that could affect quality of care. Finally, the bill requires the Secretary to convene a workgroup to develop regulations that will implement the expanded licensing requirements.

Along with the expanded licensing requirements, ***House Bill 807*** ***(passed)*** establishes a task force to study financial matters relating to long-term care facilities, including studying ownership trends of long-term care facilities and the impact on quality of care, and whether there should be limitations or restrictions on certain types of ownership. In addition, the task force must consider current laws governing ownership of long-term care facilities, and whether long-term care facilities should be required to have liability insurance.

Nursing personnel are consistently listed as one of the top 10 occupations for work-related musculoskeletal disorders, with incidence rates of at least 13.5 per 100 in nursing home settings and 8.8 per 100 in hospital settings. While there has been a steady decline in the rates of most occupational injuries since 1992, work-related musculoskeletal disorders in nursing continue to rise. ***House Bill 585*** ***(passed)*** requires each nursing home in the State to establish a safe patient lifting workgroup by December 1, 2008, and a safe patient lifting policy to reduce employee injuries associated with patient lifting by July 1, 2009.

Hospitals

The Maryland Hospital Bond Program was established to provide for the payment and refinancing of public obligation bonds of a hospital in the event of closure, delicensure, or conversion. ***Senate Bill 946*** ***(passed)*** expands requirements for payment and refinancing of public obligation bonds under the Maryland Hospital Bond Program and clarifies the Health Services Cost Review Commission's authority to assess a fee on all regulated hospitals to finance the program. Finally, the bill repeals the prohibition that the annual percentage increase in commission user fees may exceed the annual update factor provided to hospitals for the same fiscal year.

Domestic Partners

Nationally, many local jurisdictions recognize domestic partnerships for purposes such as health insurance coverage, family leave, adoption rights, and health care decision making. Nine states and the District of Columbia have laws that confer state-level benefits to same-sex or unmarried couples: California; Connecticut; Hawaii; Maine; New Hampshire; New Jersey; Oregon; Vermont; and Washington.

Senate Bill 566 ***(passed)*** defines domestic partnerships and confers rights regarding health care facility visitation and medical decisions in certain circumstances. However, the bill does not have any effect on specified provisions of law that provide that only a marriage between a man and a woman is valid in the State. In addition, under the bill, individuals who assert a domestic partnership may be required to provide an affidavit by two individuals stating that they have established a domestic partnership, as well as proof of any two of a list of specified documents.

Visitation and medical decisionmaking rights afforded under ***Senate Bill 566*** are as follows:

- *Health Care Facility Visitation*: Hospitals, nursing homes, and residential treatment centers must allow visitation by a patient's or resident's domestic partner, the children of the domestic partner, and the domestic partner of the patient's or resident's parent or child, with specified exceptions.

- *Nursing Homes*: Domestic partners who are both residents of a nursing home must be given the opportunity, if feasible, to share a room. Each nursing home resident who has a domestic partner must have privacy during a visit by the other domestic partner. A domestic partner of a nursing home resident may file a complaint about a violation of these provisions.

- *Medical Emergencies*: In the case of a medical emergency, two adults must be treated as domestic partners if one of the adults, in good faith, tells the emergency provider or hospital personnel that they are in a mutually interdependent relationship but only for the purposes of allowing one adult to accompany the ill or injured adult to a hospital in an emergency vehicle, and visiting with the ill or injured adult admitted to a hospital for an emergency.

- *Health Care Decisions*: A domestic partner may make decisions about health care for a person who has been certified to be incapable of making an informed decision and who has not appointed a health care agent or whose health care agent or appointed guardian is unavailable. If a domestic partner has a health care agent, that health care agent retains the authority to make any decisions for a domestic partner until the authority is revoked. An individual may not be transferred to or from any mental health facility by the Mental Hygiene Administration unless accompanied by an authorized ambulance attendant or specified family member, including a domestic partner. A domestic partner may petition the circuit court to enjoin the provision or withholding of medical treatment to the patient upon a finding by a preponderance of the evidence that the action is not lawfully authorized by State or federal law.

- *Tissue and Organ Donation*: A domestic partner may have priority to consent to the donation of the decedent's organs or tissues. A hospital may not bill a domestic partner for the costs associated with the removal of the decedent's organs or tissues. Any remaining parts of a body after an anatomical gift must be returned to a domestic partner for final disposition.

- *Final Disposition of a Body*: A domestic partner may provide consent for a postmortem examination of the decedent; have priority in arranging for the final disposition of a body; and request reasonable access to a burial site for restoring, maintaining, or viewing. A domestic partner who arranges for the final disposition of a body is liable for the reasonable costs of preparation, care, and disposition of the decedent. The Department of Health and Mental Hygiene may not deny inspection of a disinterment or reinterment permit record to a domestic partner of the deceased whose human remains have been disinterred or reinterred.

Prince George's County Health System

The Prince George's County Health System, including Prince George's Hospital Center, has been faced with financial difficulties for the past several years. The system has experienced lost market share, revenue losses, low liquidity, significant deferred capital needs, poor bond ratings, and a disadvantageous payor mix. In recent years, both Prince George's County and the State have provided funding in an effort to help the hospital meet its financial needs.

House Bill 1039 ***(passed)*** establishes the Prince George's County Hospital Authority as a State entity to implement a competitive bidding process for transferring the Prince George's County Health System to a new owner or owners. For fiscal 2009, the Governor is authorized to provide $12.0 million, and the county must provide a match of $12.0 million, for the financial support of the facilities, assets, and obligations held or operated by Dimensions Healthcare System, the entity responsible for running the system. Funding may be allocated for the operation of the system during fiscal 2008 should conditions warrant, but these payments would be made against the fiscal 2009 allocation. For fiscal 2010, the Governor and the county each have to provide an additional $12.0 million for the financial support of the system, unless an agreement is reached for the sale or transfer of the system that renders financial support no longer necessary.

Specifically, ***House Bill 1039*** requires the Governor and the county to reach agreement on State and county funding commitments, if the system is transferred to a new owner, and that if agreement on long-term funding is not reached within a specified time frame, State and county support could be withheld and other provisions in the bill will not apply. The authority must issue requests for proposals for the sale or transfer of the system and must determine a timeframe for selection of a successful bidder. A successful bidder must be selected before the beginning of the 2009 session, and if a bidder is not selected within the timeframe, the State and county are relieved of their long-term financial commitments. Finally, upon successful conclusion of the bidding process, the bill requires the county to transfer title of all developed property to the new owner.

Health Services Cost Review Commission

Chapter 7 of the special session expanded eligibility for Medicaid to parents, caretaker relatives, and childless adults with incomes up to 116 percent of federal poverty guidelines, effective July 1, 2008. If the expansion of health care coverage provided for in that legislation reduced hospital uncompensated care, the Health Services Cost Review Commission was to determine the savings realized in averted uncompensated care for each hospital individually and could assess an amount in each hospital's rates equal to a portion of the savings realized for that hospital. Each hospital was to remit any assessment to the Health Care Coverage Fund. The commission also had to ensure that any savings not subject to the assessment was shared equitably among purchasers of hospital services.

***Senate Bill 974*/*House Bill 1587* (both passed)** repeals provisions relating to the assessment of hospital uncompensated care savings to finance health care expansion efforts under Chapter 7 of the 2007 special session and the current hospital assessment that funds the Maryland Health Insurance Plan. The bill instead requires the commission to implement a uniform assessment on hospital rates to reflect the aggregate reduction in hospital uncompensated care from the expansion of health care coverage under Chapter 7, and to operate and administer the Maryland Health Insurance Plan.

Trauma Physicians

The Maryland Trauma Physician Services Fund was established in 2003 to subsidize:

- uncompensated and under-compensated care incurred by trauma physicians;
- costs incurred by a trauma center to maintain trauma physicians on-call; and
- the costs to administer and audit reimbursement requests to assure appropriate payments are made from the fund.

Payments from the fund had not approached anticipated amounts after three years, resulting in a significant surplus. The fund receives approximately $12.0 million in revenues annually, and the fiscal 2008 fund balance is expected to be $20.6 million.

***Senate Bill 916* (passed)** allows the fund balance to be spent down over several years through the awarding of grants. Specifically, the bill expands and specifies eligibility for reimbursement from the Maryland Trauma Physician Services Fund and requires the Maryland Health Care Commission to develop a grant process to fund equipment for Level II and III trauma centers. The bill allows up to 10 percent of any fund balance to be used to award the grants, and prohibits expenditures from the fund from exceeding revenues in any given fiscal year. Finally, the bill increases by $25,000 the cap on annual reimbursement to emergency physicians from the fund, and increases the amount of an annual grant from the fund to an out-of-sate pediatric trauma center if the trauma center has an agreement with the Maryland Institute for Emergency Services Systems.

Health Insurance

Relationship between Health Insurance Carriers and Providers

In the 2008 session, several bills passed that addressed the contractual relationship between health insurance carriers and health care providers. Bills were also passed to extend the length of a task force to study the relationship between health care providers and health insurance carriers and to add to the duties of the task force.

"Cram Down" Provisions

Some health insurance carriers require health care providers, as a condition of participating on one provider panel, to participate on other provider panels. Chapters 253 and 254 of 2000 prohibited carriers from requiring participation on one provider panel of a carrier as a condition of participation on another provider panel of a carrier. However, some carrier affiliates or entities that arrange provider panels have been requiring a provider, as a condition of participation on a provider panel of one carrier, to participate on a provider panel of a different carrier. Most prominently, United HealthCare, since its acquisition of MAMSI, has required providers to participate on its MAMSI capitated HMO panel, as a condition of participating on its United fee-for-service HMO panel. This practice has been referred to as "cram down."

House Bill 1219 ***(passed)*** addresses the practice of "cram down" by specifying that a provider contract may not contain a provision that requires a provider, as a condition of participating in a non-HMO provider panel, to participate in an HMO provider panel or dental provider panel. The bill also addresses the United/MAMSI issue by prohibiting a provider contract that includes more than one schedule of fees from containing a provision that requires a provider, as a condition of participation on a provider panel, to accept each schedule of applicable fees included in the provider contract. Provider contracts, with the exception of provider contracts for a dental provider panel, must also disclose the carriers comprising each provider panel. The bill specifies several exceptions to these prohibitions, including allowing a provider contract to require a provider to participate in a Medicaid managed care organization and allowing a provider contract to include a provision that requires a provider, as a condition of participation, to accept each schedule of applicable fees for a carrier that is not affiliated through common ownership with the entity arranging the provider panel. This latter exception will allow the large carriers, such as United HealthCare, to rent out their provider networks to smaller carriers. Without this exception, small carriers could have difficulty gaining a foothold in the State. The bill applies to all provider contracts issued or renewed on or after October 1, 2009, or for provider contracts in effect on October 1, 2009, but not subject to renewal before October 1, 2010, no later than October 1, 2010.

Carrier Credentialing and Reimbursement

Senate Bill 595 ***(passed)*** addresses the situation of a health care provider in a group practice who treats patients of a health insurance carrier during the period while the provider is undergoing the carrier's review of the provider's credentials prior to signing a contract. The bill requires a carrier to reimburse a group practice on the carrier's provider panel at the participating provider rate for covered services provided by a nonparticipating provider if the provider • is employed by or a member of the group practice; • has applied for acceptance on the carrier's provider panel and has an active credentialing application; • has a valid license to practice in the State; and • is currently credentialed by an accredited hospital in the State or has professional liability insurance. A nonparticipating provider eligible for reimbursement may not hold an enrollee liable for the cost of any covered services provided except for any deductible, copayment, or coinsurance amount owed. A group practice must disclose in writing to an enrollee at the time services are provided that • the treating provider is not a participating provider and has applied to become a participating provider; • the carrier has not completed its assessment of the qualifications of the treating provider; and • any covered services received must be reimbursed at the participating provider rate.

Disclosure of Formulary and Fees

House Bill 815 ***(passed)*** requires health insurance carriers to make the pharmaceutical formulary used by the carrier available to a health care practitioner electronically, unless a written copy is requested in writing. The bill also requires carriers to provide health care practitioners with a schedule of applicable fees for up to the 50 most common services billed by a practitioner in that specialty (current law requires the carrier to provide a schedule of fees for up to the 20 most common services) and specifies the format in which the schedule of fees must be provided.

Task Force on Health Care Access and Reimbursement

The Task Force on Health Care Access and Reimbursement, established by Chapter 505 of 2007, is charged with studying and developing specific recommendations relating to health care provider reimbursements. The task force was scheduled to terminate effective June 30, 2008; however, ***House Bill 289*** ***(passed)*** extends from June 30 to December 1, 2008, both the termination date and the date by which the task force must submit a final report of its findings and recommendations. ***Senate Bill 744***/***House Bill 818*** ***(both passed)*** require the task force to develop recommendations regarding (1) whether there is a need to provide incentives for physicians and other health care practitioners to be available to provide care on evenings and weekends; and (2) the ability of primary care physicians to be reimbursed for mental health services provided within their scope of practice.

Regulation of Entities Other than Health Insurers

Several bills passed during the 2008 session that established regulatory schemes for or clarified regulation of health care entities by the Maryland Insurance Commissioner. Though the entities regulated in these bills are not health insurers, they administer health care benefits or provide some form of health care coverage.

Pharmacy Benefits Managers

Pharmacy benefits managers (PBMs) are businesses that administer and manage prescription drug benefit plans either through health insurance products or separately. Approximately 95 percent of all patients with prescription drug coverage receive benefits through a PBM. In recent years, concerns have been raised by consumer organizations and states regarding the business practices of PBMs. Some of these business practices, such as switching patients from one brand-name drug to another brand-name drug, led to multistate settlement agreements between PBMs and state attorney generals. Demands for greater transparency in financial relationships between PBMs and drug manufacturers have prompted states to propose regulation of PBM activities.

Several bills were enacted during the 2008 session to regulate PBMs. In the bills, PBMs are defined as entities that provide pharmacy benefits management services for beneficiaries of health insurers that are regulated by the State or the State Employee and Retiree Health and Welfare Benefits Program. PBMs that provide services for employer plans that are subject to federal regulation under ERISA are exempted from the bills.

Registration: ***Senate Bill 722*/*House Bill 419* (both passed)** require a PBM to register with the Maryland Insurance Commissioner before providing pharmacy benefits management services in the State. Registration is effective for two years and may be renewed for an additional two years. Subject to hearing provisions, the Insurance Commissioner may deny, suspend, revoke, or refuse to renew a registration under specified circumstances. The Insurance Commissioner is authorized to assess a civil penalty of up to $10,000 against any person that violates the registration requirements or require PBMs that violate the Act to cease and desist; take specific affirmative corrective action; or make restitution of money, property, or other assets. A PBM may not ship, mail, or deliver drugs or devices to a person in the State through a non-resident pharmacy unless the non-resident pharmacy holds a pharmacy permit from the Board of Pharmacy. A PBM that is operating in the State on October 1, 2008, may continue to operate as a PBM if the PBM registers with the Insurance Commissioner by July 1, 2009, and complies with all other applicable registration provisions.

Transparency: ***Senate Bill 724*/*House Bill 120* (both passed)** establish what a PBM must disclose to a purchaser both before and after entering into a contract for pharmacy benefits management services. PBMs must inform a purchaser that the PBM may • solicit and receive manufacturer payments; • pass through or retain the manufacturer payments; • sell aggregate utilization information; and • share aggregate utilization information. A PBM must offer to provide the purchaser a report containing information about net revenues and manufacturer payments. If a purchaser has a rebate sharing contract, a PBM must offer to provide the purchaser a report for each fiscal quarter and each fiscal year that contains information regarding net revenues, prescription drug expenditures, manufacturer payments, and rebates.

Pharmacy and Therapeutics Committees: ***Senate Bill 720/House Bill 580*** ***(both passed)*** establish requirements for a PBM's pharmacy and therapeutics (P&T) committee, which is a committee that advises a PBM regarding the composition of a prescription drug formulary. A PBM's P&T committee must include clinical specialists that represent the needs of a purchaser's beneficiaries and at least one practicing pharmacist and one practicing physician who are independent of any developer or manufacturer of prescription drugs. Members of a P&T committee must sign a conflict of interest statement updated at least annually. A majority of members must be practicing physicians or pharmacists. PBMs must ensure that a P&T committee has • policies and procedures to address conflicts of interest; • processes to evaluate medical and scientific evidence concerning the safety and efficacy of prescription drugs; and • a process to enable the P&T committee to consider the need to recommend a formulary change to a purchaser at least annually. On request of a purchaser, a PBM must disclose information about the composition of its P&T committee to the purchaser. PBMs may not require a pharmacy to participate on a P&T committee.

Therapeutic Interchanges: ***Senate Bill 723/House Bill 343*** ***(both passed)*** establish guidelines for therapeutic interchanges (any change from one prescription brand-name drug to another, excluding specified circumstances). A PBM may only request a therapeutic interchange for medical reasons that benefit the beneficiary or if the interchange will result in financial savings and benefits to the purchaser or the beneficiary. Before making a therapeutic interchange, a PBM must obtain authorization from a prescriber and make specified disclosures to the prescriber. If a therapeutic interchange occurs, the PBM must make specified disclosures to the beneficiary and include with the new dispensed prescription drug a patient package insert about potential side effects and a toll-free number to communicate with the PBM. A PBM must cancel and reverse a therapeutic interchange on instruction from a prescriber, beneficiary, or the beneficiary's representative. If a therapeutic interchange is reversed, the PBM must obtain a prescription for and dispense the originally prescribed drug and charge the beneficiary no more than one copayment. A PBM may not be required to cancel and reverse a therapeutic interchange if the beneficiary is unwilling to pay a higher copayment or coinsurance. A PBM must maintain a toll-free telephone number for prescribers, pharmacy providers, and beneficiaries and establish appropriate policies and procedures to implement the requirements of the bill.

Contracts with Pharmacies: ***Senate Bill 725/House Bill 257*** ***(both passed)*** require a PBM to disclose to a pharmacy or pharmacist its reimbursement policy, the process for verifying beneficiary eligibility, the dispute resolution and audit appeals process, and the process for verifying the prescription drugs that are included on the PBM's formulary. The bills also require a PBM to follow specified procedures when auditing a pharmacy. Finally, the bills require a PBM to adopt specified review processes to allow a pharmacy or pharmacist to request review of a discrepancy or disputed claim in an audit and to allow a pharmacy to request a review of a failure to pay the contractual reimbursement amount of a submitted claim.

Public-private Health Care Programs

Howard County has proposed establishing a public-private partnership to offer basic health care coverage to uninsured county adults with incomes up to 300 percent of federal poverty guidelines on a sliding scale basis. As the program does not fit the traditional definition of health insurance and would be unable to meet financial requirements placed on health insurance carriers such as capital reserves, legislation was sought to regulate this type of health care program without placing an undue burden on the ability of a program to operate.

***Senate Bill 852*/*House Bill 872* (both passed)** define, establish, and regulate public-private health care programs. A person must be certified before operating a public-private health care program. Applicants must file specified documents with the Insurance Commissioner. The Commissioner must certify an applicant that • has been organized in good faith for the purpose of establishing and operating a public-private health care program; • is committed to a nonprofit corporate structure; and • has sufficient funds to meet its obligations. A certification expires after three years and may be renewed if the applicant otherwise is entitled to certification. A certified nonprofit corporation will be subject to unfair claim settlement practices under current law and the associated civil monetary penalties. Public-private health care programs may not approve for enrollment individuals who voluntarily terminated coverage under a small group market health benefit plan within six months of the date of application.

Managed Care Organizations

Managed care organizations (MCOs) are entities that provide health care coverage to enrollees of the State's Medicaid managed care program. ***House Bill 395* (Ch. 70)** alters financial reporting requirements for MCOs to remove unnecessary and outdated requirements. The Act repeals the requirement that an MCO file a consolidated financial statement and instead requires each MCO to submit an audited financial statement, but at a later date. Annually by March 1, each MCO must file a report that shows the financial condition of the MCO on the last day of the preceding calendar year. Annually by June 1, each MCO must file an audited financial report for the preceding calendar year. This report must be certified by an audit of an independent certified public accountant. All reports are public records.

Medical Stop-loss Insurance

***House Bill 272* (passed)** is intended to enhance consumer protections and promote more effective oversight of stop-loss insurance. Although stop-loss insurance is regulated by the State, the Maryland Insurance Administration has had difficulty enforcing the law. The bill replaces the definition of "stop-loss insurance" in the Health Insurance Title of the Insurance Article with "medical stop-loss insurance." The bill defines "medical stop-loss insurance" as insurance purchased by a person other than a carrier or a health care provider to protect the person against losses incurred by that person's obligations to a third party under the terms of a health benefit plan. The bill also prohibits medical stop-loss insurance from being sold on the surplus lines market; prohibits the sale of medical stop-loss insurance by unauthorized carriers; and clarifies that medical stop-loss insurance may only be sold, issued, or delivered by a carrier that holds a certificate of authority issued by the Insurance Commissioner that authorizes the insurer to engage in the business of health insurance or to act as a nonprofit health service plan.

Maryland Health Insurance Plan

The Maryland Health Insurance Plan (MHIP) is the State's high risk pool. ***House Bill 238*** ***(passed)*** removes MHIP from the Maryland Insurance Administration, making it an independent unit of State government, as well as making other administrative changes. The bill removes the Insurance Commissioner from MHIP's board and adds the Secretary of Health and Mental Hygiene and a hospital representative. MHIP will now be regulated by the Insurance Commissioner; however, not subject to State insurance laws other than those related to • MIA examinations; • provider panels and provider reimbursement; • continuation coverage provisions; • specialist referrals; • prescription drug coverage; • utilization review; • the complaint process for adverse decisions or grievances; • private review agents; • the complaint process for coverage decisions; and • unfair trade practices. If the Insurance Commissioner finds that MHIP has violated specified provisions, the Insurance Commissioner may require MHIP to make restitution to each claimant who has suffered actual economic damages.

The MHIP board must develop a master plan document that sets forth in detail all the terms and conditions of the standard benefit package, including the types of benefits provided, any exclusions, and other specified conditions of coverage. The board must file the master plan with the Insurance Commissioner and provide a copy of the document to a member upon request. The board must develop a certificate of coverage informing members of their rights and obligations. The board must report to specified legislative committees by September 1 of each year on the current standard benefit package and any changes to the package implemented during the previous fiscal year.

Currently, MHIP cannot refer individuals who commit fraudulent acts to the Insurance Fraud Division for investigation and possible prosecution as the provisions of the insurance fraud law do not apply to MHIP. ***Senate Bill 192*** ***(Ch. 25)*** imposes provisions of law relating to fraudulent insurance acts on MHIP.

MHIP is expected to deplete its current fund balance by the end of fiscal 2010. Due to this declining fund balance, MHIP indicates it is likely to cap enrollment in the near future. MHIP is funded by an annual assessment on hospital rates and premium revenues from enrollees. The current MHIP assessment is equal to 0.8128 percent and funds two-thirds of MHIP's operating costs. ***Senate Bill 974***/***House Bill 1587*** ***(both passed)*** allow the assessment to be increased. A more detailed discussion of this bill may be found under the subpart "Health Care Facilities and Regulation" within Part J – Health and Human Services of this *90 Day Report*.

Senior Prescription Drug Assistance Program

The Senior Prescription Drug Assistance Program (SPDAP), administered by the Maryland Health Insurance Plan, provides subsidies to low-income seniors in the State to help pay for their Medicare Part D premiums. By law, CareFirst BlueCross BlueShield provides

$14 million each year for the program, from the value of the CareFirst premium tax exemption. Of this amount, $11 million subsidizes the Part D premiums, while the remaining $3 million has not been allocated. In February 2008, CareFirst announced that it would pay additional funds for the program to subsidize the costs of program participants in the Medicare Part D coverage gap.

Senate Bill 906/House Bill 1492 (both passed) require CareFirst, beginning January 1, 2009, to annually provide $4 million to the Senior Prescription Drug Assistance Program. Funds must be provided only if CareFirst's surplus exceeds 800 percent of the consolidated risk-based capital for the preceding calendar year. Funds must be used to subsidize the Medicare Part D coverage gap. SPDAP must provide an annual subsidy up to the full amount of the Medicare Part D coverage gap, subject to the availability of funds. It is anticipated that the $4 million in new money, when combined with the $3 million that is currently unallocated, could assist 7,500 Medicare beneficiaries with their expenses in the coverage gap or "donut hole." The bill also extends the termination date for SPDAP by one year until December 31, 2010.

Small Group Health Insurance Market

Chapter 347 of 2005 made self-employed individuals and sole proprietors ineligible for health insurance coverage in the small group market. Self-employed individuals and sole proprietors enrolled in the small group market on September 30, 2005, were permitted to remain covered, provided the enrollee continues to work and reside in the State and is a self-employed individual. Self-employed individuals not already insured in the small group market have the option of enrolling in MHIP, if they cannot get coverage in the individual market. ***House Bill 462 (Ch. 76)*** extends from September 30, 2008, to September 30, 2011, the termination date on the provision of law that excludes self-employed individuals and sole proprietors from the small group health insurance market.

Long-term Care Insurance

Current law prohibits insurers from using a genetic test or its results to reject or otherwise impact on a health insurance policy or contract. However, long-term care insurance is specifically excluded from this prohibition. ***Senate Bill 918/House Bill 29 (both passed)*** prohibit a carrier or an insurance producer that provides long-term care insurance from requesting or requiring a genetic test or using specified genetic information to (1) deny or limit long-term care insurance coverage; or (2) charge a different rate for the same long-term care insurance coverage. Long-term care insurers are permitted to use genetic information or the results of a genetic test if the use is based on sound actuarial principles.

Mandated Benefits

Amino acid-based elemental formula is hypoallergenic formula designed for infants and children with milk protein and/or multiple food allergies or intolerance. Many insurance carriers provide coverage for the formula only when it is delivered through a surgically implanted tube, and not when provided orally. ***House Bill 578 (passed)*** requires health insurance carriers to provide coverage for amino acid-based elemental formula, regardless of the delivery method, for the diagnosis and treatment of specified allergies, syndromes, or disorders. A physician must issue a written order stating that the formula is necessary for the treatment of a disease or disorder. A private review agent, acting on behalf of a carrier, may review the physician's medical necessity determination.

Health Insurance for Children

House Bill 1391 ***(passed)*** requires the Department of Health and Mental Hygiene, in consultation with the Maryland Insurance Administration and the Maryland Health Care Commission, to study and make recommendations for increasing the availability and affordability of health care coverage for children with family income that exceeds 300 percent of the applicable poverty income level. A more detailed discussion of this bill and its other provisions may be found under the subpart "Public Health – Generally" within Part J – Health and Human Services of this *90 Day Report*.

Human Services

The Elderly

Continuing Care Retirement Communities

Continuing Care Retirement Communities (CCRCs) offer a full range of housing, residential services, and health care in order to serve older residents as their medical needs change over time. There are 34 CCRCs serving 15,000 subscribers in Maryland. ***House Bill 1351*** ***(passed)*** requires registered CCRCs, by December 1, 2008, to submit to the Maryland Department of Aging and the Health Education and Advocacy Unit in the Office of the Attorney General (1) the number of written grievances submitted to the provider during calendar 2007; (2) a brief summary of each grievance filed during calendar 2007 using only nonindividually identifiable information; and (3) any action taken by the provider regarding the resolution of each grievance filed during calendar 2007.

The Disabled

Assistive Technology Loan Program and Fund

The Assistive Technology Guaranteed Loan Program in the Department of Disabilities provides financial assistance to individuals with disabilities to purchase assistive technology to help individuals with disabilities to become more independent or more productive members of the community with an improved quality of life. ***House Bill 273*** ***(Ch. 62)*** renames the program as the Assistive Technology Loan Program and renames the Assistive Technology Guaranteed Loan Fund as the Assistive Technology Loan Fund. The bill authorizes the program's board of directors to provide borrowers of loans to purchase assistive technology with interest rates equivalent to guaranteed rates by either guaranteeing the loan or subsidizing the interest rate on non-guaranteed loans. The bill also requires the program's board of directors to set the total aggregate amount of loan guarantees provided from the fund each year.

Public Accommodations and Service Animals

Blind, visually impaired, deaf, and hard of hearing individuals, including individuals using a service animal, have the same rights of access to public places, accommodations, and conveyances, including housing, as individuals without disabilities. ***Senate Bill 577/House Bill 767 (both passed)*** extends these rights to all individuals with disabilities and to parents of a minor child with a disability. The bills provide that physical modifications of places or vehicles are not required for individuals who are authorized to use a service animal and who are accompanied by a service animal. The bills define "service animal" as a guide dog, signal dog, or other animal individually trained to do work or perform tasks for the benefit of an individual with a disability.

Children

Childhood Obesity

In response to surveys that indicate increasing rates of childhood obesity, ***House Bill 1176 (passed)*** establishes a Committee on Childhood Obesity in the Department of Health and Mental Hygiene. The legislation requires the committee to report to the Governor and the General Assembly on or before December 1, 2009. The committee must report on (1) the insurance reimbursements paid to health care providers to diagnose and treat childhood obesity; (2) a system for collecting, analyzing, and maintaining statewide data; (3) best and promising practices; (4) methods to enhance public awareness of the chronic diseases related to childhood obesity; and (5) methods to increase the rate of obesity screenings for children.

Children in Need of Assistance Proceedings

Chapter 503 of 2005 prohibits health care providers from disclosing medical information without a person's authorization, unless the person has been given notice of the request and has 30 days to object to the disclosure. These requirements may result in the postponement of hearings in civil and criminal matters. ***House Bill 910 (passed)*** authorizes the expedited disclosure of medical records in Child in Need of Assistance Proceedings. Under this bill the timeframe that a person in interest has to object to the disclosure of a medical record that is requested for these proceedings is reduced from 30 to 15 days.

Residential Child Care Programs

Chapter 438 of 2004 created the State Board for Certification of Residential Child Care Program Administrators within the Department of Health and Mental Hygiene. Child care program administrators are required to be certified on or after October 1, 2007. Furthermore, Chapter 133 of 2007 required the Governor's Office for Children, in cooperation with specified stakeholders, to develop recommendations for certification of direct care staff employed by residential child care programs. The recommendations included professionalizing the role of direct care workers to attract and retain dedicated individuals to this field of work. ***Senate Bill 783*** ***(passed)*** expands the purview of the board to include the certification of residential child and youth care practitioners, requires practitioners to be certified by the board no later than October 1, 2013, and renames the board as the State Board for Certification of Residential Child Care Program Professionals. The bill does not require the certification of an individual assigned to perform direct responsibilities related to activities of daily living, self-help, and socializations skills in a residential child care program licensed by the Developmental Disabilities Administration.

In order to promote the growth of residential child care programs (*e.g*. group homes) in underserved areas, while limiting further expansion in areas with greater concentrations of existing providers, ***Senate Bill 782*** ***(passed)*** requires the Department of Human Resources (DHR) and the Department of Juvenile Services (DJS) to issue a county-specific statement of need before a residential child care program is issued a license, an existing program is relocated, an existing site is expanded, or the number of placements in an existing program is increased. The bill requires DHR and DJS to consider the special needs of the affected children and consult with relevant stakeholders when developing a statement of need. DHR, DJS, and the Governor's Office for Children must report to the General Assembly by October 1, 2008, on (1) processes for developing a statement of need and documenting the needs of children affected by a statement of need; (2) how agencies will coordinate the appropriate development of placement resources; and (3) actions taken and planned to develop resources in underserved areas to match the specialized needs of children, including strategies to overcome community resistance.

Legislation was also introduced to redirect focus from the responsibilities of residential child care program providers to the rights of children served in these facilities. ***Senate Bill 742*** ***(passed)*** requires a residential child care provider, including those licensed by the Developmental Disabilities Administration, to conspicuously post a Residents' Bill of Rights in the facility. The bill of rights establishes a resident's right to be treated fairly and receive appropriate educational and guidance services in an environment that is free of discrimination or abuse. The resident and his or her family have a right to communicate with each other, as appropriate, and express their opinions about services provided. The bill requires residential child care providers to develop and distribute a handbook that includes specified information regarding the provider's policies and procedures and to document the receipt of the handbook by each child receiving care and his or her parents or guardians.

Miscellaneous

Child Specific Benefit

The Family Investment Program in the Department of Human Resources assists temporary cash assistance applicants and recipients in becoming self-sufficient. The child-specific benefit was enacted to remove incentives for having additional children while receiving temporary cash assistance (TCA). Under the provision, payment of an incremental TCA benefit to a welfare recipient following the birth of a child 10 months after the recipient has been determined eligible for assistance was prohibited. Instead, the value of additional assistance for the additional child was transferred to a third-party payee, which may include an extended family member or a faith-based or nonprofit organization, to manage the benefit on behalf of the child. Efforts to recruit third-party payees were largely unsuccessful, and fees were high for participating organizations. In addition, the department determined that families receiving TCA were not expanding. In December 2002, because of the costs associated with administering the child-specific benefit, the Secretary of Human Resources, as authorized by law, granted waivers to local departments of social services from implementing the child-specific benefit provision. Therefore, increments for additional children have been paid to TCA recipients since 2002. ***Senate Bill 799*/*House Bill 1356* (both passed)** codifies current practice by repealing the child-specific benefit.

Immigration

In recent years, immigration has emerged as a major issue in the U.S. Congress, state legislatures, and at the local level. Maryland continues to be a major destination for immigrants. According to population estimates prepared by the U.S. Census Bureau, international immigration added 129,730 people to the State's population between 2000 and 2006. The impact of immigration varies greatly among Maryland's jurisdictions.

***House Bill 1602* (passed)** establishes a Commission to Study the Impact of Immigrants in Maryland, which includes studying the demographic profile of immigrants in the State and the economic and fiscal impacts of immigrants on the State. The commission is required to report its findings and recommendations to the Governor and the General Assembly by January 1, 2011.

A more detailed discussion of immigration issues may be found under subpart "State Agencies, Offices, Officials" within Part C – State Government of this *90 Day Report*.

Part K
Natural Resources, Environment, and Agriculture

Natural Resources

Chesapeake Bay Restoration

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund and Nonpoint Source Fund

While the Chesapeake Bay is America's largest and most productive estuary, its health has declined significantly over the past several decades due to nutrient and sediment pollution. In 1999, the U.S. Environmental Protection Agency (EPA) identified the bay as an impaired water body. In 2000, the Chesapeake Bay partners (the bay states, the District of Columbia, the Chesapeake Bay Commission, and EPA) negotiated the *Chesapeake 2000* Agreement (C2K), which specified restoration goals to improve the bay and remove it from the EPA's List of Impaired Waters. As part of C2K, specific pollution reduction goals have been allocated to the various bay states. Maryland's reduction goals are summarized in **Exhibit K-1**.

Exhibit K-1
Maryland's Pollutant Reduction Goals

Pollutant	1985 Loads	2005 Loads	2010 Goal
Nitrogen (million lbs/yr)	82.4	56.2	37.3
Phosphorus (million lbs/yr)	6.8	3.8	2.9
Sediment (million tons/yr)	1.3	1.0	0.7

Source: U.S. Environmental Protection Agency's Chesapeake Bay Program

In April 2004, the Department of Natural Resources (DNR) released Maryland Tributary Strategy, which outlines basin-specific nutrient and sediment control action necessary to reduce pollution from every source with the aim of achieving the C2K goals.

While numerous efforts to restore the bay's water quality are underway, the State is expected to fall short of its C2K goals absent further action. EPA's Chesapeake Bay Program reports that progress has been made toward meeting the C2K nutrient and sediment reduction goals in the areas of agriculture, wastewater, and atmospheric deposition of nitrogen. However, urban/suburban stormwater is the one pollution sector where progress has been negative due to population growth and related development.

In its January 2007 report, the Maryland Transition Work Group on Environment and Natural Resources estimated the cost of implementing all the actions in the tributary strategies at $5.1 billion. In an effort to address the significant funding shortfall that exists with respect to the State's bay restoration activities, the creation of a fund to finance bay restoration efforts was proposed in both the 2007 regular and special sessions. The concept was originally proposed as a fund that would be financed by an "impervious surface fee" on new development in the State, intended to have a nexus with the urban/suburban runoff caused by impervious surfaces. The bill (House Bill 1220) passed in the House during the 2007 regular session but was not acted on by the Senate.

In the 2007 special session, a Chesapeake Bay 2010 Trust Fund was included in tax-related House and Senate bills (House Bill 5 and Senate Bill 2) seeking to address the State's structural deficit. The fund was subsequently established through the enactment of House Bill 5 (Chapter 6), financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. While the Governor's proposed fiscal 2009 budget included $50 million from these sources for the trust fund, budget reconciliation legislation reduced this amount; as enacted, the fiscal 2009 budget includes $25 million for the trust fund. The Act, while stating that the funding must be used for implementation of the State's tributary strategy, does not give more specific direction for how the funding must be spent.

***Senate Bill 213*/*House Bill 369* (both passed)** provide a framework for how the trust fund money must be spent by specifying that it be used for nonpoint source pollution control projects and by expanding it to apply to the Atlantic Coastal Bays. The fund is renamed as the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. The bills generally codify the BayStat Program to measure and evaluate bay restoration efforts, expand its charge to include the Atlantic Coastal Bays, and expand its duties to include the administration of the trust fund. The BayStat Subcabinet, composed of the Secretary of Natural Resources; the Secretary of the Environment; the Secretary of Planning; the Secretary of Agriculture; the President of the University of Maryland Center for Environmental Science; the Dean of the College of Agriculture and Natural Resources at the University of Maryland, College Park; and the Chair of the Critical Area Commission, must oversee the administration of the program.

Under the legislation, money in the trust fund must be distributed by the subcabinet agencies (1) through competitive grants to counties, bicounty agencies, municipalities, forest conservation district boards, soil conservation districts, academic institutions, and nonprofit organizations having demonstrated ability to implement nonpoint source pollution control projects; (2) to the Maryland Agricultural Water Quality Cost Share Program within the

Maryland Department of Agriculture (MDA); (3) to the Woodland Incentive Fund within DNR; and (4) to the Chesapeake and Atlantic Coastal Bays Nonpoint Source Fund, a new special fund administered by the Water Quality Financing Administration (WDFA) within the Maryland Department of the Environment to provide financial assistance for urban and suburban stormwater management practices and stream/wetland restoration. WQFA is authorized to issue revenue bonds and deposit the net proceeds into the new fund. Finally, the bills establish financial accounting provisions related to WQFA. For further discussion of this legislation, see subparts "Environment" and "Agriculture" under this Part K of this *90 Day Report*.

Chesapeake Bay and Atlantic Coastal Bays Critical Areas

The Chesapeake Bay Critical Area Protection Program was established by Chapter 794 of 1984 in order to minimize damage to water quality and wildlife habitat by fostering more sensitive development activity along the shoreline of the Chesapeake Bay and its tributaries. In 2002, the program was expanded to include the Atlantic Coastal Bays. However, a report released in May 2006 by the Environmental Law Clinic at the University of Maryland School of Law highlighted a number of limitations of and weaknesses in the Critical Area law due to a lack of enforcement combined with other weaknesses in the statute. Another report released by the Chesapeake Bay Foundation in February 2008 recommended, among other things, that the Governor and the General Assembly reform the Critical Area law to ensure consistent application of the law; provide more robust and equitable enforcement; correct Critical Area boundaries to reflect current conditions; update variance and grandfathering procedures to minimize natural resource and water quality impacts; and ensure that development in the Critical Area is consistent with Maryland's Smart Growth policies.

House Bill 1253 ***(passed)*** attempts to address these concerns by providing greater authority to the Critical Area Commission, updating the basic components of the program, enhancing buffer and water quality protection, coordinating new development more closely with growth management policies and other environmental protection and planning processes, and strengthening enforcement and variance provisions. Specifically, the bill:

- provides explicit authority to the Critical Area Commission to adopt and amend regulations to administer and enforce the program;
- requires DNR to develop a new Critical Area boundary using a new Statewide Base Map;
- requires local programs to follow the State minimum requirements for all elements of their programs;
- establishes reporting and notice requirements for local jurisdictions, including a requirement that the Critical Area Commission receive written notice of local decisions regarding project approvals or denials;

- recasts current limits for "impervious surfaces" in terms of "lot coverage" to allow for technological improvements in paving materials, while generally maintaining the current ceilings on development;

- establishes new buffer provisions (including expanding the buffer from 100 feet to 200 feet) with respect to an application for subdivision or site plan approval within the Resource Conservation Area that does not involve the use of growth allocation, with specified exceptions;

- requires shore erosion control projects to be nonstructural, except in areas designated by MDE mapping as appropriate for structural shoreline stabilization measures, areas of excessive erosion, areas subject to heavy tides, and areas too narrow for effective use of nonstructural shoreline stabilization measures;

- specifies several new factors the Critical Area Commission must consider in reviewing map amendments or refinements involving the award of growth allocation;

- enhances enforcement and penalty provisions by requiring local programs to establish administrative enforcement procedures; authorizing the Chair of the Critical Area Commission to prosecute or sue; providing right-of-entry authority to local authorities to identify or verify suspected violations; and by requiring the commission to notify the Maryland Home Improvement Commission, the Home Builder Registration Unit in the Office of the Attorney General's Consumer Protection Division, or DNR of specified contractors under their respective jurisdictions who violate the Critical Area law; and

- alters variance procedures, especially relating to after-the-fact variances.

Chesapeake Bay Trust

The Chesapeake Bay Trust is a private, nonprofit organization established by the General Assembly in 1985 to promote public awareness and participation in the restoration and protection of the water quality and aquatic and land resources of the Chesapeake Bay and other aquatic and land resources of the State. ***Senate Bill 926*** /***House Bill 1512*** ***(both passed)*** exempt from State procurement law all contracts and grants awarded by the State to the trust. For additional discussion of this legislation, see the subpart "Procurement" under Part C - State Government of this *90 Day Report*.

Nonnative Organisms

DNR reports that several nuisance organisms (including the northern snakehead, rusty crayfish, Chinese mitten crab, flathead catfish, and blue catfish) have been discovered in the State and some have become established to the point where eradication is no longer a possibility. The department indicates that it is limited in its authority to manage nuisance organisms, due in part to the fact that its current regulatory authority relates only to prohibiting the importation, possession, or introduction of a nonnative aquatic organism. In addition, existing laws relating to size limits or allowable fishing gear applicable to certain types of fish can limit the department's ability to allow nuisance organisms to be fished and managed. ***House Bill 630 (passed)*** provides DNR with greater authority to manage nuisance species by authorizing the Secretary to manage the sale, transport, purchase, importation, possession, harvest, season, size limits, open area, catch devices, and introduction of nuisance organisms. The bill also amends the definition of "naturalized" and exempts a person that has a valid nursery inspection certificate or plant dealer license issued by MDA from specified authority of DNR relating to nuisance organisms.

Land Conservation

Program Open Space

Program Open Space (POS) was established by the General Assembly in 1969 to expedite the acquisition of outdoor recreation and open space and to accelerate the development of outdoor recreational facilities. POS provides for both State and local acquisition and development. One-half of any local governing body's annual apportionment must be used for acquisition or development projects; up to 20 percent of these funds may be used for capital renewal. Local jurisdictions may use up to 75 percent of their funds for development provided that local acreage goals are met. Local recreation acreage goals are designed to encourage counties and municipalities to acquire sufficient land to meet the current and future active recreational and open space needs of their residents.

Senate Bill 259 (passed) increases the maximum percentage (from 75 percent to 100 percent) of POS funds that a local government may spend on development projects once it has attained its acreage acquisition goals. The bill is effective through May 31, 2010. Identical legislation was enacted in 2001 (Chapter 658) but terminated on September 30, 2006. DNR reports that, during that five-year period, 10 counties (Allegany, Carroll, Dorchester, Garrett, Kent, Queen Anne's, Somerset, Washington, Wicomico, and Worcester) requested and received permission to use 100 percent of their POS funding for recreation development projects. DNR notes that even counties that were given such permission still continue to acquire land when needed.

Forest Conservation

Forest Conservation Act: Enacted in 1991, the Forest Conservation Act provides a set of minimum standards that developers must follow when designing a new project that affects forest land. Local governments are responsible for making sure these standards are met but may choose to implement even more stringent criteria. If there is no local agency in place to review development plans, DNR does so. In general, the Act calls for a minimum amount of forest cover on development sites based upon the site's zoning. DNR is required to submit an annual report to the Senate Education, Health, and Environmental Affairs Committee and the House Environmental Matters Committee that provides information related to projects subject to the Forest Conservation Act, including the amount and location of areas cleared and the costs of implementing the program.

House Bill 972 ***(Ch. 104)*** requires a local authority engaging in enforcement activity in accordance with the Forest Conservation Act to give notice to DNR within 15 days after the start of the activity. In addition, the Act also expands the information DNR must include in its annual statewide forest conservation report to include the number, location, and type of violations and type of enforcement activity, and to the extent practicable, the size and location of all conserved and planted forest areas submitted in an electronic geographic information system or computer aided design format.

No Net Loss of Forests: In a January 2007 report, the Maryland Transition Work Group on Environment and Natural Resources recommended that the State adopt a no net loss of forests goal through legislative and executive actions. Maryland loses 8,600 acres of forested land each year. The work group noted that the maintenance of forests is as key to restoring the Chesapeake Bay as any investments in sewage treatment or air quality controls because trees absorb vast quantities of air pollutants, including greenhouse gases, and also filter nonpoint source pollution from farms and developed areas. ***Senate Bill 431*** ***(passed)*** requests that the Governor establish a Task Force to Study a No Net Loss of Forest Policy to be staffed by DNR. The task force must develop a specific plan, including programs and other necessary actions, to achieve and maintain a no net loss of forests, and draft legislation for the 2009 session to ensure that there is a process to achieve a no net loss of forest in the State beginning in 2010. The task force must submit the plan and the draft legislation to the Governor and the General Assembly by December 1, 2008.

Gypsy Moths: According to MDA, the most destructive forest pest in Maryland is the gypsy moth. Since 1980, the gypsy moth has defoliated more than one million acres in the State. ***Senate Bill 920*** ***(passed)*** establishes a Task Force to Study Statewide Gypsy Moth Infestation to be staffed by the departments of Agriculture, Natural Resources, and Budget and Management. The task force must study the statewide infestation of gypsy moths and make recommendations regarding the most effective practical, regulatory, and legislative means of combating the infestation. The task force must report its findings to the Governor and General Assembly by August 31, 2009.

Wildfires: In 2006, 753 wildfires burned 6,074 acres in the State. DNR's Forest Service maintains specialized heavy equipment (including wildfire engines, tractor plow units and transports, and tankers) to respond to fires and also relies on volunteer and paid fire departments throughout the State. ***Senate Bill 860***/***House Bill 1473*** ***(both passed)*** repeal a requirement that a forest or park warden take specified action upon learning of, as opposed to seeing, a forest fire. Instead, a forest or park warden must take action if requested by a fire company to assist with a fire plow or provide incident command expertise at the scene. According to DNR, this bill will allow the department greater flexibility in responding to wildfires since it has limited personnel available to respond to fires. Further, in the more urban/suburban parts of the State, volunteer and paid fire companies handle the majority of wildfires without DNR's assistance.

Delmarva Fox Squirrel: The Delmarva fox squirrel (*Sciurus niger cinereus*) is currently listed by the State and federal government as an endangered species. The State's Nongame and Endangered Species Conservation Act prohibits the "take" of endangered animals except under specified conditions. "Take" means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect, or to attempt to engage in any such conduct. "Incidental taking" means the taking of listed species that is incidental to, and not the purpose of, the carrying out of an otherwise lawful activity. State law does not allow for the incidental taking of endangered species, except for the Puritan tiger beetle.

House Bill 223 ***(Ch. 55)*** authorizes the Secretary of Natural Resources to issue a permit for the incidental taking of the endangered Delmarva fox squirrel if the applicant submits a conservation plan to DNR that specifies the likely impact of the taking, the steps the applicant will take to minimize or mitigate the impact, the funding available for mitigation, any alternative actions considered by the applicant, and any other measures that the Secretary requires. Further, the Secretary must find that the incidental taking will not appreciably reduce the likelihood of survival or recovery of the squirrel, that the applicant will mitigate, that there is adequate funding, and that the applicant has obtained the required federal authorization. The Act also authorizes the Secretary to adopt regulations to implement and enforce the Act.

According to DNR, the Delmarva fox squirrel's population and its habitat region have increased over the years. DNR advises that it is important to maintain forest habitat for the continued success of the species and that it has been working with Maryland's private forest landowners to develop a regional habitat conservation plan for the Delmarva fox squirrel on the Eastern Shore. DNR is currently pursuing an incidental take permit from the U.S. Fish and Wildlife Service as part of that effort. Once completed, private forest owners in Maryland will be able to conduct timber harvest operations in compliance with the federal Endangered Species Act. According to DNR, the State authority provided under this Act to incidentally take this endangered species will allow consistent management of the Delmarva fox squirrel throughout its region and is necessary in order to secure the federal permit.

Parks and Recreation

State Park Funding Enhancement

In recent years budget constraints have limited funding for Maryland's State parks. Chapter 2 of the 2007 special session allocated the greater of 20 percent or $21.0 million of the State transfer tax for the Maryland Park Service. As a result the Maryland Park Service's fiscal 2009 appropriation increases by $4.7 million, which allows for the funding of equipment, such as picnic tables, grills, fire rings and heavy machinery, and contractual repairs ($1.3 million); 58 positions, 39 of which are contractual conversions ($1.3 million); additional seasonal contractual full-time equivalent positions ($1.1 million); and the formation of a Civic Justice Corps program for 100 at-risk youth to perform environmental restoration work in the parks ($1.0 million).

Community Parks and Playgrounds Program

Although not established in statute, a Community Parks and Playgrounds Program has been administered by POS since fiscal 2002. The program provides funding for the restoration of existing parks and the creation of new parks and green spaces in priority funding areas. The program provides flexible grants to local governments to assist in (1) rehabilitating, expanding, or improving existing parks; (2) creating new parks; or (3) purchasing and installing playground equipment. While land acquisition costs are considered, highest priority is given to capital costs associated with park and playground development and improvement.

The fiscal 2009 capital budget includes $5.0 million in general obligation (GO) bonds for the program to fund 44 projects in 20 jurisdictions. The program's fiscal 2009 authorization is level with the fiscal 2008 authorization, and the 2008 *Capital Improvement Program* indicates that $5.0 million will be provided annually for this program from fiscal 2010 through 2013.

***Senate Bill 1000*/*House Bill 1604* (both passed)** codify and amend the existing Community Parks and Playgrounds Program within DNR to provide flexible grants only to municipalities and Baltimore City to (1) rehabilitate, expand, improve, or maintain existing parks; (2) purchase land to create new parks; (3) develop new parks; (4) purchase and install playground equipment in urban neighborhoods and rural areas throughout the State; or (5) be used for environmentally oriented parks and recreation projects. POS is to administer the program, which may be funded with general funds and with the proceeds from the sale of State GO bonds. The bills' changes apply beginning in fiscal 2010.

Somers Cove Marina

Somers Cove Marina was established in 1958 and was deeded to DNR in 1980 by the City of Crisfield. DNR has made various improvements to the marina with money from the Waterway Improvement Fund, including expanding the number of boat slips to 485 and constructing various facilities at the marina. The marina was operated by the Maryland Park Service within DNR from 1996 to 2006; since last year, it has been managed by DNR's Boating Services Unit. There is a Somers Cove Marina Improvement Fund within DNR, to be used for the operation, maintenance, development, and improvement of the Somers Cove Marina facilities. Any money obtained by DNR from the marina is credited to the fund.

***Senate Bill 941*/*House Bill 1463* (both passed)** establish a Somers Cove Marina Commission as a body politic and corporate and an instrumentality of the State. The commission is established to, among other things, (1) maintain the existing Somers Cove Marina Improvement Fund in a bank account separate from State funds; (2) adopt operating and capital budgets and assess slip and other fees and charges at the marina to implement a specified master plan; and (3) set policy and provide general oversight of marina operations. On November 1, 2011, DNR and the commission must begin to evaluate the commission's ability to (1) operate, maintain, develop, and improve the marina in an effective manner; and (2) afford or assume the costs of operating, maintaining, developing, and improving the marina, including the salaries of the executive director and employees of the State who work at the marina. Findings and recommendations must be reported to the General Assembly on November 1, 2013.

Hunting and Fishing

Fishing

Fishery Management

Regulation of Bait: According to the Department of Natural Resources (DNR), the use and release of live bait has resulted in a significant number of nonnative introductions of invasive species throughout the United States and has the potential to introduce disease and parasites to aquatic wildlife. ***House Bill 226*** ***(Ch. 56)*** requires DNR to adopt regulations defining which species may be harvested, imported, transported, sold, or used as bait in the State. The Act also repeals provisions requiring a live bait dealer's license to sell live bait in Montgomery, Frederick, or Washington counties, as well as provisions governing the types and amounts of live bait that the holder of a live bait dealer's license may possess.

Pot and Net Setting: ***House Bill 1436*** ***(passed)*** alters the standards governing the setting of fish pots, fyke nets, and connected lines of nets in the Chesapeake Bay. The bill reduces the distance requirement between a fish pot, fyke net, or connected line of fyke nets and any other net from 1,650 feet to 500 feet unless other provisions of law specify otherwise. The bill also modifies existing provisions relating to the total length of nets and the distance nets may be set by specifying the types of nets to which those provisions apply.

Soft-shell Clam Harvesting: State law specifies certain areas in which a person may not catch or attempt to catch soft-shell clams with any gear except hand-held tools. ***House Bill 1498*** ***(passed)*** increases the distance from 50 to 150 feet from the mean high watermark of any shoreline in Calvert County within which a person may not catch or attempt to catch soft-shell clams with gear other than hand-held tools.

Oyster Restoration

Buried Oyster Shell Dredging: DNR is required to take measures that, in its judgment, seem best calculated to increase the productivity or utility of any part of the natural oyster bars of the State. These measures include identifying and using effective methods of cleaning diseased oyster bars, providing clean shell for the bars, and using hatchery produced oysters to replant sites. DNR is authorized to take certain conservation measures, including planting oysters, shells, or other cultch, or taking any other restorative measures advisable for natural oyster bars. ***House Bill 1504*** ***(passed)*** requires DNR to apply to the Maryland Department of the Environment and the United States Army Corps of Engineers for permits to dredge buried oyster shells by December 1, 2008, if the Oyster Advisory Committee recommends the application. Before making such a recommendation, the Oyster Advisory Committee must review the findings of the draft Environmental Impact Statement concerning evaluation of oyster restoration alternatives for the Chesapeake Bay.

Fishing Licenses

Reciprocal Angler's Licenses: A person possessing a valid Virginia or West Virginia fishing license may fish in nontidal waters of the Potomac River without obtaining a Maryland angler's license if Virginia or West Virginia enters into and maintains a reciprocal angler's license agreement with DNR. A similar reciprocal agreement exists for a person possessing a valid Pennsylvania fishing license (with respect to the Conowingo and Youghiogheny Reservoirs). ***House Bill 229*** ***(Ch. 59)*** specifies that reciprocal fishing privileges only apply to licensed residents of Virginia, West Virginia, or Pennsylvania and that these fishing privileges only apply with respect to fishing on the Maryland shore of particular portions of the Potomac River opposite the resident's state.

Hunting

Sunday Deer Hunting

Each year DNR establishes by regulation the open season to hunt forest and upland game birds and mammals. DNR may adopt regulations to enlarge, extend, restrict, or prohibit hunting wildlife. Except for specified persons and under specified conditions, hunting game birds or mammals on Sundays is prohibited. ***Senate Bill 878***/***House Bill 1482*** ***(both passed)*** authorize Sunday deer hunting on private property in Harford County on the first Sunday of the bow hunting season in November and the first Sunday of the deer firearms season. ***House Bill 840*** ***(Ch. 94)*** authorizes Sunday deer hunting on private property in Washington County with a bow and arrow during open season on the last three Sundays in October and the second Sunday in November.

Chapter 361 of 2006 authorized Sunday deer hunting on private property in Montgomery County on the first Sunday of the bow hunting season in November and the first Sunday of the deer firearms season. That Act was set to terminate on December 31, 2008. ***House Bill 938*** ***(Ch. 99)*** repeals the termination date.

Environment

Energy Conservation, Energy Efficiency, and Global Warming

Background

In recent years, Maryland has taken numerous actions in an effort to reduce energy consumption, increase energy efficiency, and reduce greenhouse gas emissions. The State administers several programs that relate to energy efficiency and renewable energy, such as the Renewable Portfolio Standard (RPS), the energy efficiency standards for specified appliances, the Solar Energy Grant Program, and the Geothermal Heat Pump Grant Program. Although Maryland does not have a comprehensive greenhouse gas regulatory program, the Healthy Air Act of 2006 required the Governor to include the State in the Regional Greenhouse Gas Initiative

(RGGI), a coalition created to discuss the design of a regional cap-and-trade program to reduce emissions of greenhouse gases from power plants in the region. As a result, the State joined RGGI in April 2007, and the first regional auction is expected to be held in September 2008. When fully implemented, the Clean Cars Act of 2007 will address greenhouse gas emissions from motor vehicles. Finally, the EmPOWER Maryland initiative, announced by the Governor in July 2007, is designed to reduce per capita energy consumption by 15 percent in 2015.

Despite these actions, the recent increases in the cost of electricity, warnings of electricity shortages as early as 2011, and the growing concern about the potential impacts of climate change led the Maryland Energy Administration (MEA) to develop a plan to identify various strategies to address the State's energy future. MEA released this *Strategic Electricity Plan* in January 2008. Among other things, the plan recommended (1) the establishment of a Strategic Energy Investment Fund geared toward energy efficiency, renewable energy, and climate change reduction/mitigation; (2) various energy efficiency/conservation-related options to decrease demand; (3) options to increase electricity supply, both in general and from renewable sources; (4) enhanced State energy planning; and (5) stimulation of Maryland's clean energy (energy efficiency/conservation and renewable energy) industry.

The *Strategic Electricity Plan* is, in part, a response to Public Service Commission (PSC) reports that the State faces a critical shortage of electricity capacity that could force mandatory usage restrictions by 2011 or 2012. In an interim report to the General Assembly, PSC indicated the shortage will need to be addressed both by additions in capacity and transmission, and by a reduction in the amount of electricity used. The PSC interim report provides initial recommendations and plans for action to increase the available supply of electricity as well as require regulated utilities to implement aggressive and cost effective demand management and energy conservation programs.

In addition to the *Strategic Electricity Plan*, in April 2007, Governor O'Malley established the Maryland Commission on Climate Change by executive order. The commission is charged with developing a plan of action to address the causes of climate change, to prepare for its likely impacts in Maryland, and to establish goals and timetables for implementation. The plan is to be submitted to the Governor and the General Assembly by April 20, 2008. In January 2008, the commission presented an interim report that includes timetables and benchmarks for reducing Maryland's greenhouse gas emissions and preliminary recommendations for legislation and executive actions. Among other things, the commission recommended that the Governor and the General Assembly work in partnership to develop and adopt legislation during the 2008 session to (1) require the State to develop and implement programs to reduce greenhouse gas emissions by 25 percent by 2020 and by 90 percent by 2050 (from 2006 levels); (2) increase energy efficiency by, among other things, establishing a publicly administered energy investment fund to help the State meet the EmPOWER Maryland energy efficiency goals; and (3) amend Maryland's RPS law to encourage more investment into renewable energy sources. A number of these recommendations were developed in coordination with the *Strategic Electricity Plan*.

As a result of the recommendations in the *Strategic Electricity Plan* and the work of the commission, several bills were introduced during the 2008 session. Among these was a package of bills proposed by the O'Malley Administration to create a Strategic Energy Investment Program, codify the EmPOWER Maryland Program, amend Maryland's RPS, enhance existing solar and geothermal incentive programs, and encourage the construction of high performance buildings. These bills and others relating to these issues are discussed below.

Energy Conservation and Energy Efficiency

One of the central components of the *Strategic Electricity Plan* is the establishment of a Strategic Energy Investment Fund geared toward energy efficiency, renewable energy, and climate change reduction/mitigation. ***Senate Bill 268*/*House Bill 368* (both passed)** establish a Maryland Strategic Energy Investment Program and related special fund within MEA to be funded primarily with proceeds from the sale of allowances under RGGI. Under RGGI, the State is expected to bring in a significant amount of revenue from the auction and/or sale of allowances. While revenue estimates vary widely due to the uncertainties regarding the carbon trading market, recent estimates range from less than $9 million to over $260 million annually. The first RGGI auction is expected to be held in September 2008, although it will only cover a portion of the annual allowances and will thus generate only a portion of the estimated annual revenues.

The stated purpose of the Maryland Strategic Energy Investment Program is to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy to fuel Maryland's future prosperity. The bills repeal the Maryland Renewable Energy Fund and redirect revenues currently paid into that fund to the new fund. The bills specify allocations from the fund, establish a related advisory board, and establish planning and reporting requirements. The bills also establish criminal penalties for specified violations.

The bills establish specified duties for MEA with respect to managing, supervising, and administering the fund. Among other things, MEA must adopt regulations to implement the program and to ensure that fund resources are used only to carry out the purposes of the program. MEA is also directed to provide money to the Maryland Department of the Environment (MDE) to fund its climate change programs. In order to accommodate that provision, the bills modify the revenue sources to MDE's Maryland Clean Air Fund and increase the cap on that fund from $750,000 to $2 million.

MEA is directed to use the fund to:

- invest in the promotion, development, and implementation of cost effective energy efficiency and conservation programs, projects, or activities; renewable and clean energy resources; climate change programs; and demand response programs designed to promote changes in customer electric usage;
- provide targeted programs, projects, activities, and investments to reduce electricity consumption by low-income and moderate-income residential customers;

- provide supplemental funds for low-income electricity assistance through the Electric Universal Service Program (EUSP);
- provide residential customers with rate relief;
- provide financial assistance and investment as necessary and appropriate to implement the program's purposes;
- implement energy-related public education and outreach initiatives regarding reducing energy consumption and greenhouse gas emissions; and
- pay the expenses of the program.

The bills specify that compliance fees currently paid into the Maryland Renewable Energy Fund that are redirected to the new fund must be used in the same manner as provided by current law. Monies are otherwise allocated as provided in **Exhibit K-1**.

Exhibit K-1
Maryland Strategic Energy Investment Fund Allocations

The Department of Human Resources' EUSP	17.0%
Residential rate relief	23.0%
Energy efficiency, conservation, and demand response	at least 46.0%
Renewable and clean energy, energy-related public education and outreach, and climate change programs	up to 10.5%
Administrative costs	up 3.5%, but not more than $4.0 million
Total	**100.0%**

By December 15, 2008, MEA must develop a plan for expenditures from the fund for fiscal 2009 and 2010. By September 1, 2009, and every three years thereafter, MEA must develop a plan for expenditures covering the next three fiscal years. MEA must hold public meetings and must submit the plan to the advisory board for review.

Expenditures from the fund are made either by an appropriation in the annual State budget or by a budget amendment. An expenditure by budget amendment may be made only after MEA has submitted the proposed budget amendment and supporting documents to specified legislative committees for review and comment. MEA also must regularly disclose specified summary information on any contract that encumbers $100,000 or more from the fund.

The bills also establish specified requirements for MEA with respect to monitoring and analyzing program impacts and outcomes. Finally, by January 1 of each year, MEA must report to the Governor and the General Assembly on the uses and expenditures of the fund from the prior fiscal year.

Another part of the Administration's legislative package resulting from the *Strategic Electricity Plan* is ***House Bill 374*** ***(passed)***, which generally codifies the EmPOWER Maryland Program. Using 2007 as a base year, the bill establishes a per capita State goal of achieving a 15 percent reduction in electricity consumption and a 15 percent reduction in per capita peak demand by the end of 2015. Beginning with the 2008 calendar year and each year thereafter, PSC must calculate the per capita electricity consumption and peak demand for the year. By December 31, 2008, PSC, to the extent it determines that cost effective energy efficiency and conservation programs are available for each affected class, must require electric companies to procure and provide customers with a cost effective demand response program that is designed to achieve targeted electricity savings and demand reduction through 2015, as shown in **Exhibit K-2**.

Exhibit K-2
Annual Electric Reduction

	2011	**2013**	**2015**
Per Capita Consumption	5%	n/a	10%
Per Capita Peak Demand	5%	10%	15%

By July 1, 2008, and every three years thereafter, electric companies must consult with MEA regarding program design and adequacy. Electric companies must provide additional information to MEA upon request. Subsequently, by September 1, 2008, and every three years thereafter, electric companies must submit plans to PSC that provide proposed program details for achieving specified targets for each of the three subsequent calendar years. Plans must include a description of each program component, anticipated costs, and projected electricity savings. The plan must address all retail sectors, including low-income and low- to moderate-income communities. PSC must consider only written findings provided by MEA regarding the design and adequacy of the plans.

PSC must review plans with respect to adequacy and cost effectiveness and must consider impacts on jobs, the environment, electricity rates, and other requested information. Electric companies must provide PSC and MEA with annual updates. PSC must monitor and analyze program impacts for "best possible results." PSC, upon a finding that "best possible results" are not being obtained, can direct an electricity company to include specific measures in the electric company's annual update.

Each electric company and gas company must notify affected customers of the energy efficiency and conservation charges imposed and benefits conferred. Notice must be provided on the company's web site and included with billing information.

As directed by PSC, each municipal electric utility and each electric cooperative that serves a population of less than 250,000 in its service territory must include energy efficiency and conservation programs or services as part of their service to their customers.

MEA, in consultation with PSC, must review and report to specified legislative committees by December 31, 2012 on the effectiveness of the goals and determine if new electricity consumption and peak demand reduction targets should be set beyond 2015 and the feasibility of setting energy saving targets in 2015 and 2020 for natural gas companies. PSC must also evaluate the cost effectiveness of smart meters or smart grid technologies and implement within each electric company's service territory if cost effective.

The bill prohibits PSC from requiring or allowing an electric company to require an electric customer to authorize the company to control the amount of the electric customer's electricity usage. Finally, for fiscal 2009 only, the bill authorizes PSC to impose up to $300,000 as a special assessment for PSC and the Office of People's Counsel to implement the bill, subject to specified requirements.

Senate Bill 208 ***(passed)***, another Administration bill, was introduced largely as a result of the recommendations made by the Maryland Green Building Council in its December 2007 report. The bill requires new or renovated State buildings and new school buildings to be constructed as high performance buildings under specified circumstances. For a more detailed discussion of this legislation, please see the subpart "Procurement" under Part C – State Government of this *90 Day Report*.

Senate Bill 885/House Bill 1301 ***(both passed)*** consolidate, with limited modifications, the existing Community Energy Loan Program and Energy Efficiency and Economic Development Loan Program into the Jane E. Lawton Loan Program and establish a related special fund to fund the program. The program is to be administered by MEA and has the stated purpose of providing financial assistance in the form of low-interest loans to nonprofit organizations, local jurisdictions, and eligible businesses for projects to (1) promote energy conservation; (2) reduce consumption of fossil fuels; (3) improve energy efficiency; and (4) enhance energy-related economic development and stability in business, commercial, and industrial sectors.

Chapter 6 of the 2007 special session exempts from the State sales and use tax the purchase of specified Energy Star products or solar hot water heaters made on the Saturday immediately preceding the third Monday in February through the third Monday in February. Chapter 6 applies to purchases of eligible Energy Star air conditioners, clothes washers or dryers, furnaces, heat pumps, standard size refrigerators, compact fluorescent light bulbs, dehumidifiers, programmable thermostats, and solar water heaters once a year beginning in February 2011.

Senate Bill 456/House Bill 985 (both passed) add boilers to the list of specified Energy Star products eligible for the sales and use tax exemption.

Under current law, PSC is required to evaluate the cost effectiveness of the investments by electric companies in energy conservation to reduce electricity demand and in renewable energy sources to help meet electricity demand. This includes the promotion and development of a building audit and weatherization program, the utilization of renewable energy sources, the promotion and utilization of electricity from cogeneration and wastes, and the widespread public promotion of energy conservation programs. Gas and electric utilities in Maryland are required to develop and implement energy efficiency and conservation programs, subject to review and approval by PSC. ***Senate Bill 417/House Bill 608 (both passed)*** are emergency bills that require certain utilities to disclose the costs and benefits of its energy efficiency and conservation charges and benefits to affected customers each year, and reinstates a PSC report on those programs.

Promoting Renewable Energy

Renewable Portfolio Standard (RPS) is a policy that requires retail suppliers of electricity to meet a portion of their energy supply needs with eligible forms of renewable energy. Maryland's RPS was established in 2004 in order to recognize the economic, environmental, fuel diversity, and security benefits of renewable energy resources; establish a market for electricity from those resources in Maryland; and lower consumers' cost for electricity generated from renewable sources. An electricity supplier must meet RPS by accumulating "renewable energy credits" created from various renewable energy sources classified as Tier 1 and Tier 2 renewable sources. Examples of Tier 1 sources include solar, wind, and geothermal. Examples of Tier 2 sources include poultry litter incineration and waste-to-energy. A renewable energy credit is a tradable commodity representing the renewable energy generation attributes of one megawatt hour of electricity. According to the U.S. Department of Energy, 24 states and the District of Columbia have adopted some form of RPS as of September 2007.

Senate Bill 209/House Bill 375 (both passed), which amend Maryland's RPS, represent another piece of the Administration's legislative package resulting from the *Strategic Electricity Plan*. The bills increase the percentage requirements of the RPS from 9.5 to 20 percent in 2022 and beyond, as shown in **Exhibit K-3**. Effective January 1, 2011, Tier 1 compliance fees are increased from 2 to 4 cents per kilowatt hour. Beginning January 1, 2011, the bills also restrict acceptable renewable energy resources to those within the PJM region (*i.e.*, the wholesale, bulk power control area in which Maryland resides) or in a control area that is adjacent to the PJM region, if the electricity is delivered into the region. The bills provide a compliance fee mechanism that terminates on December 31, 2018. The mechanism allows PSC to delay electric suppliers' scheduled RPS requirements for Tier 1 (nonsolar) resources under specified conditions.

Exhibit K-3
Renewable Energy Portfolio Standards

Year	Tier 1 (Bills)	Tier 1 (Current)	Tier 1 Solar (Current)	Tier 2 (Current)
2006	-	1.000%	-	2.500%
2007	-	1.000%	-	2.500%
2008	-	2.005%	0.005%	2.500%
2009	-	2.010%	0.010%	2.500%
2010	-	3.025%	0.025%	2.500%
2011	5.00%	3.040%	0.040%	2.500%
2012	6.50%	4.060%	0.060%	2.500%
2013	8.20%	4.100%	0.100%	2.500%
2014	10.30%	5.150%	0.150%	2.500%
2015	10.50%	5.250%	0.250%	2.500%
2016	12.70%	6.350%	0.350%	2.500%
2017	13.10%	6.550%	0.550%	2.500%
2018	15.80%	7.900%	0.900%	2.500%
2019	17.40%	8.700%	1.200%	0%
2020	18.00%	9.000%	1.500%	0%
2021	18.70%	9.350%	1.850%	0%
2022	20.00%	9.500%	2.000%	0%

***Senate Bill 348*/*House Bill 1166* (both passed)** remove the incineration of poultry litter from the list of eligible Tier 2 renewable energy sources and establish poultry litter-to-energy as a qualifying Tier 1 renewable energy source under RPS. Under the bills, poultry litter-to-energy is an eligible resource only if the source is connected with the electric distribution grid serving Maryland.

Another piece of the Administration's legislative package resulting from the *Strategic Electricity Plan* seeks to enhance existing grant programs and tax incentives related to solar energy and geothermal equipment. ***House Bill 377* (passed)** increases grant limits under the Solar Energy and Geothermal Heat Pump grant programs, exempts the sale of specified solar energy and geothermal equipment from the State sales and use tax, and exempts specified solar energy property from State and local real property taxes. The property tax exemption is applicable to taxable years beginning after June 30, 2008. The bill also specifies that a geothermal heating and cooling system, either as a stand-alone system or as a combined geothermal and conventional system, is not to be assessed, for property tax purposes, at more than the value of a conventional system. Finally, the definition of photovoltaic property is also modified to include only solar energy property with an installed electricity generation capacity of 20 kilowatts or less.

Solar energy and geothermal heat pump grant award limits are increased as shown in **Exhibit K-4**. However, the bill gives MEA discretion to adjust the grant amounts, within the prescribed limits, to reflect market conditions and prevailing prices.

Exhibit K-4
Solar/Geothermal Heat Pump Grant Award Limits

	Current Limits	Limits Under Bill
Photovoltaic property (residential)	$3,000 or 20% of the total installed cost*	$10,000 or $2,500 per kW of installed electricity generation capacity*
Photovoltaic property (nonresidential)	$5,000 or 20% of the total installed cost*	$10,000 or $2,500 per kW of installed electricity generation capacity*
Solar water heating property	$2,000 or 20% of the total installed cost*	$3,000 or 30% of the total installed cost*
Geothermal property (residential)	$1,000	$3,000 or $1,000 per ton*
Geothermal property (nonresidential)	$1,000	$10,000 or $1,000 per ton*

*The lesser of.

House Bill 1509 ***(failed)*** would have, among other things, authorized the Maryland Environmental Service to engage in additional types of energy projects and services, such as the construction of renewable power plants, the undertaking of energy conservation measures, and engaging in research and development studies.

Stimulating the Clean Energy Industry

In response to another recommendation in the *Strategic Electricity Plan*, ***House Bill 1337*** ***(passed)*** establishes a Maryland Clean Energy Center as a body politic and corporate and as an instrumentality of the State to (1) generally promote and assist the development of the clean energy industry in the State; (2) promote the deployment of clean energy technology in the State; and (3) collect, analyze, and disseminate industry data. The center must coordinate with MEA and must not duplicate MEA's programs or activities without its consent. The bill also establishes a Maryland Clean Energy Technology Incubator Program to promote entrepreneurship and the creation of jobs in the clean energy technology-related industry. The bill provides for the composition, powers, responsibilities, and function of a board of directors charged with managing the center and exercising its corporate powers. The bill enumerates various powers of the center including the authority to:

- accept loans, grants, or assistance of any kind from the federal or State government, a local government, a college or university, or a private source;
- make grants to or provide equity investment financing for clean energy technology-based businesses;
- acquire, purchase, hold, lease as lessee or lessor, sell, transfer, license, assign, use, or dispose of various forms of property and property interests;
- fix and collect rates, rentals, fees, royalties, and charges for services and resources it provides or makes available;
- maintain offices at a place it designates in the State;
- create, own, control, or be a member of specified business entities;
- acquire, develop, improve, manage, market, license, sublicense, maintain, lease, or operate a project in the State to carry out its purposes;
- borrow money and issue bonds to finance any part of the cost of a project or for any other corporate purpose of the center;
- secure the payment of any portion of borrowing through property or revenues of the center;
- cooperate with and provide assistance to local governments, instrumentalities, and research entities in the State; and
- coordinate clean energy technology development, education, and deployment activities with federal or other public or private programs.

Reducing Greenhouse Gas Emissions

According to the U.S. Environmental Protection Agency (EPA), human activities have substantially added to the amount of greenhouse gases in the atmosphere. In response to concerns about the link between greenhouse gas emissions and global warming, in September 2006, the Governor of California signed landmark legislation to reduce greenhouse gas emissions in that state. The legislation requires the California Air Resources Board to develop regulations and market mechanisms that will reduce California's greenhouse gas emissions by 25 percent by 2020. A handful of other states have followed California's lead by establishing mandatory emission reductions through legislation, and several states have established statewide targets for such reductions. Although several bills addressing global warming have been introduced in Congress, to date, no federal legislation has been enacted. However, on March 27, 2008, EPA announced that it will issue an Advance Notice of Proposed Rulemaking later this spring to discuss and solicit public input on the specific effects of climate change and the potential regulation of greenhouse gas emissions from stationary and mobile sources.

As introduced, ***Senate Bill 309/House Bill 712*** ***(both failed)*** would have established an Office of Climate Change within MDE. MDE would have been required to adopt regulations to reduce greenhouse gas emissions by a minimum of 25 percent by 2020 and 90 percent by 2050 (from 2006 levels). The bills contained several provisions regarding the adoption of regulations to achieve those reductions, including regulations to establish a cap-and-trade system; regulations relating to the reporting, verification, and monitoring of reductions; and possible regulations to establish offset allowances. RGGI auction proceeds would have been used to implement the bill. If such proceeds were inadequate, MDE would have been authorized to establish a greenhouse gas emissions fee. Finally, the bills as introduced would have repealed the cap on the Maryland Clean Air Fund and would have modified the revenue sources and uses of that fund.

As passed by the Senate, ***Senate Bill 309*** would have required MDE to develop plans, adopt regulations, and implement programs to reduce greenhouse gas emissions by 25 percent from 2006 levels by 2020, subject to specified conditions. However, the mandatory reduction of 90 percent by 2050 was modified by the Senate to become a target. Various reports would have been required, and legislation would have had to have been enacted to authorize the implementation of each of the three phases of the reduction measures. The bill still would have been implemented using auction proceeds from RGGI; however, as passed by the Senate, the bill would have been contingent upon adequate funding from that source.

For a discussion of other energy-related legislation, please see the subpart "Public Service Companies" under Part H – Business and Economic Issues of this *90 Day Report*.

Clean Air Permit Fees

According to MDE, revenues from emissions-based fees are critical to the funding of its air pollution control regulatory programs. Currently, three principal revenue sources support air pollution control activities in Maryland – federal funds, special funds from permit/emissions fees, and reimbursable funds from the Maryland Department of Transportation to undertake transportation-related air pollution reduction activities. Although program costs have been rising, MDE advises that federal funds have declined in recent years and that special funds from emission-based fees are projected to decrease in the future as new and existing pollution control programs are implemented.

In order to provide additional funding for MDE's air quality program, ***Senate Bill 442 (passed)*** increases the maximum air quality emissions-based permit fee (from $25 per ton, indexed to inflation, to $50 per ton, indexed to inflation). The bill also increases the maximum fee for a single source (from $200,000, indexed to inflation, to $500,000 indexed to inflation) for calendar 2008 and 2009 and repeals the facility cap beginning in 2010. The bill modifies the definition of "regulated emissions" to facilitate the repeal of the facility cap and clarifies that carbon dioxide emissions are excluded for the purpose of calculating fees. The bill also increases the current limit (from $750,000 to $2.0 million) on the amount of money that can be maintained in the Maryland Clean Air Fund. The bill's changes are anticipated to generate an additional $1.3 million in special funds for MDE in fiscal 2009 and an average of about $2.3 million annually from fiscal 2010 through 2013.

Water Resources

Water Quality/Restoration

A number of bills were introduced during the 2008 session that relate to the State's efforts to restore the Chesapeake Bay and its tributaries. This issue is also addressed under the subpart "Natural Resources" under this Part K of this *90 Day Report*.

BayStat: In an effort to provide additional funding for bay restoration, Chapter 6 of the 2007 special session established a Chesapeake Bay 2010 Trust Fund financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. The fiscal 2009 budget includes $25 million in special funds for the trust fund. The Act, while stating that the funding must be used for implementation of the State's tributary strategy, does not give more specific direction for how the funding must be spent. ***Senate Bill 213/House Bill 369 (both passed)*** provide a framework for how the trust fund money must be spent and expand it to apply to the Atlantic Coastal Bays. The bills codify the existing BayStat Program to administer the fund and establish a BayStat Subcabinet that includes the Secretary of Environment along with heads of other subcabinet agencies. The bills require funding to be distributed to the subcabinet agencies to administer in accordance with specified work and expenditure plans. Among other things, the bills require that some portion of the money in the trust fund be redirected to the Chesapeake and Atlantic Coastal Bays Nonpoint Source Fund, a new special fund administered by the Water Quality Financing Administration (WQFA) within MDE to provide financial assistance for urban and suburban stormwater management practices and stream/wetland restoration. WQFA is authorized to issue revenue bonds and deposit the net proceeds into the new fund. For a more detailed discussion of this legislation, see the subpart "Natural Resources" under this Part K of this *90 Day Report*.

Septics Account of the Bay Restoration Fund: Chapter 428 of 2004 established the Bay Restoration Fund within MDE. The main goal of the fund is to provide grants to wastewater treatment plant owners to reduce nutrient pollution to the Chesapeake Bay by upgrading the systems with enhanced nutrient removal (ENR) technology. As a revenue source for the fund, Chapter 428 established a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks. Of the revenue collected from users of septic systems and sewage holding tanks, 60 percent must be deposited into a separate account (the Septics Account) within the fund to provide grants and loans to septic system owners to upgrade their septic systems and to implement an education and outreach program. The remaining 40 percent must be transferred to the Maryland Agricultural Water Quality Cost Share Program within the Maryland Department of Agriculture to provide financial assistance to farmers for planting cover crops. With respect to grants provided to septic system owners, statutory priority is first given to failing septic systems within the Critical Area, and second, to failing systems that MDE determines are a threat to public health or water quality. ***Senate Bill 831*/*House Bill 581* (both passed)** expand the uses of the Septics Account to include providing grants or loans for up to 100 percent of the cost of replacing multiple septic systems located in the same community with a new community sewerage system that meets ENR standards. Funding may be provided if (1) the environmental impact of the septic system is documented by the local government and confirmed by MDE; (2) it can be demonstrated that the replacement of the septic system with a new community sewerage system is more cost effective for nitrogen removal than upgrading each individual septic system or the individual replacement of the septic system is not feasible; and (3) the new community sewerage system will only serve lots that have received a certificate of occupancy by October 1, 2008.

Living Shorelines: In its January 2008 interim report, the Maryland Commission on Climate Change recommended that the State begin to actively address the impacts on the natural environment of shore erosion induced by sea level rise. Current shore protection practices range from "hard" techniques, such as bulkheads, retaining walls, and riprap, to more soft alternatives such as "living shorelines" that combine marsh plantings with sills, groin fields, or breakwaters. Where site conditions are appropriate, living shorelines are the preferred method of shore protection because in addition to protecting the shoreline, they also trap sediment, filter pollution, and provide important habitats for both aquatic and terrestrial wildlife. ***House Bill 973* (passed)** requires the use of nonstructural shoreline stabilization methods in tidal wetlands except in areas designated by MDE mapping as appropriate for structural shoreline stabilization measures and in areas where a property owner can demonstrate to MDE that such measures are not feasible, including areas of excessive erosion, areas subject to heavy tides, and areas too narrow for effective use of nonstructural shoreline stabilization measures. MDE must adopt regulations in consultation with the Department of Natural Resources. The regulations must include a waiver process that exempts a person from the bill's requirements on a demonstration to MDE's satisfaction that nonstructural measures are not feasible for the person's property.

This "living shorelines" issue was also addressed in ***House Bill 1253* (passed)**, the Chesapeake and Atlantic Coastal Bays Critical Area Protection Program – Administrative and Enforcement Provisions, which is discussed under the subpart "Natural Resources" under this Part K of this *90 Day Report*.

Phosphorus in Detergents: One of the primary pollutants in the Chesapeake Bay is phosphorus. In order to reduce the amount of phosphorus ultimately reaching the bay, Chapters 187 and 188 of 2007 prohibit, beginning January 1, 2010, a person from using, selling, manufacturing, or distributing for use or sale within the State any detergent for use in a household dishwashing machine that contains more than 0.5 percent phosphorus by weight. In response to concerns about the ability of some manufacturers to meet that deadline, ***Senate Bill 710*** ***(passed)*** delays the effective date of the prohibition by six months – from January 1, 2010, to July 1, 2010.

Wetlands and Waterways

The Wetlands and Waterways Program within MDE administers a statewide program for the management, conservation, and protection of Maryland's tidal wetlands and nontidal wetlands and waterways, including the 100-year floodplain. Permits granted for work in privately owned wetlands are issued by MDE; licenses granted for work in State-owned wetlands are issued by the Board of Public Works (BPW). Due to a continuing reduction of personnel combined with increasing demands on the program, MDE's ability to process and evaluate permit applications in a thorough and timely manner has declined. In response to unsuccessful departmental legislation introduced during the 2004 session (House Bill 495), MDE convened a stakeholder workgroup during the 2004 interim to evaluate and make recommendations regarding the establishment of fees within the Wetlands and Waterways Program. As a result of the workgroup's recommendations, legislation was introduced as House Bill 154 of 2005 but was not enacted. ***House Bill 1056*** ***(passed)*** establishes a Wetlands and Waterways Program Fund within MDE. As the primary revenue source, the bill establishes application fees for various wetlands and waterways permits and licenses. The bill establishes the required uses of the fund and reporting requirements for MDE. MDE advises that the revenue generated by the application fees (an estimated $2.6 million in fiscal 2009) together with a continuing general fund appropriation, will dramatically improve its ability to manage, conserve, and protect the State's vital wetland and water resources, while providing a more efficient and effective application process. MDE advises that any additional revenues generated by the bill will largely be used to restaff the program to historical levels.

In general, BPW and MDE may not issue a tidal wetlands license or a wetlands permit for any project involving the construction of a dwelling unit or other nonwater dependent structure on a pier located on State or private wetlands, except under specified conditions. ***Senate Bill 757/House Bill 1266*** ***(both passed)*** modify that provision to allow BPW and MDE to issue licenses and permits for projects that meet additional requirements. This change will likely allow at least one proposed project (a replica lighthouse) in the City of Cambridge to move forward.

Water Supply

In order to conserve, protect, and use water resources of the State in accordance with the best interests of the people of Maryland, it is the policy of the State to control, so far as is feasible, appropriation or use of surface waters and groundwaters of the State. A permit must be obtained from MDE to appropriate or use or begin to construct any plant, building, or structure that may appropriate or use any waters of the State. Current regulations establish criteria MDE must follow in approving water appropriation or use permits.

The natural limitation on the amount of groundwater that can be withdrawn without adversely impacting the State's natural resources has in some cases limited the amount of development that can be supported in municipalities that rely solely on groundwater from water table aquifers for water supply (primarily those located in the central "Piedmont" portion of Maryland). Each household on average uses approximately 250 gallons of water a day. In areas where the amount of groundwater recharge per acre is not sufficient, higher density developments must incorporate sufficient open space areas or otherwise restrict water use-associated land located outside of the developed areas but still within the aquifer recharge area to ensure that the groundwater recharge is not exceeded by the water withdrawal. Concern has been raised that the State's groundwater recharge policy encourages sprawl by limiting the amount of water available to municipalities for growth within town limits. ***Senate Bill 674/House Bill 1423*** ***(both passed)*** address that concern by authorizing MDE, in accordance with existing State policy and provided that it will not jeopardize the State's natural resources, to give priority for groundwater appropriations and use in Carroll, Frederick, or Washington counties to a public water system that provides water to specified municipal corporations or to specified priority funding areas.

Waste Management/Hazardous Substances

Recycling, Disposal, and Cleanup

Coal Combustion Byproducts (CCBs): Fly ash is a byproduct from the burning of coal in power plants that is captured by air pollution control equipment. According to MDE, approximately 2 million tons of coal ash (fly ash and bottom ash, which is heavier than fly ash and is captured at the bottom of the combustion device) is currently generated each year in Maryland, but this amount is anticipated to increase as a result of new environmental controls being installed at power plants. CCBs are currently either disposed of or beneficially used. According to MDE, beneficial uses of coal ash include mine reclamation, structural fill applications, or as a substitute for cement in the production of concrete.

If CCBs are not managed properly, constituents of the material can be released into the environment. MDE advises that under certain geologic conditions, certain types of coal ash can produce high concentrations of the constituents (such as selenium, sulfate, arsenic, iron, or manganese) in soil that may leach into surface or groundwater. In addition, without proper controls, MDE reports that coal ash released into the air in large quantities can create a public nuisance and/or cause respiratory problems.

In response to the recent discovery of contaminated groundwater near a fly ash disposal site (sand and gravel mine) in Gambrills (Anne Arundel County), MDE proposed regulations in December 2007 to provide a regulatory framework for the disposal of CCBs and the use of CCBs for mine reclamation. MDE also expects to propose regulations in 2008 relating to the beneficial use of CCBs. However, MDE does not have sufficient funding to implement a comprehensive regulatory program addressing CCBs, which is estimated to cost approximately $750,000 in fiscal 2009, increasing over time. In order to provide a funding source for this activity, ***House Bill 1466*** ***(failed)*** would have established a State Coal Combustion By-Products Management

Fund within MDE. As passed by the House, the bill would have authorized MDE, by regulation, to establish a fee to be paid by a generator of CCBs based on a per ton rate of CCBs generated each year. Fees were to be based on MDE's costs to operate its regulatory program. However, MDE would not have been authorized to impose a fee on CCBs that are beneficially used or disposed of outside the State. The bill would have established the allowable uses of the fund, which generally relate to administering and implementing the regulatory program. MDE would have been required to adopt regulations and to submit an annual report on the status of the fund.

Release of Hazardous Substances: Current law relating to the release of hazardous substances into the environment authorizes MDE to enter any site or facility to address a release and to issue orders to or seek injunctive relief against responsible parties. Current law does not explicitly require the reporting of releases to MDE, however. MDE has learned, sometimes several years later, of instances in which a person has discovered contaminated environmental media but did not immediately report the discovery. In some cases, the contamination represented a potential risk to human health and the environment. In order to improve MDE's ability to address potential or actual contamination as soon as possible, ***House Bill 977*** ***(Ch. 106)*** requires, beginning October 1, 2009, a responsible person that possesses specified evidence of a release of a hazardous substance, at or above a threshold established by MDE, to immediately report the finding to MDE. The Act establishes specific items MDE must consider in determining a reportable threshold, and requires MDE to adopt regulations by June 30, 2009.

Lead Poisoning

Lead poisoning impacts the cognitive and physical development of young children. Exposure to lead can cause long-term neurological damage that may be associated with learning and behavioral problems and with decreased intelligence. Children are exposed to lead through breathing lead paint dust, eating lead paint chips, or absorbing lead while in-utero. Most exposures can be eliminated by removing lead paint from the homes of children and pregnant women. Although there has been a steady decline in childhood lead exposure over the past decade, lead poisoning remains a significant health issue. In addition, the discovery of lead in children's toys, which has led to numerous product recalls, has been the focus of much media attention in recent months.

MDE's Lead Poisoning Prevention Program serves as the coordinating agency of statewide efforts to eliminate childhood lead poisoning. Under the 1994 "Reduction of Lead Risk in Housing Law," MDE assures compliance with mandatory requirements for lead risk reduction in rental units built before 1950; maintains a statewide listing of registered and inspected units; and provides blood lead surveillance through a registry of test results of all children tested in Maryland. The program also oversees case management follow-up by local health departments for children with elevated blood lead levels; certifies and enforces performance standards for inspectors and contractors working in lead hazard reduction; and performs environmental investigations for lead poisoned children. In addition, the program provides oversight for community education to parents, tenants, rental property owners, homeowners, and health care providers to enhance their role in lead poisoning prevention.

Senate Bill 557/House Bill 589 ***(both passed)*** require an application form for a license issued by the Maryland Home Improvement Commission (MHIC) to require the MDE lead paint abatement accreditation number and expiration date if the applicant provides lead paint abatement services. This information must also be submitted to MHIC by a licensee before the license may be renewed. A licensee who violates the lead paint abatement accreditation requirement or any associated regulations is subject to an existing penalty of up to $5,000 per violation. The bills also modify the definition of "lead-safe housing" under the Reduction of Lead Risk in Housing Law to include dwelling units in which lead contaminated dust levels are determined to be within certain abatement clearance levels within a timeframe established by MDE by regulation. Finally, the bills establish requirements for owners who do not comply with the risk reduction standards.

Senate Bill 718 ***(passed)*** establishes new provisions under the Reduction of Lead Risk in Housing subtitle that authorize a person who intends to acquire an occupied affected property that is in violation of the risk reduction requirements under current law to submit a compliance plan to MDE. An application fee of $200 for each occupied affected property and each occupied unit in a multifamily affected property, up to $10,000, must be paid. If approved, the person is considered to be in compliance. The bill also establishes provisions regarding when a person who has acquired or will acquire affected property must give tenants the notice and information required under current law.

House Bill 62 ***(passed)*** prohibits a person from manufacturing, selling, offering for sale, importing, or distributing a lead-containing children's product, as defined in the bill. The bill does not affect the authority of a local agency to enforce a local law governing the amount of lead contained in a product if the local law is at least as restrictive as the bill. Manufacturers of children's products must test those products, issue a related certificate, and submit the certificate to MDE and any distributors or retailers. The bill also establishes enforcement provisions.

Other Environmental Issues

Enforcement

In general, the statute of limitations relating to environmental violations is one year, although certain violations carry a statute of limitations of two or three years. The Office of the Attorney General reports that in the past year there have been at least a dozen criminal cases which have been time-barred. In order to enhance the enforcement of environmental laws, ***Senate Bill 590/House Bill 1193*** ***(both passed)*** establish a three-year statute of limitations for a criminal prosecution or suit for a civil penalty with respect to a violation of any provision of the Environment Article or any rule, regulation, order, or permit adopted or issued under that article. The bills state that the intent of the General Assembly is to provide consistency and certainty among the regulated community regarding the statute of limitations for such actions.

On October 1, 2007, MDE filed a consent order in Anne Arundel County Circuit Court to settle the ongoing environmental enforcement action taken against BBSS, Inc. and Constellation Power Source Generation, Inc. for contamination of public drinking water wells in the vicinity of

BBSS' Gambrills sand and gravel mine. Among other things, the consent order requires the facility owners and operators to pay a civil penalty of $1 million. ***Senate Bill 398/House Bill 501*** ***(both passed)*** require MDE to reimburse Anne Arundel County for specified costs incurred by the county in conducting environmental health monitoring or testing related to a violation of the Environment Article on a licensed or permitted property. Reimbursement is required only if a fine is collected and may not exceed the amount of the fine. The bills apply retroactively only to specified costs incurred by the county between October 2006 and April 2007 for the testing and monitoring of well water in the vicinity of the Gambrills fly ash disposal site. Anne Arundel County advises that it spent approximately $104,000 in response to groundwater contamination resulting from that site.

Grants and Loans – Small, Minority, and Women's Business Enterprises

House Bill 628 ***(passed)*** requires recipients of grants and loans greater than $500,000 from the Bay Restoration Fund, the Water Pollution Control Fund, and the Water Supply Facilities Financial Assistance Program administered by MDE to take steps to include small, minority-owned, and women-owned businesses in the projects funded by those monies. It also makes technical changes to the statutory authorization of the Bay Restoration Fund.

Agriculture

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

A number of bills were introduced during the 2008 session that relate to the State's efforts to restore the Chesapeake Bay and its tributaries. This issue is also addressed under the subpart "Natural Resources" under this Part K of this *90 Day Report*.

While urban runoff and point sources also contribute to nutrient and sediment pollution in the Chesapeake Bay, the largest source of Maryland's nutrient and sediment pollution to the bay is runoff from agricultural lands.

In an effort to provide additional funding for bay restoration, Chapter 6 of the 2007 special session established a Chesapeake Bay 2010 Trust Fund financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. The fiscal 2009 budget includes $25 million in special funds for the trust fund. The Act, while stating that the funding must be used for implementation of the State's tributary strategy, does not give more specific direction for how the funding must be spent. ***Senate Bill 213/House Bill 369*** ***(both passed)*** provide a framework for how the trust fund money must be spent and expand it to apply to the Atlantic Coastal Bays. The bills codify the existing BayStat Program to administer the fund and establish a BayStat Subcabinet that includes the Secretary of Agriculture along with heads of other subcabinet agencies. The bills require funding to be distributed to the subcabinet agencies to administer in accordance with specified work and expenditure plans. Among other things, the bills require that some portion of the money in the trust fund be directed to the Maryland Agricultural Water Quality Cost-Share

Program within the Maryland Department of Agriculture (MDA) for nonpoint source pollution control projects. In addition, the Subcabinet agencies must distribute the trust fund money through grants to specified government and other entities, including soil conservation districts. For a more detailed discussion of this legislation, see the subpart "Natural Resources" under this Part K of this *90 Day Report*.

New Programs

Farm-to-School

Farm-to-school programs have been in operation in the United States for approximately 10 years, according to a 2006 report of the National Farm to School Program. The programs are designed to connect schools with local farms, improving student nutrition through the serving of healthy meals and educational opportunities, and supporting local small farmers. By the program's estimate, as of 2006 there were over 950 farm-to-school programs in more than 35 states.

Senate Bill 158/***House Bill 696*** ***(both passed)*** establish the Jane Lawton Farm-to-School Program in the MDA for various purposes generally aimed at promoting and facilitating the sale of farm products grown in the State to Maryland schools, including the establishment of a Maryland Homegrown School Lunch Week that will promote State agriculture and farm products to children through school meal and classroom programs and arrange for interaction between students and farmers.

Wild Pollinators

Pollinator species such as bees, birds, and insects are essential to produce much of our food supply and pollinate 75 percent of all crops grown in the United States, according to the U.S. Department of Agriculture (USDA). USDA also indicates that pollination plays a vital role in the health of the nation's forests and grasslands. The importance of pollinator species has received media attention recently due to the disappearance of honey bee colonies that, according to the North American Pollinator Protection Campaign, appears to be occurring across the United States. The disappearance of the honeybees is referred to as Colony Collapse Disorder, yet the cause of the problem is not fully understood.

Senate Bill 419/***House Bill 208*** ***(both passed)*** establish, subject to funding in the State budget, a Maryland Wild Pollinators Program within MDA for a period of two years to increase awareness of wild pollinators and the availability of noninvasive plants that are pollinator friendly. In addition to awareness efforts, MDA must provide grants to increase the availability of seed and nursery stock for noninvasive, pollinator friendly plants.

Initiatives to Assist Maryland's Dairy Industry

The Maryland Dairy Industry Oversight and Advisory Council was created by executive order in July 2006 and charged with improving and sustaining the economic viability of Maryland's dairy industry. The council submitted its final report October 1, 2007, making two recommendations: (1) the establishment of an emergency fund to provide dairy farmers with financial assistance during periods of economic hardship due to depressed milk prices; and (2) the creation of a law prohibiting the sale of fluid milk products in Maryland at below cost, to support the continued viability of Maryland's fluid milk processors.

The council's report indicated that despite increases in the price of milk, there was evidence of Maryland dairy farms and their future viability being at a critical juncture, with prices expected to decline in the future. The number of farms licensed to produce milk has been declining in Maryland (from 1,009 in 1995 to just over 570 today) – a trend that is expected to continue. The dairy farmer representatives on the council attributed the decline in dairy farms largely to insufficient financial returns resulting from price volatility and extended periods of depressed milk prices.

House Bill 543 ***(passed)*** establishes a Maryland Dairy Farmer Emergency Trust Fund, administered by the Secretary of Agriculture, to provide financial assistance to dairy farmers during periods of economic hardship due to depressed milk prices. The bill does not specify a specific funding source for the fund nor a specific funding level, though any unspent or unencumbered balance in the fund over $15 million at the end of a fiscal year reverts to the general fund. The amount of funding necessary to provide meaningful assistance to farmers cannot be reliably estimated and would depend in large part on future milk prices, dairy farmers' returns from those prices, and the manner in which funding would be administered by MDA (*i.e.*, what conditions would trigger the assistance payments). However, it is expected that a significant amount of funding will be needed to fulfill the purposes of the fund.

The council's report noted that fluid milk processors in Maryland are also faced with economic challenges. The processors have aggressive competition from Pennsylvania processors that have benefited from a competitive advantage due to a guaranteed minimum wholesale price established by the Pennsylvania Milk Marketing Board for milk produced, processed, and sold in Pennsylvania. According to the council's report, Maryland processors indicated that some Pennsylvania processors use the advantage to offer unrealistically low milk prices in Maryland to capture market share. ***Senate Bill 684***/***House Bill 1367*** ***(both failed)*** and ***Senate Bill 497*** ***(failed)*** would have prohibited a dealer from selling or offering to sell specified fluid milk products at less than the dealer's costs.

Animal Health Enforcement

Under Chapter 353 of 2005, the Secretary of Agriculture was given the authority to impose administrative penalties of up to $10,000 in lieu of or in addition to penalties under State laws regulating infectious and contagious livestock and poultry diseases. ***House Bill 227***

(Ch. 57) expands that authority to apply to violations of State laws generally regulating livestock and poultry.

Veterinary Hospital Inspections and Administration of Scheduled Drugs to Animals

Veterinary Hospital Inspections

The State Board of Veterinary Medical Examiners (SBVME) within MDA, which is responsible for licensing and inspecting veterinary hospitals, licensing and registering veterinarians, and registering veterinary technicians, among other things, is required to inspect every veterinary hospital facility in the State at least once a year. Inspecting each veterinary hospital annually, however, has become increasingly more difficult as the number of veterinary hospitals has increased. In addition, according to SBVME, only about 2 percent of veterinary hospitals fail inspections each year.

SBVME believes that because the vast majority of hospitals meet sanitation requirements, more emphasis should be placed on bringing those hospitals that have failed inspection into compliance. ***House Bill 228*** ***(Ch. 58)*** changes the veterinary hospital inspection requirements, specifying that SBVME must inspect each facility in the State at least once every two years rather than at least once a year.

Administration of Scheduled Drugs to Animals

SBVME is authorized to issue a special permit to a humane society or county or municipal designated animal shelter that authorizes the purchase, possession, and use of sodium pentobarbital to euthanize injured, sick, homeless, and unwanted domestic animals. However, according to the Department of Health and Mental Hygiene, in 2006, the federal Drug Enforcement Agency (DEA) conducted a review of Maryland law regarding animal control facilities and determined that facilities in the State that do not employ a full-time veterinarian do not have the authority to prescribe sedatives commonly used in the practice of euthanasia that are considered CDSs (“controlled dangerous substances”).

While authorized providers such as veterinarians may obtain a DEA registration to administer CDSs, animal control facilities are not currently considered authorized providers, and therefore are not eligible for CDS registration. Accordingly, while animal control facilities still have the authority to use sodium pentobarbital to euthanize animals, other CDSs commonly used to sedate animals before administering sodium pentobarbital cannot be administered by such facilities.

House Bill 1481 ***(passed)***, an emergency bill, authorizes SBVME to license an animal control facility (defined as a humane society or a county or municipal designated animal shelter) to administer drugs needed to sedate, euthanize, or sedate and euthanize animals and includes an animal control facility under the definition of "authorized provider" under the Criminal Law Article of the Annotated Code.

Agricultural Land Preservation

The Maryland Agricultural Land Preservation Foundation (MALPF) within the MDA preserves productive agricultural land and woodland by purchasing easements that forever restrict development on the land. According to MDA, MALPF has helped protect more than 250,000 acres of land on almost 2,000 farms and manages a public investment of over $333 million in permanently preserved land. Funding for the purchase of easements comes from property transfer tax and agricultural land transfer tax revenues, county matching funds, and federal grant funding.

Lot Exclusions/Releases

In order to address inconsistencies between MALPF requirements regarding lot size restrictions for lots released from the program and the Maryland Department of the Environment's (MDE) septic regulations, ***House Bill 976*** ***(Ch. 105)*** authorizes MALPF to release a lot larger than two acres under specified conditions when the septic requirements of MDE require more than two acres. The act also requires that a release or preliminary release of easement restrictions include a statement by the landowner or child of the landowner relating to the right to farm the adjacent MALPF-preserved properties. This change seeks to bolster the legal position of owners of preserved farms in any litigation that challenges their right to farm on MALPF-preserved properties.

Agricultural Land Transfer Tax

The agricultural land transfer tax is collected by each county. In general, of the total collections, each county (except Montgomery) retains one-third of the funds and transfers the balance to the Comptroller. The Comptroller transfers up to $200,000 of these funds to the Woodland Incentive Fund within the Department of Natural Resources and the remainder to the Maryland Agricultural Land Preservation Fund (MALPF's special fund). Montgomery County retains two-thirds of its funds and transfers the balance to the Comptroller. The monies retained by each county are generally used as local matching funds under the State agricultural land preservation easement program and for other approved county agricultural preservation programs. The counties must spend or encumber all agricultural transfer tax revenues within three years from the date of receipt or remit the unspent or unencumbered portion to the Comptroller for deposit into the Maryland Agricultural Land Preservation Fund.

In addition, under a program created by the General Assembly in 1990, a qualifying county may receive 75 percent of the agricultural land transfer tax revenues collected by that county (rather than 33 percent) and a portion of any surplus funds held by MALPF at the end of the fiscal year. In order to become certified to receive the additional funds, counties must develop effective farmland preservation programs that are approved by MALPF and the

Maryland Department of Planning. Certification lasts for two years, and for a county to be recertified, the success of its program must be demonstrated.

Net revenues generated from the agricultural land transfer tax in fiscal 2006 and 2007 were $20.2 million and $13.8 million, respectively, accounting for both the State and county share of the revenues. State revenues were $8.7 million and $5.5 million in fiscal 2006 and 2007, respectively.

Senate Bill 662 ***(passed)*** establishes a surcharge, equal to 25 percent of the agricultural land transfer tax, imposed on an instrument of writing that transfers title to agricultural land. The surcharge, however, does not apply to transfers of two acres or less to a child or grandchild of the owner. The 25 percent surcharge could generate an additional $3.1 million annually in revenue, based on the fiscal 2009 agricultural land transfer tax revenues assumed in the fiscal 2009 budget.

Senate Bill 662 also alters the distribution of agricultural land transfer tax revenues by providing that after distributions to the counties and the Woodland Incentive Fund:

- $2.5 million must be distributed to MALPF beginning in fiscal 2009; this amount increases by 5 percent annually beginning in fiscal 2010;

- after the above distribution, 37.5 percent of the agricultural land transfer tax remitted to the Comptroller, up to a maximum of $4.0 million annually, must be distributed to a special fund for use by the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) for the Next Generation Farmland Acquisition Program;

- after the above distributions, $4.0 million must be distributed into a special fund for use by MARBIDCO for a program facilitating preservation easement acquisition through the use of installment purchase agreements for easement purchases that have been approved by MALPF; and

- any remaining funds must be distributed to MALPF.

The bill provides that if revenues are insufficient to distribute $4.0 million to the special fund for MARBIDCO for an installment purchase agreement program for preservation easement acquisition, a deficiency must be made up from State transfer tax revenues that would otherwise be distributed to MALPF. If used within a period of two years beginning on or after July 1, 2008, funds dedicated to the program may be used for lump-sum easement purchase payments approved by MALPF.

The bill also expresses the intent of the General Assembly that counties be encouraged to establish Priority Preservation Areas for agricultural land preservation and that new funds provided to MALPF for preservation easement acquisition only be used in Priority Preservation Areas on or after July 1, 2010.

Board of Trustees

MALPF is governed by a board of trustees made up of several *ex-officio* members and eight at-large members appointed by the Governor. At least five of the at-large members must be farmer representatives from different areas of the State that are actively engaged in or retired from active farming. Three of the five farmer representatives are appointed from lists submitted by the Maryland Agricultural Commission, the Maryland Farm Bureau, and the Maryland State Grange. ***Senate Bill 909*** ***(passed)*** expands the membership of the board of trustees to include a farmer representative appointed from a list of nominees submitted by the Young Farmers Advisory Board, which is a 12-member board within MDA, established in 2004 to, among other things, identify and address issues relating to young and beginning farmers in the State.

Agricultural Land Preservation in Prince George's and St. Mary's Counties

In 2006, a program was created by ordinance in Prince George's County that purchases development rights from agricultural landowners that meet specified criteria. As of July 1, 2007, 34 applications covering approximately 3,000 acres had been submitted and three parcels, covering approximately 600 acres, had been approved for funding. The county council budgeted $5 million for the program in fiscal 2007 and $8 million in fiscal 2008; however, none of the budgeted money has been spent because the county does not have explicit authority to spend Maryland-National Capital Park and Planning Commission (M-NCPPC) funding on agricultural preservation easements or to spend money outside the metropolitan district.

Senate Bill 95 ***(passed)*** authorizes the county council for Prince George's County to create a program for the purchase of development rights and establishes a Prince George's County Agricultural Preservation Easement Program. The bill also creates a Prince George's County Agricultural Preservation Easement Fund financed through specified tax revenues authorized in accordance with M-NCPPC's budgetary procedures, to be used to purchase perpetual agricultural preservation easements. M-NCPPC has included $7.5 million for this program in its proposed fiscal 2009 budget, which must still be approved by the county council.

In addition, ***Senate Bill 94***/***House Bill 1018*** ***(both passed)*** authorize Prince George's County to grant a specified property tax credit for agricultural land, including any farm improvement used in connection with an approved agricultural activity, that is subject to a State or county agricultural land preservation program. Twelve counties and Baltimore City currently have either mandatory or optional property tax credits for specified agricultural land.

House Bill 445 ***(Ch. 75)*** extends eligibility for an optional St. Mary's County property tax credit to real property, including improvements, subject to a State or county land preservation program. Under current law, the property has to be subject to the Maryland Agricultural Land Preservation District Program or the St. Mary's County Agricultural Land Preservation District Five-year Program.

Retention of Agricultural Districts

Prior to July 1, 2007, an agricultural land owner was only eligible to sell a development rights easement to MALPF once the land had been placed within an agricultural preservation district. Chapter 650 of 2007 repealed that requirement, specifying that effective July 1, 2007, districts may not be a requirement for the easement application process to MALPF and that as of June 30, 2012, all districts in MALPF will be terminated, with the exception of any district in which an easement has been transferred to MALPF and any district established by a county and a landowner for the purpose of providing a property tax credit to the landowner. MALPF may not accept a district petition after June 30, 2008.

A report submitted to the General Assembly by MALPF in January 2007 regarding the elimination of districts from the Maryland Agricultural Land Preservation Program indicated that fiscal 2008 would be a transition period to provide time for MALPF and the counties to adjust to the removal of the requirement for districts. The report indicated that MALPF would continue to process districts for a period of one year to allow counties that intended to create district programs in their jurisdiction adequate time to make the adjustment.

***Senate Bill 260*/*House Bill 314* (both passed)** allow agricultural preservation districts to continue to be established in Garrett County (which allows for a property tax credit for land located in an agricultural preservation district) after MALPF has stopped accepting district petitions. The bills also specify that MALPF may not purchase an easement on land located in the county but outside of an agricultural district established under the bills.

Forest Pest Management

According to MDA, the most destructive forest pest in Maryland is the gypsy moth. Since 1980, the gypsy moth has defoliated more than one million acres in the State. MDA's Forest Pest Management Section currently conducts an integrated pest management program for the gypsy moth through monitoring, assessment, information and education, and pest control actions. The Maryland Cooperative Gypsy Moth Suppression Program is a voluntary program involving the U.S. Department of Agriculture's Forest Service, MDA, local governments, and landowners.

***Senate Bill 920* (passed)** establishes a Task Force to Study Statewide Gypsy Moth Infestation staffed by the departments of Agriculture, Natural Resources, and Budget and Management. The task force must study the statewide infestation of gypsy moths and make recommendations regarding the most effective practical, regulatory, and legislative means of combating the infestation.

Part L
Education

Primary and Secondary Education

State Education Aid – Increases

State aid for primary and secondary education will increase by $185.1 million to a total of $5.35 billion in fiscal 2009, a boost of 3.6 percent over the fiscal 2008 funding level of $5.17 billion. The additional State aid includes growth of $129.8 million in funding that is provided directly to local boards of education, increasing direct State aid from $4.60 billion in fiscal 2008 to $4.73 billion in fiscal 2009, a 2.8 percent increase. Teachers' retirement, which is paid by the State on behalf of local school systems, will grow from $566.4 million to $621.8 million, an increase of $55.4 million or 9.8 percent.

As shown in **Exhibit L-1**, a significant proportion of the direct aid increases are due to two programs receiving funding for the first time in fiscal 2009, the geographic cost of education index (GCEI) and the supplemental grants. These two programs account for a total of $112.6 million in fiscal 2009, 86.7 percent of the $129.8 million increase in direct aid. Due in part to Chapter 2 of the 2007 special session, which eliminated the fiscal 2009 and 2010 inflation factors for per pupil funding amounts used in the major State aid formulas, other direct State aid programs increase by just $17.3 million combined. Two of the major State aid programs, the foundation program and the special education formula, will actually receive less funding in fiscal 2009 than they did in fiscal 2008 due to decreases in statewide enrollment. The increase of nearly 10 percent in the teachers' retirement program is mostly due to an 8.8 percent increase in the salary bases for local boards of education. Increases in education aid for individual counties can be found in Part A – Budget and State Aid of this *90 Day Report*.

Exhibit L-1
State Education Aid
Fiscal 2008 and 2009
($ in Millions)

Direct State Aid Programs	2008	2009	Dollar Change	Percent Change
Foundation Program	$2,782.7	$2,756.8	-$25.9	-0.9%
Geographic Cost of Education Index	0.0	75.8	75.8	–
Supplemental Grants	0.0	36.8	36.8	–
Compensatory Education	902.1	914.2	12.2	1.3%
Special Education Formula	280.0	272.7	-7.3	-2.6%
Limited English Proficiency	126.2	144.0	17.9	14.2%
Guaranteed Tax Base	78.9	90.0	11.1	14.1%
Student Transportation	219.0	225.1	6.1	2.8%
Nonpublic Special Education	125.2	127.6	2.4	2.0%
Other Programs	87.5	88.4	0.9	1.0%
Direct Aid Subtotal	**$4,601.6**	**$4,731.6**	**$129.8**	**2.8%**
Teachers' Retirement	566.4	621.8	55.3	9.8%
Grand Total	**$5,168.1**	**$5,353.2**	**$185.1**	**3.6%**

The largest increase in fiscal 2009, $75.8 million, is for the GCEI, a formula that provides additional State funding to 13 school systems where costs for educational resources are above the State average. The GCEI was initially envisioned as part of the Bridge to Excellence in Public Schools Act of 2002 but had never been funded. Following the development of a Maryland-specific GCEI in 2003, a discretionary aid formula was established by Chapter 430 of 2004, and several bills since then have sought, without success, to mandate funding for the GCEI. The GCEI remains a discretionary aid program, but the Administration had declared its intent to fund a three-year phase-in of the formula beginning in fiscal 2009. With the reductions to mandated education aid approved during the 2007 special session, the Administration agreed to instead phase the GCEI formula in over just two years, with 60 percent of the formula being provided in fiscal 2009. In fiscal 2010, the full formula amount is expected to total approximately $125 million.

The supplemental grants, which will provide $36.8 million in fiscal 2009, were established during the 2007 special session to help mitigate the elimination of inflationary increases for the education aid formulas in fiscal 2009 and 2010. Based on a calculation that considers a combination of direct aid increases and increases in teachers' retirement payments, the supplemental grants will ensure each school system annual increases of at least 1 percent in fiscal 2009 and 2010. Funding for each system is first calculated under the major State aid formulas, and if the calculations do not result in an increase of at least 1 percent, additional direct State aid is provided through the supplemental grants to reach the 1 percent guarantee. Supplemental grants will be recalculated in fiscal 2010. Beginning in fiscal 2011, when the education aid formulas will again be inflated each year by no more than 5 percent, the 1 percent guarantee will no longer be in effect, but local school systems will continue to receive supplemental grants equal to the amounts they receive in fiscal 2010. As a result of the supplemental grants, every school system will receive an increase in State funding in fiscal 2009.

Despite the more modest growth in aid relative to the years when the Bridge to Excellence legislation was being phased in, State funding for primary and secondary education will still increase by 3.6 percent even in a constrained fiscal 2009 State budget. **Exhibit L-2** details total State education aid since fiscal 2002 and the annual increases that have resulted in an aggregate $2.47 billion increase in aid over the time period.

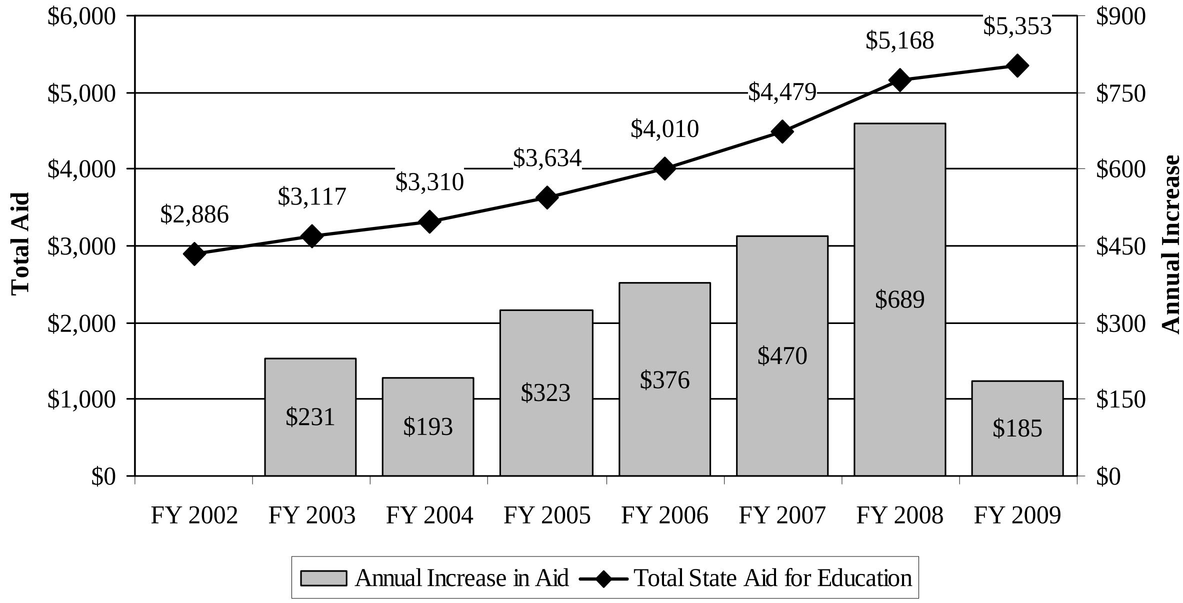
School Construction

Funding

The capital budget of 2008, ***Senate Bill 150*** ***(passed),*** contains $333.4 million for public school construction. The budget includes $327.4 million in general obligation (GO) bonds, and $5.9 million from the Public School Construction Program's Statewide Contingency Fund. In the contingency fund, $1.9 million is reserved for specific local education agencies in accordance with capital budget bill language.

The Public School Facilities Act of 2004 established a State goal to provide $2 billion in State funding over the following eight years to address deficiencies, or $250 million per year through fiscal 2013. Fiscal 2009 will be the fourth consecutive year that the goal has been met or exceeded. The $333 million funding level is second highest in the program's history, following the record high $401.8 million reached in fiscal 2008. Since fiscal 2006 the State has committed over $1.3 billion for public school construction.

Exhibit L-2
State Education Aid
Fiscal 2002 to 2009
($ in Millions)



Seventy-five percent of the preliminary $300 million announced by the Governor in October, or $225.0 million, was recommended for specific projects by the Interagency Committee on School Construction (IAC) and approved by the Board of Public Works (BPW) in January 2008. For the first time in three years the capital budget bill does not detail the distribution of the remaining fiscal 2009 school construction funds. The IAC, in accordance with a new requirement codified in the fiscal 2008 capital budget bill, made recommendations equal to 90 percent of the total allowance, an additional $75.06 million, in late February 2008. This was presented to the General Assembly and will be reviewed by BPW for approval after May 1, 2008. **Exhibit L-3** shows the proposed IAC allocation, subject to BPW approval. The remaining school construction funds, an additional $33.3 million and any additional contingency funds that are available, will be allocated by the BPW after May 1, 2008. ***Senate Bill 150*** also codifies the prohibition that BPW not allocate more than 75 percent of preliminary school construction funding before May 1 each year.

Exhibit L-3
Fiscal 2009 Approved and Proposed School Construction Funding
($ in Thousands)

LEA	BPW Approved	Additional IAC Recommend	Total LEA Recommend	Total LEA Request	LEA A-B Request	% of A-B Request Funded
Allegany	$0	$0	$0	$0	$0	n/a
Anne Arundel	18,078	7,340	25,418	32,834	28,242	90.0%
Baltimore City	19,182	12,176	31,358	149,925	138,781	22.6%
Baltimore County	19,659	11,192	30,851	73,391	33,243	92.8%
Calvert	6,009	1,800	7,809	12,804	12,804	61.0%
Caroline	7,300	800	8,100	9,422	9,422	86.0%
Carroll	10,700	1,000	11,700	28,320	28,320	41.3%
Cecil	2,588	0	2,588	5,646	5,646	45.8%
Charles	11,304	400	11,704	32,064	32,064	36.5%
Dorchester	9,500	900	10,400	21,668	21,668	48.0%
Frederick	12,220	2,400	14,620	72,928	72,928	20.0%
Garrett	3,020	0	3,020	3,020	3,020	100.0%
Harford	13,705	900	14,605	64,109	58,051	25.2%
Howard	14,024	1,003	15,027	50,397	35,556	42.3%
Kent	0	0	0	0	0	N/A
Montgomery	20,294	19,738	40,032	132,748	103,844	38.6%
Prince George's	20,201	13,811	34,012	134,914	51,804	65.7%
Queen Anne's	4,551	400	4,951	6,849	6,849	72.3%
St. Mary's	6,860	200	7,060	7,266	7,266	97.2%
Somerset	0	0	0	0	0	N/A
Talbot	0	0	0	446	0	N/A
Washington	8,568	800	9,368	11,777	11,777	79.5%
Wicomico	11,955	0	11,955	15,000	15,000	79.7%
Worcester	5,283	200	5,483	5,886	5,886	93.2%
Subtotal	**$225,000**	**$75,060**	**$300,060**	**$871,413**	**$682,170**	**44.0%**
Unallocated			**$33,340**			
Total			**$333,400**			

Green Buildings

Senate Bill 208 ***(passed)*** requires that new public school buildings be constructed as high performance buildings, defined as achieving at least a silver rating under the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) program. The Board of Public Works must develop a process to provide waivers that includes review and approval of the waiver request by the Interagency Committee on School Construction. The requirement applies to construction of new school buildings that have not issued a request for proposals for design before July 1, 2009. The State picks up one-half of the local share of the increased construction costs associated with green building technologies in fiscal 2010 through 2014 under the bill. A more detailed description of this bill can be found in the subpart "Procurement" within Part C—State Government of this *90 Day Report*.

Education Legislation

The General Assembly also considered and passed bills relating to student behavior and student health and wellness, as well as bills addressing the structure and protocols of local boards of education.

Student Behavior

Safe Schools Reporting Act: The Safe Schools Reporting Act of 2005 requires local boards of education to report incidents of harassment or intimidation against public school students that occur on public school property, at school activities or events, or on school buses to the State Board of Education. Over the last two years, the Maryland State Department of Education has compiled reports from students and their parents and guardians on more than 3,200 incidents of harassment or intimidation. ***House Bill 1158*** ***(passed)*** adds a school staff member to the individuals who may report an incident of harassment or intimidation through the standard Victim of Harassment or Intimidation Report forms developed by the Maryland State Department of Education. ***House Bill 1209*** ***(passed)*** repeals the June 30, 2009 termination date on the 2005 Act.

Bullying: The American Psychological Association defines bullying as "aggressive behavior that is intended to cause harm or distress, occurs repeatedly over time, and occurs in a relationship in which there is an imbalance of power or strength." ***House Bill 199*** ***(passed)*** requires the State Board of Education, by March 31, 2009, to develop a model policy prohibiting bullying, harassment, and intimidation in schools. The bill further requires each local board of education, by July 1, 2009, to establish a policy prohibiting these activities at school based on the model policy. Each local board must publicize its policy in student handbooks and school system websites and must develop educational programs for students, staff, volunteers, and parents and professional development programs that train teachers and administrators to implement the local policies. With recent concerns about the relatively new problem of "cyberbullying" – using technology such as the Internet, e-mail, text messages, or instant messages to torment others – ***House Bill 199*** includes bullying through electronic communications in the definition of "bullying, harassment, or intimidation."

Student Discipline: Chapter 222 of 2004 requires elementary schools with high suspension rates to implement Positive Behavioral Interventions and Support (PBIS) programs or similar behavior modification programs, and other schools, including middle and high schools, have voluntarily implemented PBIS. PBIS seeks to enhance the capacity of schools to adopt effective practices that improve a school's ability to teach and support positive behavior. ***Senate Bill 96***/***House Bill 285*** ***(both passed)*** require schools with truancy rates in excess of 8 percent of their enrollment during the 2008-2009 school year to implement PBIS or a comparable behavior modification program. The truancy rate that triggers the requirement is reduced each subsequent year until it reaches 1 percent of enrollment for the 2012-2013 school year and thereafter. During the 2006-2007 school year, 2.2 percent of Maryland students were habitually truant, meaning they missed more than 20 percent of school days without a valid excuse.

For cause, a public school principal may suspend any student in the school for up to 10 days. ***House Bill 139*** ***(passed)*** establishes a Task Force to Study Issues Related to Students Subject to Multiple Suspensions to study the feasibility and fiscal impact of requiring student services teams to provide case management to students who incur suspensions that result in 10 or more absences during a school year. A final report from the task force will be due by January 15, 2009.

Student Health and Wellness

Physical Fitness: ***Senate Bill 849***/***House Bill 1411*** ***(both passed)*** require the State Board of Education and each local board of education to ensure that students with disabilities have an equal opportunity to participate in mainstream physical education programs and try out for and, if selected, participate in mainstream athletic programs. In addition, the State board and each local board must ensure the provision of reasonable accommodations to students with disabilities in order to ensure that they can participate, to the fullest extent possible, in mainstream programs. Athletic programs that have been adapted for students with disabilities and programs that combine students with and without disabilities must also be available. Each local board must develop policies and procedures to implement the provisions of the legislation. The State board must adopt a model policy to assist the local boards and monitor compliance with the requirements of the legislation.

In order to study the advisability of requiring all public schools in the State to provide a minimum amount of physical activity or physical education to students each week, ***Senate Bill 955*** ***(passed)*** establishes a Task Force on Student Physical Fitness in Maryland Public Schools. The bill requires the task force to study the effects on childhood obesity and related health issues of requiring students to participate in a minimum amount of physical activity each week, in addition to the monetary costs of the requirement. A final report is due by November 20, 2008.

Youth Risk Behavior Surveillance System Survey

The Youth Risk Behavior Surveillance System (YRBSS) is a survey administered by the U.S. Center for Disease Control and Prevention every two years to a representative sample of public and private high school students in the nation. In order to obtain a completely representative and statistically valid number of survey participants, ***Senate Bill 473***/***House Bill 536*** ***(both passed)*** alter parental consent procedures for the YRBSS survey to utilize passive consent for participation in the survey. The bill requires a local school system to provide each parent of a student who may be subject to the survey with a statement that contains specified information, including the confidential nature of the survey and the kinds of risk behaviors the survey is designed to identify, in addition to a denial of permission form that may be returned by the parent to the school. For the academic year during which the survey will be conducted, the bills require the denial of permission form to be a part of the request for emergency contact information that is distributed to each student by public schools.

Hearing and Vision Screenings

According to *The Maryland State School Health Guideline: Hearing and Vision Screening Manual*, "School hearing and vision screening programs have clearly demonstrated that, all too frequently, some children enter school with impaired vision and hearing." ***Senate Bill 600*/*House Bill 653*** ***(both passed)*** alter the timeframe for testing hearing and vision. In addition to screenings done in accordance with the bylaws of the State Board of Education, these bills require testing during the year that a student enters a school system, enters the first grade, and enters the eighth or ninth grade. Further screenings are authorized in accordance with policies adopted by a local board of education or a local health department. The legislation requires a parent or guardian to report to the local board of education or health department on the recommended services received by a student who fails the screenings.

School Attendance

Dropouts: An average of more than 10,000 students per year dropped out of Maryland public high schools from the 1998-1999 school year to the 2006-2007 school year. ***Senate Bill 264*/*House Bill 953*** ***(both passed)*** require the appropriate representative of a local board of education to provide, to the extent possible, information on alternative education and general educational development (GED) programs to each individual who has dropped out of high school.

Area of School Attendance: Chapter 207 of 2003 allows a student whose parent or guardian resides in another school system to attend a school in the system where the student lives with a relative who is providing informal kinship care due to a serious family hardship. ***Senate Bill 77*/*House Bill 169*** ***(both passed)*** permit the same type of transfer within a single school system. The legislation allows a child to attend a public school outside of the attendance area of the child's permanent residence, if the child is living in the school's attendance area with a relative who is providing informal kinship care because of a serious family hardship.

Local Boards of Education

Prince George's County: Chapter 289 of 2002 eliminated the then-existing Board of Education of Prince George's County and established a New Prince George's County Board of Education that consisted of nine voting members who were jointly appointed by the Governor and the County Executive. Chapter 289 also set up a structure for the election of a new board in 2006, with four members elected from the county at-large and five members elected from five different school board districts. ***Senate Bill 33*/*House Bill 1041*** ***(both passed)*** alter the structure of the Prince George's County Board of Education once again to elect one member from each of nine separate school board districts at the 2010 general election. It also establishes eligibility criteria for school board members and new procedures for electing members, filling vacant positions, and appealing the removal of members.

To gauge the effectiveness of the appointed board that served from 2002 to 2006, Chapter 289 required that a comprehensive review of Prince George's County Public Schools be conducted by a consultant jointly selected by the county board of education and the Maryland State Department of Education. A consultant was never hired, and ***Senate Bill 183*** ***(passed)*** repeals the requirement.

Washington County: The Washington County Board of Education consists of seven members elected to four-year terms from the county at-large. The Governor is responsible for appointing an individual to fill a vacancy. ***House Bill 639*** ***(passed)*** establishes a School Board Nominating Commission for Washington County to nominate individuals to fill a vacancy on the county board of education. The bill also requires the county commissioners, rather than the Governor, to appoint an individual to fill a vacancy from a list of nominees provided by the commission.

Anne Arundel County: ***House Bill 1607*** ***(passed)*** repeals uncodified language from Chapter 454 of 2007 that provides that the new stipend amounts for Anne Arundel County Board of Education members do not take effect until the following term of office. The bill also requires the Department of Legislative Services to staff the School Board Nominating Commission of Anne Arundel County established in 2007.

Task Force on Educational Issues Affecting Military Children

In recognition of the academic challenges associated with frequent school changes experienced by the children of members of the military, ***Senate Bill 457***/***House Bill 784*** ***(both passed)*** establish a Task Force on Educational Issues Affecting Military Children. The bills require the task force to identify educational issues that affect military children and identify existing efforts in the State to ease the transition of military children to Maryland schools. The task force must also make recommendations on efforts that would ease the transition of military children and the feasibility of the State joining the Interstate Compact on Educational Opportunities for Military Children that is being considered by legislatures in several states around the country. A final report is due December 1, 2008.

Task Force to Study How to Improve Financial Literacy in the State

In 2006, the national survey of financial literacy by the JumpStart Coalition for Personal Financial Literacy found 65.5 percent of high school seniors with failing scores, a significant increase from the 44.2 percent with failing scores in 1998. ***Senate Bill 533***/***House Bill 1242*** ***(both passed)*** establish a Task Force to Study How to Improve Financial Literacy in the State. The legislation requires the task force to (1) study the current ability of high school students to understand basic financial concepts; (2) evaluate the current provision of financial literacy education in public schools; (3) assess the utility of financial literacy education as part of primary and secondary education; (4) study the current ability of consumers over the age of 21 to understand basic financial concepts; and (5) identify the problems created for average consumers who lack financial literacy. A final report is due by December 1, 2008.

Higher Education

Funding

Every segment of higher education will receive a general fund increase in fiscal 2009. Combined, funds from the new Higher Education Investment Fund (HEIF) and general funds total $135.0 million in fiscal 2009, a 9.4 percent increase as shown in **Exhibit L-3**.

Exhibit L-3
General and Higher Education Investment Funds for Maryland Institutions of Higher Education
Fiscal 2008 and 2009
($ in Thousands)

	FY 2008	FY 2009	$ Change FY 08 - 09	% Change FY 08 - 09
University System of Maryland	$1,004,918	$1,103,438	$98,520	9.8%
Morgan State University	67,634	75,593	7,959	11.8%
St. Mary's College	16,367	17,073	706	4.3%
MD Higher Ed. Comm. Special Grants	10,358	13,158	2,800	27.0%
Community Colleges[1]	241,701	262,896	21,196	8.8%
Baltimore City Community College[2]	39,698	40,988	1,290	3.3%
Private Institutions	56,051	58,580	2,529	4.5%
Total	**$1,436,727**	**$1,571,726**	**$135,000**	**9.4%**

Note: Includes $24.7 million of general funds in fiscal 2009 that will be transferred from the Department of Budget and Management appropriation to the University System of Maryland (USM) and Morgan for the cost-of-living adjustment (COLA) for State employees. General funds received in fiscal 2008 for the COLA are also included.
[1] Community College funds include the Senator John A. Cade formula, other programs, and fringe benefits.
[2] Fiscal 2008 BCCC funding includes a $750,000 deficiency appropriation.

Source: Maryland State Budget Books; Department of Legislative Services

Higher Education Investment Fund

The Higher Education Investment Fund (HEIF) created during the 2007 special session as part of the Tax Reform Act of 2007 (Chapter 2) increased the corporate income tax rate from 7 percent to 8.25 percent and dedicated 6 percent of corporate tax revenues to higher education through the fund. Fiscal 2008 revenue is specified in the Tax Reform Act at $16.0 million and $54.3 million is estimated for fiscal 2009. Across the segments of higher education, $69.9 million in HEIF is appropriated or authorized to be accessed by budget amendment. With the exception of St. Mary's College of Maryland (SMCM), all public four-year institutions received special funds from HEIF in fiscal 2009.

HEIF is appropriated to fund an in-state undergraduate tuition freeze ($16.3 million) at all public four-year institutions except SMCM. HEIF also supports a portion of mandatory costs ($30.7 million), program enhancements ($3.3 million), workforce development initiatives ($8.0 million), and enrollment support ($11.6 million).

The increase in special grants from the Maryland Higher Education Commission (MHEC) is primarily attributable to $3.0 million from HEIF, of which $2.6 million is for workforce initiative grants to meet the needs of the State for the 2005 Base Realignment and Closure. The other $400,000 will be provided to the six regional higher education centers administered by MHEC. The regional higher education centers will also receive an additional $400,000 through a budget amendment from HEIF, thereby increasing the overall funding in fiscal 2009 from $850,000 to $1,650,000.

Tuition Frozen for Third Consecutive Year

In an effort to continue to make college more affordable for Maryland residents, the tuition freeze established under the Tuition Affordability Act, Chapters 57 and 58 of 2006 and continued by Chapter 294 of 2007, will be extended for a third year for resident undergraduate students at University System of Maryland (USM) institutions and Morgan State University (MSU) for the 2008-2009 academic year. The HEIF funds being used to support the freeze equate to what would have been an approximate 4 percent increase at the USM institutions and a 5 percent increase at MSU. St. Mary's College of Maryland is unaffected by the freeze, and tuition will increase by 5 percent in fall 2008 for the second year in a row.

Four-year Institutions

USM will receive an increase of $98.5 million, of which $38.9 million is general funds and $59.6 million is special funds from HEIF, an increase of 9.8 percent over fiscal 2008. This includes $15.5 million to offset the loss of tuition revenue so USM institutions can freeze resident undergraduate tuition for a third year. State funding provides for an increase of 4 percent per full-time equivalent student (FTES), after making adjustments for certain new expenses. Additional funds will support ongoing operating costs, program enhancements, and the enrollment of additional students at 10 institutions.

MSU receives a total increase of $8.0 million, of which $1.1 million is general funds and $6.9 million is special funds from HEIF, or 11.8 percent over fiscal 2008. General and HEIF funds will support ongoing operating expenses, enrollment growth, and initiatives. The increase in general funds at SMCM is $705,934 or 4.3 percent over fiscal 2008, which is 1.6 percent higher than the formula funding required by statute.

State aid for private institutions, through the Joseph A. Sellinger Program, increases $2.5 million over fiscal 2008, or 4.5 percent. This equates to aid per nonpublic FTES of 15.2 percent of the per student general fund support for selected four-year public institutions in the previous year, below the 16 percent level mandated in statute.

Community Colleges

Fiscal 2009 funding through the Senator John A. Cade funding formula grows by 4.0 percent per FTES over fiscal 2008. With enrollment increases at the colleges, this amounts to an 8.4 percent, or $16.4 million increase over fiscal 2008. The fiscal 2009 appropriation represents 25.3 percent of the per student funding that selected public four-year institutions received in the previous year, short of the statutorily mandated 26.25 percent. When additional State funds for fringe benefits and other programs are included, the overall community college increase is $21.2 million, or 8.8 percent. Community colleges also receive other revenues from the State, tuition and fee revenues, and appropriations from local governments.

BCCC, as the only State-run community college, has its own formula, which for fiscal 2009 sets State support at 67.25 percent of the prior year State appropriations per FTES at selected four-year public institutions. BCCC receives a $1.3 million, or 3.3 percent, increase in general funds in fiscal 2009.

Higher Education Funding Model Commission

In addition to establishing the initial tuition freeze at public institutions of higher education, Chapters 57 and 58 of 2006 established the Commission to Develop the Maryland Model for Funding Higher Education to evaluate the relative roles of State general fund support and tuition and fees revenues at public institutions of higher education. Legislators, cabinet secretaries, representatives of the higher education community, members of the business community, and members of the public comprise the commission. The commission is charged with reviewing options and making recommendations relating to the development of a statewide framework for higher education funding that would be consistent and stable and ensure that all of Maryland's public higher education institutions are affordable and accessible to the State's residents. The commission must also make funding recommendations to ensure that Maryland's historically black institutions (HBIs) are comparable and competitive with other public institutions in the State.

Chapters 57 and 58 directed the commission to issue a final report of its findings and recommendations on or before December 31, 2007, and terminated the commission on May 1, 2008. However, ***House Bill 133*** ***(Ch. 45)*** requires the commission to submit an interim report of its findings and recommendations on or before December 31, 2007, extends the deadline for its final report to December 1, 2008, and terminates the commission on June 1, 2009. In addition, the bill adds the Lieutenant Governor as a member of the commission.

Higher Education Workforce Initiatives for the Base Realignment and Closure Process

Of the $69.9 million in HEIF spending authorized for fiscal 2009, $2.6 million has been appropriated to the Maryland Higher Education Commission to address higher education needs related to the Base Realignment and Closure (BRAC) process. ***House Bill 704*** ***(passed)*** alters related statutory provisions to allow money from HEIF to be used for higher education needs related to BRAC. The types of BRAC initiatives MHEC expects to fund include the expansion of campus capacity through the design and use of multimedia instruction and Internet-based course offerings; the enhancement of science-technology-engineering-math programs; expansion of adult learning initiatives; and the development of curricula and programs directly related to BRAC educational needs.

Student Financial Assistance

Parren J. Mitchell Scholarship Program

Parren J. Mitchell, a Baltimore native, is one of Maryland's distinguished citizens of the twentieth century. After graduating from the City's Frederick Douglass Senior High School in 1940 and serving as an officer during World War II, he received a bachelor's degree from Morgan State University. In 1950, he sued the University of Maryland, College Park to compel it to enroll him as its first black graduate student. Once enrolled, he completed his master's degree in sociology and was admitted to the school's honor society. During the 1960s, he served as executive secretary for the Maryland Human Relations Commission and during his tenure played a pivotal role in the statewide public accommodations law.

In 1970, Parren J. Mitchell was elected as Maryland's first black U.S. Congressman and he continued to represent Maryland's seventh Congressional District until retirement in 1987. Mitchell was the founder of minority business enterprise procurement law, having successfully shepherded legislation through enactment in 1976 that compelled state, county, and municipal governments seeking federal grants to set aside 10 percent of the money to retain minority firms as contractors and subcontractors.

House Bill 1287 ***(passed)*** honors the legacy of Congressman Mitchell by establishing the Parren J. Mitchell Public Service Scholarship under the State's Workforce Shortage Student Assistance Grant Program. Students who pledge to work as public servants in the fields of nursing and social work or in other public or nonprofit fields in workforce shortage areas in the State on completion of their studies would be eligible to receive the Parren J. Mitchell Public Service Scholarship in an amount ranging from $1,000 to 50 percent of the cost of attendance at the student's institution of higher education.

Maryland Graduate and Professional Scholarship Program

A recipient of a graduate and professional scholarship must be a Maryland resident, demonstrate a financial need, and attend one of several designated graduate and professional schools offering programs in medicine, dentistry, law, pharmacy, social work, veterinary medicine, or nursing. The fiscal 2009 State budget includes $1.5 million for the program, the same amount that was appropriated in fiscal 2007 and 2008. The University of Maryland School of Pharmacy is one of the designated graduate and professional schools at which a student may use a scholarship. ***Senate Bill 141*** ***(passed)*** expands eligibility under the program to include students who attend any institution of higher education in the State offering a first professional degree in pharmacy. The College of Notre Dame has added a first professional degree in pharmacy program and several other higher education institutions in the State are considering adding similar programs.

Veterans of the Afghanistan and Iraq Conflicts Scholarship

The Veterans Advocacy and Education Act of 2006 (Chapter 290) established the Veterans of the Afghanistan and Iraq Conflicts Scholarship Program to provide postsecondary education scholarships to veterans returning from Afghanistan and Iraq. A scholarship may be awarded for up to five years of full-time study or eight years of part-time study. In fiscal 2008, 126 veterans are receiving scholarships totaling approximately $600,000 through the program. The proposed fiscal 2009 State budget includes $750,000 for the program and it is projected that about 155 veterans will receive scholarships averaging $4,935 each. ***Senate Bill 608*** ***(passed)*** extends the deadline for awarding an initial scholarship under the program from June 30, 2012 to June 30, 2016. The Office of Student Financial Assistance is authorized to continue to renew scholarships for eligible recipients after the June 30, 2016 deadline until the recipient's eligibility is exhausted.

Other Higher Education Legislation

College Savings Plans of Maryland

The College Savings Plans of Maryland Board operates two college savings programs established under State law: the Maryland Prepaid College Trust and the Maryland College Investment Plan. Account holders may enroll directly in the programs and per contract (the prepaid trust) and per account (the investment plan), a taxpayer may subtract up to $2,500 per year from Maryland taxable income for contributions made to Maryland's college savings plans. Contributions exceeding $2,500 may be carried over for 10 successive years. Earnings on money invested in the college savings plans are not subject to State or federal taxes as long as the funds are used for eligible college expenses.

House Bill 1534 ***(passed)*** authorizes the board to establish a Maryland Broker-Dealer College Investment Plan to enable Maryland families who invest through private investment advisors to participate in college savings plans that will result in State income tax benefits. Under the bill, Maryland taxpayers who invest in a college savings plan distributed by brokers and dealers will be allowed to deduct up to $2,500 annually in contributions to the plan from their taxable income for purposes of State and local income taxes, beginning with tax year 2008. However, a taxpayer may not take the subtraction modification under the broker-dealer plan and the subtraction modification currently available through the Maryland College Investment Plan in the same tax year for the same beneficiary. The College Savings Plans of Maryland Board must administer the broker-dealer plan in compliance with Internal Revenue Service standards for qualified State tuition programs. After several years, the bill may reduce general fund revenues by close to $5.0 million annually due to the subtraction modification that will be available to account holders under the new broker-dealer plan.

Plans for Cultural Diversity

A "Halloween in the Hood" fraternity party at Johns Hopkins University in the fall of 2006 caused a stir on the Hopkins campus and in the wider community with many observers suggesting that the fraternity party was offensive and possibly representative of underlying racial tensions on the campus. Ultimately, the fraternity that hosted the party was placed on social probation which resulted in it not being allowed to hold parties or other social events until January 2008. ***Senate Bill 438***/***House Bill 905*** ***(both passed)*** direct public institutions of higher education to develop and implement programs for cultural diversity and require independent institutions of higher education that receive State funding under the Sellinger formula to report on the programs at the institutions that promote and enhance cultural diversity. Under the bill, "cultural diversity" is defined to mean the inclusion of those racial and ethnic groups and individuals that are or have been underrepresented in higher education.

Credit Card Marketing Activities and Merchandising Conducted on Campus

Promotional "giveaways" are a common marketing technique often used by credit card issuers in order to obtain new customers. According to the 2005 Nellie Mae report on credit card usage by undergraduate students, credit card use increases as undergraduates progress through school. For example, 91 percent of final year undergraduates have a credit card, as compared to 42 percent of freshmen. Moreover, 56 percent of final year students have four or more credit cards, compared to 15 percent of freshmen. Final year students also have an average outstanding credit card balance of $2,900, compared to $1,600 for freshmen. The report notes that undergraduates who were surveyed on the topic indicated that direct mail solicitation was the primary source for choosing a credit card, with parental referral as the second most common choice.

To help college students be better informed about the benefits and pitfalls of credit cards, ***House Bill 1210*** ***(passed)*** requires each institution of higher education in the State to develop policies regarding credit card marketing activities and merchandising conducted on its campus. The bill requires that the policies adopted by an institution include (1) a requirement that credit card issuers inform students about good credit management practices through a program developed in conjunction with the institution; (2) a requirement that, on request, the policy be available to all students; and (3) consideration of registering credit card issuers conducting marketing activities on campus, limiting credit card marketing activities, and prohibiting merchandising unless a student is provided credit card debt education literature. The bill's requirements, however, do not apply to any credit card marketing activities or merchandising conducted by credit card issuers in newspapers, magazines, or other similar publications or within financial institutions located on campuses.

College Textbook Competition and Affordability

The dramatic and continuing rise in the cost of college textbooks has gained increasing attention from policymakers and interest groups in recent years. With the 2004 release of "Rip-off 101," the U.S. Public Interest Research Group (PIRG) launched an effort to inform the public about practices by textbook publishers that, according to PIRG, resulted in higher college textbook prices. A July 2005 report from the U.S. Government Accountability Office (GAO-05-806) found that college textbook prices increased by 186 percent from 1986 to 2004, more than twice the rate of inflation but still less than the 240 percent increase in tuition over the same period. The report concludes that "many factors affect textbook pricing, [but] the increasing costs associated with developing products designed to accompany textbooks, such as CD-ROMs and other instructional supplements, best explain price increases in recent years." Different sources have estimated that the increase in costs associated with the "bundling" of textbooks with supplementary materials is 10 to 30 percent.

In the U.S. Congress, the College Opportunity and Affordability Act was passed by the U.S. House of Representatives on February 7, 2008. The measure attempts to address the concerns about college textbook prices by requiring publishers to provide unbundled versions of textbooks and more pricing information to course instructors as they choose textbooks for their students. The legislation also requires institutions of higher education to make International Standard Book Numbers or other details about textbooks available to students on course schedules. The bill is pending in the U.S. Senate.

Senate Bill 657/House Bill 1067 (both failed) would have required public institutions of postsecondary education in the State to develop and implement specific practices and processes relating to textbook selection and adoption. The bill also would have mandated the disclosure of specific information about textbooks for commercial textbook publishers and institutions of postsecondary education, and would have required publishers and campus bookstores to provide and sell textbooks and supplemental materials in the same manner as selected by faculty. The legislation also would have established reporting requirements applicable to institutions of higher education, MHEC, and USM.

Miscellaneous

Adult Education

For several years, the General Assembly has expressed concern about the availability of adult education and literacy services in the State and the funding for these programs. There are between 750,000 and 1 million individuals in Maryland who would benefit from adult education and literacy services. Current programs enroll 5 percent of this population, and the programs have an annual waiting list of 5,000.

The Maryland State Department of Education (MSDE) administers and funds the Adult Education and Literacy Program in the State through competitive grants awarded in accordance with the State Plan for Adult Education and Family Literacy. The grants provide support for general education development (GED) instruction, adult external high school programs, instruction in English for nonnative speakers, and other literacy programs. In most counties, the local school systems provide adult education programs. However, several jurisdictions provide services through community colleges, community groups, or the public library system.

MSDE also administers a correctional education program in conjunction with the Department of Public Safety and Correctional Services (DPSCS). Incarcerated adults who fail to meet a minimum educational standard are provided basic education, adult secondary education, occupational preparatory programs, and library services through MSDE's Division of Correctional Education.

Transfer of Adult Education Programs

Recognizing that significant overlap may exist between the populations in need of adult education and workforce development programs, ***Senate Bill 203*** ***(passed)*** transfers adult education and literacy services and education programs for correctional institutions from MSDE to the Department of Labor, Licensing, and Regulation (DLLR) on July 1, 2009. As a result of the transfer, adult education and correctional education programs will be under the same agency as workforce development programs.

The bill also establishes a Workforce Creation and Adult Education Transition Council to make recommendations for the seamless transition and integration of these programs. The Secretary of Labor, Licensing, and Regulation and the State Superintendent of Schools will serve as co-chairs of the council, which is composed of members of the legislature and various stakeholders in the adult education, higher education, and workforce development communities. The council is charged with assisting in the development of a new State plan for adult education and making recommendations on a new delivery system for services that will align adult education and correctional education with workforce development programs. The council's report will also include an analysis of the transfer of employees in the correctional education program who have shared responsibilities for the juvenile services education program, which will remain at MSDE. The council will submit a report of its recommendations by December 31, 2008.

To reflect the transition's goal of a coordinated delivery of adult education and workforce development for all adults, the Education Coordinating Council for Correctional Institutions, which oversees the provision of services in the correctional education program, will be renamed the Education and Workforce Training Coordinating Council for Correctional Institutions. This new council will be under the jurisdiction of DPSCS and DLLR.

After the transition, not all adult students will be served by DLLR. DLLR will be responsible for the development of the State plan for adult education and literacy services and its submission to the U.S. Department of Education. However, the State Board of Education will continue to issue Maryland high school diplomas to graduates of the Adult External High School Diploma program, and diplomas for students who complete the GED program will be issued pursuant to regulations developed by the Secretary of Labor, Licensing, and Regulation and the State Board of Education.

Current grants and funding contracts for the adult education program awarded prior to July 1, 2008, will continue through fiscal 2009 and 2010 without rebidding unless a grantee or contractor requests otherwise. Any grants awarded during fiscal 2009, the transition year, must be made in consultation with MSDE and DLLR. The fiscal 2009 budget contained a supplemental appropriation of $500,000 for adult education, contingent on the enactment of ***Senate Bill 203*** which will bring the State funding to $7,433,622 in fiscal 2009.

Since adult education services are provided through a network of providers, and instructors in the correctional education program are based at institutions throughout the State, the transition will require 46 State employees to move from MSDE to DLLR. All employees whose positions are transferred will be employees of DLLR on July 1, 2009, with no change to their rights, benefits, or employment status. The transfer is estimated to cost $200,000 in one-time costs to prepare office space and physically move the offices from MSDE to DLLR. Ongoing costs of approximately $200,000 will begin in fiscal 2010 to replace two coordinator positions that will be transferred to DLLR under the bill but who are responsible for other programs and services that will continue at MSDE.

For a further discussion of ***Senate Bill 203***, see the subpart "State Agencies, Offices, and Officials" within Part C – State Government of this *90 Day Report*.

Funding for Adult Education and Literacy Programs

Chapter 305 of 2005 required additional State funding for adult education programs and required MSDE to establish an ongoing method of funding for adult education and literacy services so that the waiting list for these programs could be reduced to the greatest extent possible.

In response to this legislative request, a Superintendent's Panel on Excellence in Adult Education was established and released a final report, *Stepping Up to the Future*, on December 1, 2005. The superintendent's panel developed a formula to calculate the amount of funding that would be needed to provide adequate educational services to different populations in need of adult education services. Legislation has been introduced each year since 2006 to implement the proposed formula.

***Senate Bill 647*/*House Bill 978* (both failed)** would have established a funding formula for adult education and literacy services that was very similar to the one proposed by the Superintendent's panel. Under the bills, beginning in fiscal 2010, MSDE would have been required to provide competitive adult education grants to eligible local adult education providers using the new formula. The new formula would have been fully phased-in in fiscal 2014. In fiscal 2014, the proposed formula would have required a $29.8 million increase in State funding. The fiscal 2009 budget contains $7.4 million in State general funds and $7.5 million in federal funds for these programs.

Promotion of Available Adult Education Services

Some adults who would benefit from adult education services are not aware of how to obtain services and where programs are offered in their local area. ***Senate Bill 773* (passed)** requires MSDE to annually compile a list by county of adult education and literacy services offered to the public. MSDE must distribute the list to the local boards of education and superintendents of schools and must post the list on its public web site.

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