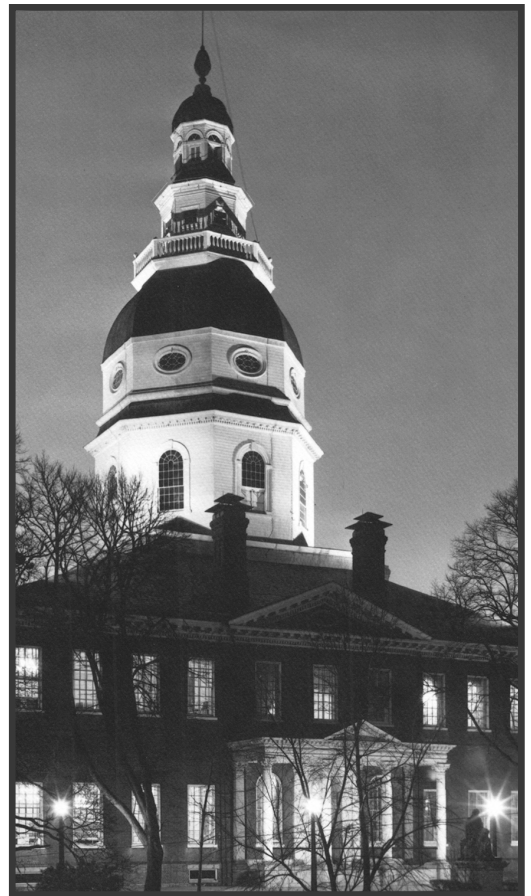


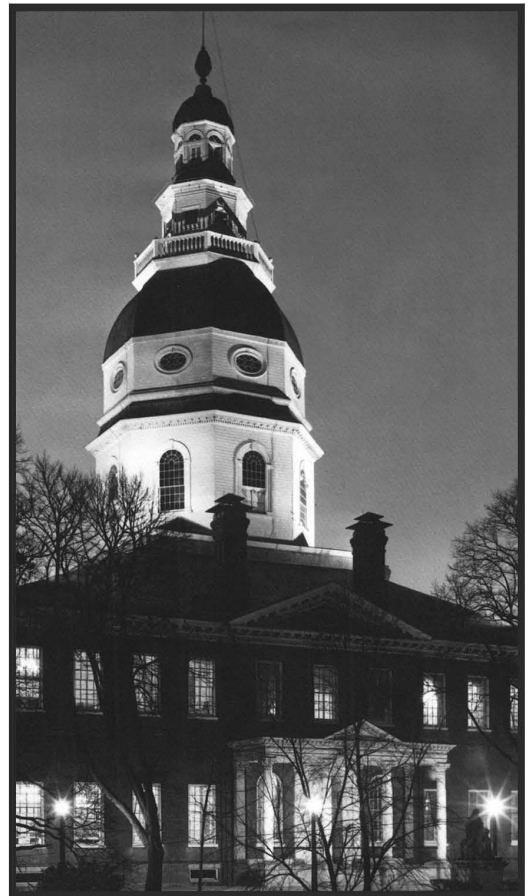
MAJOR ISSUES REVIEW



2011-2014

Department *of* Legislative Services
MARYLAND GENERAL ASSEMBLY

MAJOR ISSUES REVIEW



2011-2014

Department *of* Legislative Services
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF THE EXECUTIVE DIRECTOR
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

June 4, 2014

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

Ladies and Gentlemen:

I am pleased to present to you the *Major Issues Review 2011-2014*.

This document summarizes legislative activity over the four-year term. It includes discussion of all major enacted legislation, significant bills that did not pass, and gubernatorial vetoes of major legislation.

Information about the operating and capital budgets, as well as aid to local governments, is presented in Part A. Also included in Part A are relevant comparative data relating to State expenditures during the 2011-2014 term.

Like *The 90 Day Report* on the 2014 session, the four-year *Major Issues Review* is divided into 12 major parts which are listed in the contents. An alphabetical checklist of major issues considered during the 2011-2014 term is also provided, as well as an index which converts the chapter numbers for each session to their respective bill numbers.

I hope that you find the *Major Issues Review* as helpful a document as you have found similar four-year review documents that were prepared in the past. If you have any questions about the contents of this document, please contact me.

Sincerely,

Karl S. Aro
Executive Director

KSA/ncs

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Part A

Budget and State Aid

Operating Budget

Overview

The Great Recession of 2008 continued to affect State finances during the 2011 to 2014 legislative term. Additional federal support provided through the American Recovery and Reinvestment Act of 2009 (ARRA), the Education Jobs Fund, and other federal aid expired at the end of fiscal 2011 and required replacement with \$1.5 billion in general funds. Economic growth continued, but at a tepid pace, thus, lawmakers were unable to rely on the economy to address a persistent general fund structural deficit in the range of \$2.0 billion. In December 2010, the Spending Affordability Committee (SAC) recommended a three-year plan to resolve the shortfall, predicated on a change in methodology from an annual growth limit to one focused on the adoption of ongoing spending reductions and enduring revenue actions. By the 2014 session, the projected fiscal 2015 deficit was reduced to a manageable \$236 million. Throughout this period, a balance of 5% was maintained in the Revenue Stabilization Account, or “Rainy Day” Fund, and Maryland maintained its “AAA” bond rating from all three rating agencies.

Balancing the Budget

Balancing the annual budget, while reducing the structural deficit, raised a series of complex challenges for elected officials in Maryland. The options were straightforward: raise revenue, cut spending, or adopt some combination of the two. Efforts to cut spending while protecting the social safety net and maintaining services represented one conundrum. Raising taxes and fees during a period of high unemployment without derailing the nascent economic recovery was another. Annual spending plans were crafted which relied on a combination of one-time actions, such as use of fund balances and transfers, with ongoing spending and/or revenue actions. In addition to the budget bill, annual budget reconciliation legislation was passed at each session. **Exhibit A-1.1** illustrates total revenues, transfers, and contingent reductions adopted during the 2011 through 2014 sessions, totaling \$2.3 billion over four years.

Exhibit A-1.1
Summary of Actions in Budget Reconciliation Legislation
Fiscal 2012-2015
(\$ in Millions)

<u>Agency Title</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Revenues	\$157.2	\$276.5	\$8.0	\$31.1	\$472.8
Transfers	227.7	145.0	147.4	70.1	590.2
Contingent Reductions	621.1	222.6	177.2	181.4	1,202.3
Total	\$1,006.0	\$644.1	\$332.6	\$282.6	\$2,265.3

Some of the more significant revenue and spending changes adopted through budget reconciliation legislation included:

- Imposition of hospital assessments which support the Medicaid program;
- State employee pension reform;
- Modifications to personal income tax rates and exemption amounts;
- Sharing teacher retirement costs with local jurisdictions;
- Modifying supplemental retirement contribution levels; and
- Diverting transfer taxes to the general fund.

Most of the transfers over the four years reflect the diversion of transfer tax revenues to the general fund, and this will continue through fiscal 2018. As **Exhibit A-1.2** shows, nearly \$700 million from the transfer tax will have been diverted to the general fund from fiscal 2012 to 2018. Nearly all of these funds have been, or will be, replaced with general obligation bonds in the capital budget.

Exhibit A-1.2
Transfer Tax Diversions to the General Fund
Fiscal 2012-2018
(\$ in Millions)

		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
HB 72	BRFA of 2011	\$94.5							\$94.5
SB 1301	BRFA of 2012		\$96.9						96.9
HB 102	BRFA of 2013			\$89.2	\$75.1	\$77.7	\$82.8	\$86.0	410.7
SB 172	BRFA of 2014				69.1				69.1
Total		\$94.5	\$96.9	\$89.2	\$144.2	\$77.7	\$82.8	\$86.0	\$671.2

BRFA: Budget Reconciliation and Financing Act

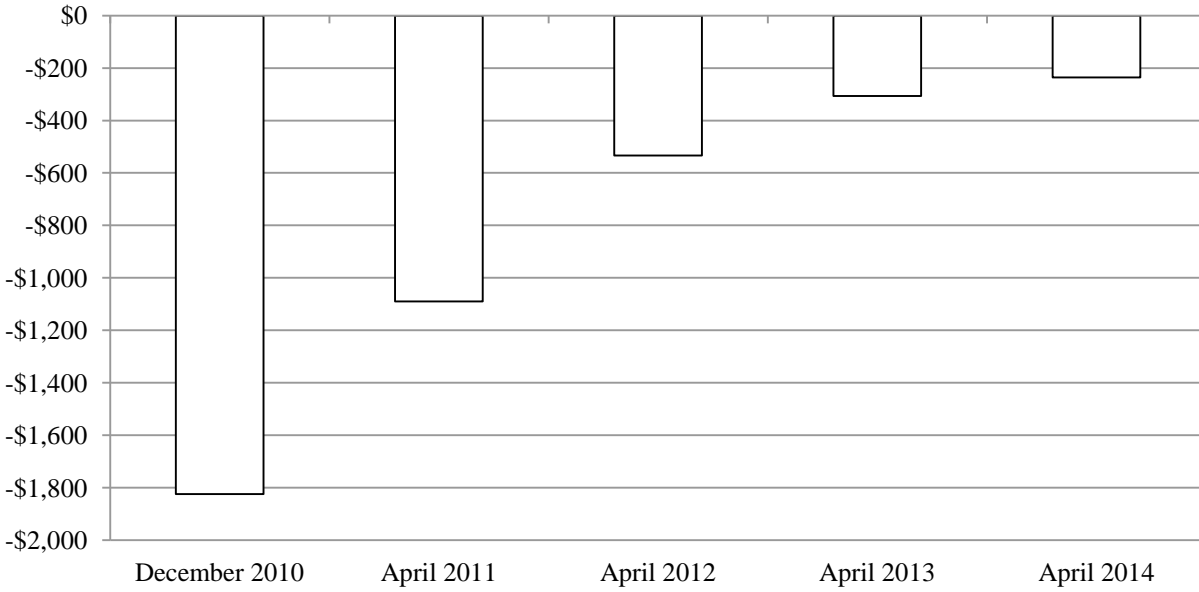
As noted, one of the main features of this term designed to address the structural deficit involved changes to the spending affordability methodology. **Exhibit A-1.3** includes the recommendation made for each session, the amount of the deficit reduced through revenue and spending actions, and the percent of the deficit resolved at each session.

Exhibit A-1.3
New Spending Affordability Methodology to Reduce the Structural Deficit
2011-2014 Sessions
(\$ in Millions)

<u>Session</u>	<u>Recommendation</u>	<u>Amount Reduced</u>	<u>% of Deficit</u>
2011 Session	Reduce structural deficit by 33.3% through spending cuts	\$721	37%
2012 Session	Reduce structural deficit by 50.0% through revenues or cuts	559	51%
2013 Session	Reduce structural deficit by at least \$200 million through revenues or cuts	211	55%
2014 Session	Reduce structural deficit by at least \$125 million through revenues or cuts	126	35%

The success of this policy change is shown in **Exhibit A-1.4**. The estimated general fund structural deficit for fiscal 2015 decreased from estimates prepared in December 2010 to April 2014. In 2010, the fiscal 2015 shortfall was estimated to exceed \$1.8 billion. By April 2014, upon enactment of the fiscal 2015 budget and following the four years of incremental actions outlined in Exhibit A-1.3, the structural deficit was reduced by nearly 90%, to \$236 million.

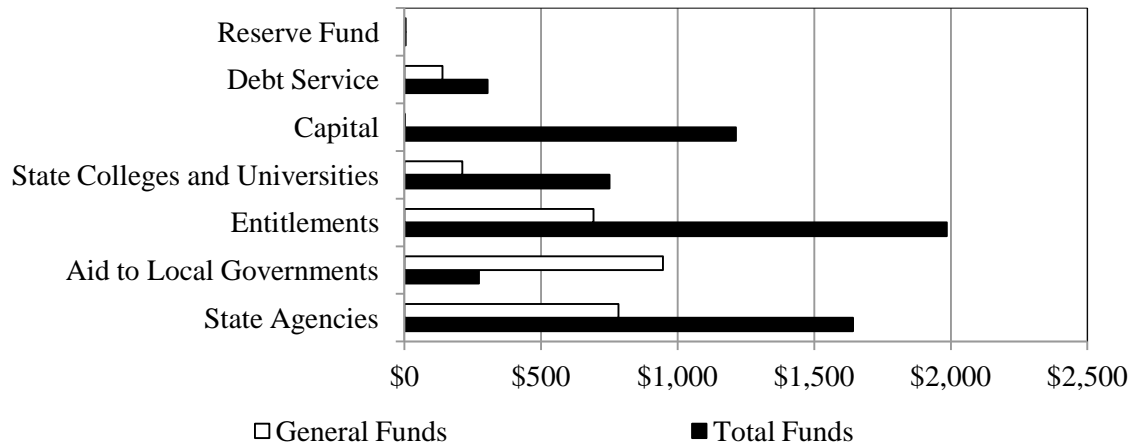
Exhibit A-1.4
Estimated Fiscal 2015 Structural General Fund Deficit
December 2010 to April 2014
(\$ in Millions)



Budget Change (Fiscal 2011 through 2015)

The change in State spending in the operating budget by major category of expenditure is shown in **Exhibit A-1.5**. General funds derive primarily from general tax revenues, such as income and sales taxes, and the State Lottery. Between fiscal 2011 and 2015, expenditures supported by general funds increased by 20.9%; from \$13.3 billion to \$16.1 billion. While this amounts to an increase of \$2.8 billion, approximately \$1.5 billion was due to a shift between federal and general fund sources. Following the Great Recession of 2008, the federal government provided substantial aid to State and local governments, primarily through the ARRA. Maryland also benefitted from one-time Education Jobs Funds, to support education employment, and Race-to-the-Top (RTTT) incentive grants. Absent this fund swap, general fund spending rose by only about \$1.2 billion, or 9.4%. Much of this growth was within State agencies due to employee compensation growth as well as higher retirement and health care expenditures.

Exhibit A-1.5
Budget Change by Category: Fiscal 2011-2015
(\$ in Millions)



General Funds

	<u>Actual 2011</u>	<u>Leg Appr. 2015</u>	<u>\$ Change</u>	<u>% Change</u>
State Agencies	\$4,579	\$5,363	\$783	17.1%
Aid to Local Governments	5,381	6,328	947	17.6%
Entitlements	2,149	2,841	692	32.2%
State Colleges and Universities	1,146	1,358	212	18.5%
Capital	11	13	2	15.7%
Debt Service	0	140	140	n/a
Reserve Fund	15	20	5	31.3%
	\$13,281	\$16,062	\$2,781	20.9%

Total Funds

	<u>Actual 2011</u>	<u>Leg Appr. 2015</u>	<u>\$ Change</u>	<u>% Change</u>
State Agencies	\$10,049	\$11,691	\$1,642	16.3%
Aid to Local Governments	7,590	7,863	273	3.6%
Entitlements	7,768	9,753	1,985	25.6%
State Colleges and Universities	4,793	5,544	751	15.7%
Capital	1,478	2,691	1,213	82.1%
Debt Service	991	1,295	304	30.7%
Reserve Fund	15	20	5	31.3%
	\$32,684	\$38,857	\$6,173	18.9%

Spending from all fund sources increased by \$6.2 billion, or 18.9%, between fiscal 2011 and 2015. State agencies accounted for \$2.4 billion of this growth, due to employee compensation and fringe benefit cost increases, as well as higher education spending. The Medicaid program grew by \$1.7 billion as enrollment surged following implementation of the federal Affordable Care Act (ACA). Continued growth in Supplemental Nutrition Assistance Program (SNAP) caseloads following the recession also drove entitlement growth. The passage of transportation revenue enhancements at the 2013 session spurred an uptick in pay-as-you-go (PAYGO) capital spending. In total this category rose by \$1.2 billion, or 82.1%, over the 2011 to 2014 legislative term.

Entitlement Programs: Spending on entitlement programs rose by \$2.0 billion, or 25%, between fiscal 2011 and 2015. Within this category Medicaid, which provides health care for low-income individuals, accounts for 80% of the total, or \$1.7 billion growth over the term. Much of this was due to enrollment, which included a significant expansion of Medicaid to 138% of the federal poverty level under the ACA effective January 1, 2014. Spending also increased due to utilization and Managed Care Organization rate increases. Underlying funding shifts also occurred in this program, as the State began imposing additional special fund hospital assessments in support of Medicaid during this period and also replaced ARRA funds that supported Medicaid in fiscal 2011. Entitlement spending also increased under Assistance Payments, which is mostly due to 100% federal funded SNAP program payments. Caseloads for this program have grown substantially since the 2008 recession.

Higher Education: Over the 2011 to 2014 legislative term, total spending on higher education grew by \$750.6 million, or 15.7%. State funds increased by \$267.1 million, thus, much of the total fund growth is attributable to tuition and fee revenue as well as grants and contracts from federal and other non-State sources. Unlike the last term, when undergraduate tuition was frozen, this term saw additional State aid provided to buy-down tuition to limit the rate of growth to 3.0% each year for most institutions.

Debt Service: Spending on debt service increased 30.7% since fiscal 2011 due to significant increases in general obligation debt authorizations. Additional debt was provided, in part, to help stimulate the economy following the Great Recession of 2008, but also due to historically low interest rates. Since the mid-2000s, property tax revenue was sufficient to make debt service payments from the Annuity Bond Fund, but home prices fell after the recession, and surplus Homestead Tax Credit balances were eventually depleted. This required an influx of general funds starting in fiscal 2014. The fiscal 2015 legislative appropriation provides \$1.3 billion for debt service, of which \$140 million is general funds.

Reserve Funds: Over the 2011 to 2014 legislative term, there has been minimal activity related to the Rainy Day Fund. Section 7-311 of the State Finance and Procurement Article requires the Governor to include unappropriated funds in excess of \$10 million at closeout in the next session's allowance. In each of the past four years, these amounts have been included in the allowance but subsequently reduced during legislative consideration of the budget in order to retain the funds in the general fund balance. This balance has served as one-time funding to support the budget, in conjunction with other actions. The amounts actually appropriated to the

Rainy Day Fund in fiscal 2011 and 2015, totaling \$15 million and \$20 million, respectively, represent sums needed to ensure a balance of at least 5% of general fund revenues.

Local Aid: Aid to local governments grew modestly over the last four years, increasing by \$273.1 million (3.6%). However, this trend masks a large cost shift from federal aid to State general funds, due to the expiration of the ARRA, one-time Education Jobs Funds, and RTTT incentive grants. Federal aid to education decreased by \$675.5 million, while general fund support grew by \$829.2 million. Most of the education aid growth during this period can be attributed to formula fund increases, chiefly for low-income students. The growth is offset by a savings in excess of \$100.0 million in teacher retirement expenses. **Chapter 1 of the First Special Session of 2012** shared a portion of this expense with local jurisdictions. General aid to counties grew by \$96.0 million (20.0%) due to the restoration of police aid, growth in highway user revenues, a one-time grant for municipal road improvements, and modifications to the Disparity Grant Program.

PAYGO Capital: The fiscal 2015 legislative appropriation included \$12.5 million in general fund PAYGO and \$2.7 billion for PAYGO from all fund sources. Shortfalls in the general fund budget have limited the funding available for PAYGO, with the bulk allocated to the Sustainable Communities Tax Credit Program. Relative to fiscal 2011, there is an increase of \$1.2 billion, or 82%, in total funds allocated for PAYGO. Most of the growth is found in the transportation area, following enactment of **Chapter 429 of 2013**, which increased the gasoline tax and other revenues to the Transportation Trust Fund. The increase has enabled the State to address highway infrastructure needs and to continue development of two major transit projects. An additional \$81.0 million appears in the fiscal 2015 legislative appropriation for the Maryland Department of the Environment to continue upgrading of 67 wastewater treatment plants with enhanced nutrient removal technology.

State Agencies: Spending on State agencies grew by \$1.6 billion in total funds. Most of this growth, totaling \$1.1 billion, was for personnel related expenses. As seen in the Personnel subpart of this part, the State government added 1,362 regular positions since fiscal 2011. Approximately 82.0% of these were created in the area of higher education in response to growth of 3.5% in enrollment between fiscal 2011 and 2015, as well as the receipt of additional non-State sourced grants and contracts. Employee compensation during this term added a cumulative 7.0% in general salary increases, in addition to merit increases in fiscal 2014 and 2015. Approximately \$317 million was added for the State's share of retirement contributions. After the Great Recession of 2008, the value of the retirement system's assets fell significantly; therefore, higher contribution rates were needed to address the normal cost and the additional expense of larger unfunded liabilities. Health insurance expenses grew by \$119 million, reflecting additional employees, inflation, and utilization. Operating expenses grew nominally during this period, with the largest increase of over \$200 million for Developmental Disabilities Administration provider payments.

Personnel

As seen in **Exhibit A-1.6**, the number of regular positions increased by a net 1,362 positions, or 1.7%, of the workforce from fiscal 2011 to 2015. If higher education is excluded, the number of positions in the Executive Branch increased slightly from 50,831 in fiscal 2011 to 51,074 in fiscal 2015, an increase of 243 positions, or 0.5%. Most of the increase in the Executive Branch is attributable to positions at the Maryland Department of Transportation (307 positions) and Financial and Revenue Administration agencies (130 positions), mostly at the State Lottery and Gaming Control Agency. These increases in positions are offset by reductions in the health and human services agencies (297 positions). Higher education, which is authorized to create its own positions, increased by 1,117 positions, or 4.6%, from fiscal 2011 to 2015. The increase in higher education positions accounts for 82.0% of the total increase in all positions during fiscal 2011 to 2015.

Unlike the previous four-year term, State employees experienced increases in compensation during the 2011 to 2014 legislative term. In fiscal 2012, furloughs ended and State employees received a one-time bonus of \$750. A cost-of-living adjustment (COLA) totaling 2% was provided on December 31, 2012, and represented the first ongoing salary increase since fiscal 2009. During fiscal 2014, a 3% COLA was effective January 1, 2014, and merit increases were effective April 1, 2014. The merit increase in fiscal 2014 was the first since fiscal 2009. Similar to fiscal 2014, the fiscal 2015 budget includes a 2% COLA effective January 1, 2015, and merit increases effective July 1, 2014. In addition to the compensation increases outlined, State employees also received two additional health insurance premium holidays in fiscal 2014 and 2015 due to a higher than expected balance in the health insurance account.

Budget Outlook

As shown in **Exhibit A-1.7**, fiscal 2015 is projected to end with a \$83 million fund balance. This is \$44 million less than the projected fiscal 2014 fund balance. Primary reasons for the lower fund balance are that ongoing spending exceeds ongoing revenues by \$236 million, appropriations into the reserve fund total \$20 million, and one-time reductions total \$119 million. The structural deficit increases to \$404 million in fiscal 2016, which is \$168 million more than fiscal 2015. Fiscal 2016 has an estimated \$395 million cash shortfall, due to:

- \$247 million for additional debt service costs;
- \$67 million for increased employee and retiree health insurance costs;
- \$50 million for the mandated Program Open Space (POS) repayment;
- \$50 million for the phase-in of \$300 million supplemental retirement payments;

Exhibit A-1.6
Change in Regular Full-time Equivalent Positions
Fiscal 2011-2015

<u>Department/Service Area</u>	<u>Actual 2011</u>	<u>Leg Appr. 2015</u>	<u># Change 2011-2015</u>	<u>% Change 2011-2015</u>
Health and Human Services				
Health and Mental Hygiene	6,388	6,408	19	0.3%
Human Resources	6,677	6,502	-175	-2.6%
Juvenile Services	2,219	2,078	-141	-6.4%
Subtotal	15,284	14,988	-297	-1.9%
Public Safety				
Public Safety and Correctional Services	11,223	11,136	-87	-0.8%
Police and Fire Marshal	2,402	2,450	48	2.0%
Subtotal	13,625	13,586	-39	-0.3%
Transportation	8,849	9,156	307	3.5%
Other Executive				
Legal (Excluding Judiciary)	1,465	1,505	40	2.7%
Executive and Administrative Control	1,601	1,647	47	2.9%
Financial and Revenue Administration	1,979	2,109	130	6.6%
Budget and Management	436	448	12	2.8%
Retirement	207	205	-2	-1.0%
General Services	588	594	6	0.9%
Natural Resources	1,289	1,305	16	1.2%
Agriculture	406	385	-20	-5.0%
Labor, Licensing, and Regulation	1,665	1,646	-19	-1.1%
MSDE and Other Education	1,938	1,984	46	2.4%
Housing and Community Development	308	341	33	10.7%
Business and Economic Development	233	219	-14	-6.0%
Environment	959	958	-1	-0.1%
Subtotal	13,073	13,345	272	2.1%
Executive Branch Subtotal	50,831	51,074	243	0.5%
Higher Education	24,222	25,339	1,117	4.6%
Across-the-board Reduction		-150	-150	
Executive and Higher Education Subtotal	75,053	76,263	1,210	1.6%
Judiciary	3,581	3,733	151	4.2%
Legislature	747	748	1	0.1%
Total	79,382	80,744	1,362	1.7%

MSDE: Maryland State Department of Education

Totals may not sum due to rounding.

Exhibit A-1.7
General Fund Budget Outlook
Fiscal 2014-2019
(\$ in Millions)

	Working 2014	Leg.Approp. 2015	Est. 2016	Est. 2017	Est. 2018	Est. 2019	Avg. Annual Change 2015-19
Revenues							
Opening Fund Balance	\$502	\$127	\$83	\$0	\$0	\$0	
Transfers	86	94	27	28	30	35	
One-time Revenues and Legislation	4	1	0	0	0	0	
Subtotal One-time Revenue	\$592	\$222	\$110	\$28	\$30	\$35	-37.0%
Ongoing Revenues	\$15,118	\$15,924	\$16,686	\$17,475	\$18,243	\$18,930	
Revenue Adjustments and Legislation	0	-1	-35	-64	-104	-139	
Subtotal Ongoing Revenue	\$15,118	\$15,923	\$16,651	\$17,411	\$18,139	\$18,790	4.2%
Total Revenues and Fund Balance	\$15,710	\$16,145	\$16,761	\$17,439	\$18,169	\$18,825	3.9%
Ongoing Spending							
Operating Spending	\$15,995	\$16,556	\$17,444	\$18,128	\$18,945	\$19,741	
VLT Revenues Supporting Education	-385	-407	-419	-535	-563	-570	
Multi-year Commitments	10	10	10	10	0	0	
Ongoing Spending – Legislation	0	0	19	33	41	50	
Subtotal Ongoing Spending	\$15,620	\$16,159	\$17,055	\$17,636	\$18,423	\$19,221	4.4%
One-time Spending							
PAYGO Capital	\$33	\$3	\$1	\$1	\$1	\$1	
One-time Reductions	-126	-119	0	0	0	0	
Appropriation to Rainy Day Fund	55	20	100	50	50	50	
Subtotal One-time Spending	-\$38	-\$97	\$101	\$51	\$51	\$51	
Total Spending	\$15,583	\$16,061	\$17,156	\$17,687	\$18,474	\$19,272	4.7%
Ending Balance	\$127	\$83	-\$395	-\$248	-\$305	-\$446	
Rainy Day Fund Balance	\$763	\$795	\$835	\$874	\$913	\$947	
Balance Over 5% of GF Revenues	7	0	0	0	0	0	
As % of GF Revenues	5.05%	5.00%	5.00%	5.00%	5.00%	5.00%	
Structural Balance	-\$502	-\$236	-\$404	-\$225	-\$284	-\$430	

GF: general fund
 PAYGO: pay-as-you-go
 VLT: video lottery terminal

- \$38 million to annualize the State employees' fiscal 2015 general salary increase;
- \$33 million lower revenues related to estate, earned income, and E-Nnovation legislation (discussed further, following); and
- \$15 million to support cost increases related to the minimum wage increase, library formulas, and E-Nnovation (discussed further, following).

General fund revenues are expected to increase by 4.6% from fiscal 2015 to 2016. To eliminate the imbalance between ongoing revenues and spending in fiscal 2016, ongoing revenues would need to grow 7.1%.

State law provides that a \$50 million appropriation is required if the Rainy Day Fund balance is less than 7.5% of revenues and a \$100 million appropriation if the fund balance is less than 3.0% of revenues. The out-year forecast assumes \$50 million in appropriations from fiscal 2016 to 2019.

The forecast is impacted by legislation passed during the 2014 session. This includes reductions in taxes and increased expenditures. The most significant legislation affecting out-year revenues include:

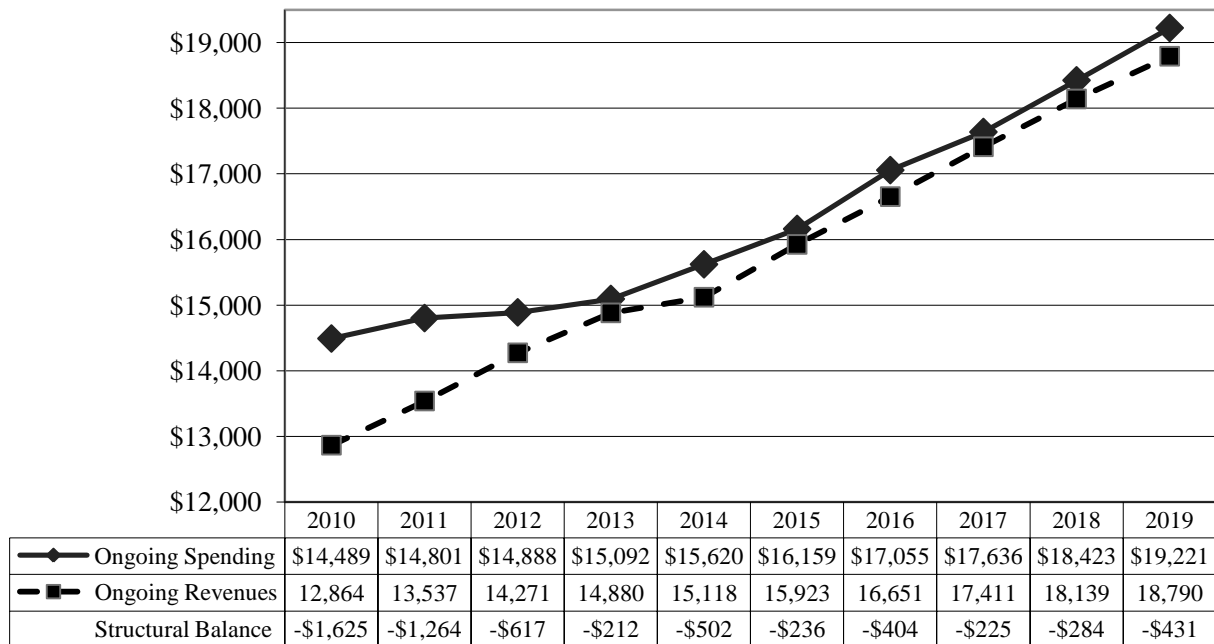
- **Chapter 612 of 2014** conforms the Maryland estate tax to the value of the unified credit under the federal estate tax. The bill is phased in from calendar 2016 to 2019. The practical effect is to increase the amount of the estate that can be excluded from \$1.5 million in calendar 2015 to an estimated \$5.9 million in 2019. The legislation is expected to reduce general fund revenues by \$21.3 million in fiscal 2016. This increases to \$104.7 million in fiscal 2019. When fully phased in, reduced revenues total \$153.6 million in fiscal 2021;
- **Chapter 389 of 2014** expands the refund for low- and moderate-income individuals from 25.0 to 28.0% of the federal earned income credit. Low- and moderate-income workers may be eligible for a federal credit. If the credit exceeds taxes due, the worker can receive a direct payment. Maryland has a similar provision that is linked to the federal credit. The increased credit is phased in over four years. Revenues decrease from \$4.3 million in fiscal 2016 to \$26.6 million in fiscal 2019; and
- **Chapters 532 and 533 of 2014** create a fund into which revenues attributable to a portion of the State admissions and amusement tax, and additional required contributions are deposited. The purpose of the fund is to provide higher education research endowments, upon securing private matching funds. The law requires that the fund receive at least \$8.5 million from fiscal 2016 to 2021. Lost revenues are expected to range between \$5.1 million and \$7.3 million between fiscal 2016 and 2019. To the extent that revenue is insufficient to provide a total of \$8.5 million annually, a general fund appropriation to make up the difference is required.

Legislation affecting expenditures include:

- **Chapter 262 of 2014** increases the State's minimum wage for most workers from \$7.25 an hour to \$10.10 an hour. The increase is phased in over four years beginning in January 2015. The law also requires that community providers for the developmentally disabled receive a 3.5% increase annually through fiscal 2019. The current services baseline forecast assumes a 2.0% annual increase for the community providers. The 3.5% requirement is expected to add \$8.0 million to fiscal 2016 expenditures. By fiscal 2019, State costs are expected to increase by \$35.0 million above the baseline forecast;
- **Chapter 500 of 2014** increases the per-capita funding amount that must be provided to regional resource centers and county public libraries. This increases fiscal 2016 costs by \$3.2 million. Costs are expected to grow over the forecast period to \$6.2 million in fiscal 2019; and
- **Chapter 498 of 2014** establishes minimum funding for the Maryland Library for the Blind and Physically Handicapped, which is now required to receive a grant that is at least 25% of the State funding provided to the State Library Resource Center. This increases fiscal 2016 expenditures by \$2.4 million. This grant increases modestly each year and totals \$3.0 million in fiscal 2019.

Exhibit A-1.8 shows that the structural deficit increases from \$236 million in fiscal 2015 to \$431 million in fiscal 2019. In March 2014, the Board of Revenue Estimates (BRE) reduced projected fiscal 2015 general fund revenues by \$111 million. This increased the fiscal 2015 structural deficit. In addition, as discussed, the General Assembly passed legislation increasing expenditures and decreasing revenues, which also widens the structural deficit in the out-years to about 2% of ongoing general fund spending.

Exhibit A-1.8
The General Fund Structural Deficit
Fiscal 2010-2019
(\$ in Millions)



Note: Fiscal 2009 through 2011 data reflects ongoing general fund spending supplanted by the American Recovery and Reinvestment Act of 2009. Fiscal 2013 data reflects ongoing spending and revenues associated with the Budget Restoration Fund.

2011 Session (Fiscal 2012)

Following the Great Recession of 2008, the State continued to face imposing general fund structural deficits. Buoyed by federal aid in fiscal 2009 through 2011, in fiscal 2012, the State needed to replace \$1.5 billion in expiring federal grants with general fund dollars. In December 2010, the general fund forecast showed a projected shortfall of \$2.0 billion in the fiscal 2012 budget. SAC determined that a multi-year plan was needed in order to address a deficit of this magnitude. SAC's methodology was changed from a year-over-year growth limit to one that directed the reduction of the structural shortfall over a three-year period. For the 2011 session, a recommendation was adopted to reduce the structural deficit by 33.3% through spending cuts. BRE projected 3.3% growth in general fund revenues for fiscal 2012, slightly less than projected ongoing spending growth.

The Governor proposed a combination of actions to balance the fiscal 2012 budget, including the use of nearly \$700 million in general fund balance, new revenues and transfers, and spending cuts. Among over \$300 million in new revenue assumptions were the estimate of added income and sales tax revenue from federal tax changes, revenue from tax clearances, and a change in the sales tax vendor credit. Transfers in excess of \$300 million were proposed from the transfer tax and PAYGO capital programs, highway user revenues, and other programs. A Voluntary Separation Program was expected to result in the abolition of 1,000 positions and related funds. Contingent reductions of more than \$400 million represented a large part of the plan, including pension reform for State employees. Employees were also expected to pay more for prescription drugs. The Governor also reduced baseline spending through cuts in discretionary spending, as well as a number of proposed cuts in mandated programs. The Governor's plan met the recommendation of SAC.

The legislature largely concurred with the major elements of the Governor's spending plan. **Exhibit A-1.9** contains the actions within budget reconciliation legislation that resolved \$1 billion of the shortfall.

Exhibit A-1.9
Budget Reconciliation Legislation
Chapter 397 of 2011
(\$ in Millions)

	<u>FY 2012</u>
Revenues	\$157.2
Transfers	227.7
Contingent Reductions	621.1
	\$1,006.0

Final action left a fiscal 2012 budget of \$34.2 billion, an increase of \$940.4 million, or 2.8%. The projected structural deficit was reduced by 37.0% in spending cuts, though, if ongoing revenue actions were considered, the deficit was actually reduced by 44.0%. The estimated fund balance of \$43.0 million was on top of 5.0% in the Rainy Day Fund, which held \$681.5 million.

2012 Session (Fiscal 2013)

The revenue picture improved in September 2012 when BRE increased its estimate by \$195 million for fiscal 2012, on the strength of corporate and income tax revenue. The structural deficit for fiscal 2013 was pegged at \$1 billion, leading SAC to recommend a further reduction

of 50% of the estimated deficit. Unlike the prior session though, the methodology was slightly modified to count both spending cuts and increases in ongoing general fund revenue.

The fiscal 2013 allowance again relied on a balanced plan that included new revenues, transfers, use of fund balances, and contingent reductions. Changes to personal income tax rates and exemptions were proposed, yielding an estimated \$182 million. Other proposals would increase revenues based on expanding the sales tax to Internet vendors and repeal of sales tax exemptions. In addition to the use of \$120 million in general fund balance, \$466 million in transfers constituted a large part of the plan to balance the budget. The largest items were \$315 million from the Rainy Day Fund, another \$96 million from the transfer tax, and \$50 million from the Injured Workers Insurance Fund. Contingent reductions totaling \$367 million were proposed. Sharing a portion of teacher retirement costs with local jurisdictions was estimated to save \$124 million in fiscal 2013. Other large proposals included foregoing a \$50 million repayment to POS and \$33 million in reductions to mandated spending.

In acting upon the budget, the legislature abolished 589 positions and approximately \$700 million in all funds, exclusive of a \$315 million cut to the Rainy Day Fund which allowed those dollars to remain in the general fund balance. The failure to pass budget reconciliation legislation resulted in contingent reductions of \$436 million being effectuated. This included significant cuts to education and library programs, across-the-board reductions to positions, operating expenses, the general salary increase, employee health insurance, higher education, local aid, and other programs. Due to the implementation of these so called “doomsday” cuts, the legislature was soon called into special session to resolve issues related to the budget.

First Special Session of 2012

Governor Martin J. O’Malley issued Executive Order 01.01.2012.10 calling for a special session on May 14, 2012. The session was called for the purpose of passing legislation to address the fiscal 2013 budget since the budget enacted at the 2012 session was balanced on contingent doomsday cuts that were deemed to have undesirable impacts on State services. At the special session, the legislature passed a Budget Reconciliation and Financing Act (*Chapter 1 of the First Special Session of 2012*), and a State and Local Revenue Financing Act (*Chapter 2 of the First Special Session of 2012*).

Chapter 1 created a Budget Restoration Fund, for the purpose of restoring the majority of the doomsday contingent reductions. Funding was largely provided by *Chapter 2*, which modified income tax rates and exemptions, increased the tax on other tobacco products, and imposed other fees and changes to State revenues. *Chapter 1* also effectuated transfers and included other revenue actions, which were credited to the Budget Restoration Fund. **Exhibit A-1.10** highlights the revenues and uses of the Budget Restoration Fund.

Chapter 1 also required local school boards to pay a portion of teacher retirement costs, partially offset by additional State aid. Final action on the budget yielded an estimated closing general fund balance of \$200.4 million, as well as \$724.0 million (5%) in the Rainy Day Fund.

Exhibit A-1.10
Budget Restoration Fund
First Special Session of 2012
(\$ in Millions)

Revenues	
Income Tax	\$247.3
Transfers	157.0
Lottery Revenue	8.8
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	8.0
Corporate Income Tax	7.4
Tobacco Tax	5.0
Subtotal	\$433.5
Expenditures	
Restore Section 42 Contingent Reductions	-\$186.3
Restore Section 43 Contingent Reductions	-250.0
Section 43 Position Abolitions	6.0
Subtotal	-\$430.3
Balance to the General Fund	\$3.2

SAC's recommendation to reduce the general fund structural deficit by at least 50% was met, leaving an estimated structural shortfall of \$559.0 million to be resolved at the 2013 session.

For State employees, the fiscal 2013 budget was the first to contain a general salary increase in four years. A 2% increase was provided on December 31, 2012. Merit increases were not provided with limited exceptions.

Second Special Session of 2012

Further action to bolster State finances was passed at a second special session, called by Executive Order 01.01.2012.16. On August 9, 2012, the legislature met to consider and pass *Chapter 1 of the Second Special Session of 2012*. Subject to voter referendum, the legislation would authorize a sixth license for a video lottery operation within Prince George's County; increase the maximum number of video lottery terminals (VLT) that may be authorized from 15,000 to 16,500; and authorize VLT licensees to offer table games. *Chapter 1* was estimated to produce general fund savings in the Aid to Education Foundation Program of \$174.5 million by fiscal 2017.

2013 Session (Fiscal 2014)

The fiscal 2012 budget closed with \$229.7 million in higher than expected revenue attainments, largely from individual and corporate income taxes. BRE revised its fiscal 2013 revenue projection upward by \$180.6 million in September and increased estimates for both fiscal 2013 and 2014 as part of its December revision. SAC estimated the structural deficit for fiscal 2014 at \$383.0 million and continued its progress toward eliminating the shortfall by recommending that combined ongoing revenue and spending actions reduce it by at least \$200.0 million.

The spending plan offered by the Governor relied on a mix of one-time cash balances and a proposal to transfer an average of \$82.0 million per year from the transfer tax to the general fund over a five-year period, starting with fiscal 2014. The balance also relied on the adoption of contingent reductions totaling \$102.7 million, including a proposed deferral of the first \$50.0 million repayment to the Local Income Tax Reserve Account and another deferral of a \$50.0 million repayment for transfer tax revenues that helped balance the fiscal 2006 general fund budget. The budget plan met all SAC recommendations for the 2013 session. Due to fears of the effects of federal sequestration, the Governor also proposed increasing the balance of the Rainy Day Fund to 6% of revenues.

Cuts totaling \$276 million were adopted during legislative consideration of the fiscal 2014 budget, excluding a reduction of \$316 million from the Rainy Day Fund appropriation, effectively reducing the balance to the 5% level but increasing the general fund balance to nearly \$300 million. Part of the rationale for boosting the general fund balance in lieu of the reserve balance was to mitigate the effects of federal sequestration cutbacks, which would more immediately impact general fund balance. Leaving the additional balance in the Rainy Day Fund was seen as less helpful since the balance could not be accessed until the 2014 session. **Exhibit A-1.11** summarizes the actions taken in budget reconciliation legislation to help balance the fiscal 2014 budget.

Exhibit A-1.11 Budget Reconciliation Legislation Chapter 425 of 2013 (\$ in Millions)

	<u>FY 2013</u>	<u>FY 2014</u>
Transfers	-\$12.0	\$89.2
Contingent Reductions		2.7
	-\$12.0	\$91.9

Final legislative action left the State with almost \$1.1 billion of cash and reserves, consisting of approximately \$300 million in general fund balance and \$768 million in the Rainy Day Fund. Revenue and spending actions reduced the structural deficit by \$211 million, leaving \$172 million unaddressed. The budget committees viewed shortfalls in the \$200 million range as manageable and believed that the goal of eliminating the \$2.0 billion gap that had been established three years earlier to be met.

State employees received another general salary increase, amounting to 3% effective January 1, 2014. Moreover, merit increases were provided on April 1, 2014, the first provided to all employees in five years.

2014 Session (Fiscal 2015)

By March 2013, BRE recognized that both the corporate income and sales taxes were underperforming. The fiscal 2013 closeout saw further erosion in both revenue sources, totaling \$71.2 million. A shortfall in the Local Income Tax Reserve Account spurred the board to reserve \$100.0 million from fiscal 2014 revenues. Overall, however, BRE was optimistic on economic recovery and revised its fiscal 2015 estimate upward by \$143.7 million. Relative to baseline spending commitments, however, budget projections presented to SAC showed the nagging structural shortfall continued. Recommendations to address the deficit projected at \$362.0 million, included direction to reduce it by at least \$125.0 million. The traditional SAC limit on spending was also reintroduced, with the recommendation that growth in applicable general, special, and current unrestricted funds be held to 4%.

The Governor submitted a budget proposal balanced upon nearly \$100.0 million in contingent reductions, use of \$204.5 million from the Rainy Day Fund, and \$114.0 million in proposed fund transfers. In addition to some modest contingent reductions in mandated formula aid programs, the Governor proposed a permanent reduction of \$100.0 million (all funds) in supplemental retirement system contributions required under pension reform legislation adopted at the 2011 session. The legislation phased in a \$300.0 million supplemental contribution above the actuarially required contribution. Transfers included \$69.1 million from the transfer tax, in addition to the \$75.1 million transfer adopted at the 2013 session. Among the larger transfers also proposed were \$25.8 million from University System of Maryland fund balance and \$19.1 million of unused Sustainable Communities Tax Credits. As with each of the prior years of this term, the Governor's submission met all SAC recommendations.

The legislature adopted reductions of \$657.7 million and 191 positions, exclusive of a \$208.5 million reduction to the Rainy Day Fund, which retains those monies in the general fund balance. The largest action adopted at this session was the decision to reduce supplemental retirement contributions by \$200.0 million per year (all funds) in fiscal 2014 and 2015. Unlike the Governor's plan, which would have implemented a permanent reduction of \$100.0 million per year (*i.e.*, resulting in an annual supplemental contribution of \$200.0 million per year), final legislative action establishes a phased-in restoration of the full \$300.0 million per year by fiscal 2019. A reduction of \$55.0 million to debt service reflects actual and estimated bond

premiums available in lieu of general funds. **Exhibit A-1.12** shows the revenue, transfer, and contingent reduction actions that were adopted in budget reconciliation legislation.

Exhibit A-1.12
Budget Reconciliation Legislation
Chapter 464 of 2014
(\$ in Millions)

	<u>FY 2014</u>	<u>FY 2015</u>
Revenues	\$8.0	\$31.1
Transfers	58.2	70.1
Contingent Reductions	174.5	181.4
	\$240.7	\$282.6

The final budget left a fund balance estimated at \$83 million in fiscal 2015, in addition to \$795 million (5.0%). SAC's recommendation to reduce the structural deficit by at least \$125 million was met, leaving an unresolved shortfall of \$236 million. Spending growth as measured on a SAC basis was 2.76%, well below the 4.0% growth limit.

A 2% general salary increase was adopted for State employees effective January 1, 2015. Employees also receive full year merit increases, additional health insurance pay holidays, and the continuation of five days off in conjunction with State holidays.

Exhibit A-1.13 sets forth State expenditures during the 2011 to 2014 legislative term of the General Assembly as follows: general funds, special and higher education funds, federal funds, all State funds, and all funds.

Exhibit A-1.13
State Expenditures – General Funds
Fiscal 2011-2015
(\$ in Millions)

Category	Actual 2011	Actual 2012	Actual 2013	Working Appr. 2014	Legislative Appr. 2015	\$ Change 2011 to 2015	% Change
Debt Service	\$0.0	\$0.0	\$0.0	\$83.0	\$140.0	\$140.0	n/a
County/Municipal	185.6	186.6	159.0	245.0	254.5	68.9	37.1%
Community Colleges	258.1	263.3	252.4	281.3	297.3	39.2	15.2%
Education/Libraries	4,900.1	5,616.6	5,453.8	5,605.5	5,729.3	829.2	16.9%
Health	37.3	38.3	37.3	41.7	46.9	9.6	25.7%
Aid to Local Governments	\$5,381.1	\$6,104.7	\$5,902.4	\$6,173.6	\$6,328.1	\$947.0	17.6%
Foster Care Payments	\$212.3	\$208.8	\$203.1	\$256.9	\$232.6	\$20.3	9.5%
Assistance Payments	47.1	69.9	84.9	71.5	73.9	26.8	56.8%
Medical Assistance	1,813.6	2,462.9	2,311.7	2,478.8	2,452.3	638.7	35.2%
Property Tax Credits	75.9	81.8	81.9	80.2	82.0	6.1	8.0%
Entitlements	\$2,148.9	\$2,823.3	\$2,681.5	\$2,887.4	\$2,840.7	\$691.8	32.2%
Health	\$1,384.8	\$1,449.7	\$1,470.5	\$1,573.2	\$1,634.4	\$249.6	18.0%
Human Resources	295.5	323.4	372.3	331.1	337.9	42.4	14.3%
Children's Cabinet Interagency	13.9	21.2	13.4	20.1	21.8	8.0	57.7%
Juvenile Services	257.5	269.2	269.5	278.7	290.7	33.2	12.9%
Public Safety/Police	1,169.8	1,273.9	1,309.2	1,384.9	1,451.9	282.2	24.1%
Higher Education	1,145.6	1,136.7	1,106.6	1,214.2	1,357.9	212.3	18.5%
Other Education	369.4	382.3	366.9	386.3	386.1	16.6	4.5%
Agric./Nat'l. Res./Environment	102.5	104.1	107.5	114.4	118.3	15.8	15.5%
Other Executive Agencies	541.1	541.6	594.6	663.4	694.1	152.9	28.3%
Legislative	74.9	76.8	77.3	79.6	83.3	8.4	11.2%
Judiciary	370.0	374.3	384.2	404.3	433.0	62.9	17.0%
Across-the-board Reductions	0.0	0.0	0.0	-42.1	-58.7	-58.7	n/a
State Agencies	\$5,725.0	\$5,953.1	\$6,072.0	\$6,408.1	\$6,750.8	\$1,025.8	17.9%
Total Operating	\$13,255.0	\$14,881.2	\$14,656.0	\$15,552.1	\$16,059.6	\$2,804.5	21.2%
Capital ⁽¹⁾	\$10.8	\$54.5	\$3.2	\$42.7	\$12.5	\$1.7	15.7%
Subtotal	\$13,265.8	\$14,935.7	\$14,659.2	\$15,594.8	\$16,072.1	\$2,806.2	21.2%
Reserve Funds	\$15.0	\$15.0	\$37.8	\$55.3	\$19.7	\$4.7	31.4%
Appropriations	\$13,280.8	\$14,950.7	\$14,697.0	\$15,650.0	\$16,091.8	\$2,810.9	21.2%
Reversions	\$0.0	\$0.0	\$0.0	-\$67.2	-\$30.3	-\$30.3	n/a
Total	\$13,280.8	\$14,950.7	\$14,697.0	\$15,582.8	\$16,061.5	\$2,780.7	20.9%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficiencies, \$255.3 million in cost containment, \$51.0 million in targeted reversions, and legislative reductions to the deficiencies.

Exhibit A-1.13 (Cont.)
State Expenditures – Special and Higher Education Funds
Fiscal 2011-2015
(\$ in Millions)

Category	Actual 2011	Actual 2012	Actual 2013	Working. Appr. 2014	Legislative Appr. 2015	\$ Change 2011 to 2015	% Change
Debt Service	\$981.4	\$1,039.1	\$1,078.2	\$1,100.0	\$1,143.3	\$161.9	16.5%
County/Municipal	199.5	191.9	277.3	277.0	265.9	66.4	33.3%
Community Colleges	0.0	0.0	19.9	0.0	0.0	0.0	n/a
Education/Libraries	432.8	91.1	422.2	389.7	407.3	-25.5	-5.9%
Health	0.0	0.0	0.8	0.0	0.0	0.0	n/a
Aid to Local Governments	\$632.3	\$283.1	\$720.1	\$666.6	\$673.2	\$40.9	6.5%
Foster Care Payments	\$0.6	\$4.6	\$7.1	\$5.5	\$5.5	\$4.9	789.2%
Assistance Payments	16.7	24.2	18.7	18.6	18.6	1.8	10.9%
Medical Assistance	593.9	837.8	985.6	833.5	960.6	366.7	61.7%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Entitlements	\$611.3	\$866.6	\$1,011.5	\$857.5	\$984.6	\$373.4	61.1%
Health	\$405.2	\$460.8	\$504.7	\$538.4	\$482.0	\$76.8	19.0%
Human Resources	87.5	83.8	81.2	98.7	97.0	9.5	10.9%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Juvenile Services	0.4	4.7	3.1	4.4	5.0	4.6	1130.2%
Public Safety/Police	200.9	209.1	213.7	226.4	219.2	18.3	9.1%
Higher Education	3,647.7	3,838.9	3,965.5	4,144.4	4,186.0	538.3	14.8%
Other Education	45.6	64.7	63.4	72.7	56.9	11.3	24.8%
Transportation	1,446.7	1,471.9	1,558.6	1,606.0	1,660.1	213.3	14.7%
Agric./Nat'l. Res./Environment	188.2	194.0	197.9	225.2	247.3	59.1	31.4%
Other Executive Agencies	409.5	478.1	572.7	638.6	658.9	249.4	60.9%
Legislative	0.2	0.0	0.4	0.0	0.0	-0.2	-100.0%
Judiciary	37.3	45.1	48.4	53.8	63.1	25.8	69.4%
Across-the-board Reductions	0.0	0.0	0.0	-12.3	-12.5	-12.5	n/a
State Agencies	\$6,469.1	\$6,851.0	\$7,209.7	\$7,596.3	\$7,663.0	\$1,193.9	18.5%
Total Operating	\$8,694.0	\$9,039.7	\$10,019.5	\$10,220.5	\$10,464.1	\$1,770.1	20.4%
Capital	\$757.7	\$866.0	\$1,218.9	\$1,588.7	\$1,817.8	\$1,060.1	139.9%
Total	\$9,451.7	\$9,905.7	\$11,238.4	\$11,809.2	\$12,281.9	\$2,830.3	29.9%

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

Note: The fiscal 2014 working appropriation reflects deficiencies, supplemental deficiencies, and \$18.9 million in cost containment. The fiscal 2015 appropriation includes \$0.1 million in additional special funds due to funding swaps.

Exhibit A-1.13 (Cont.)
State Expenditures – Federal Funds
Fiscal 2011-2015
(\$ in Millions)

<u>Category</u>	<u>Actual 2011</u>	<u>Actual 2012</u>	<u>Actual 2013</u>	<u>Working. Appr. 2014</u>	<u>Legislative Appr. 2015</u>	<u>\$ Change 2011 to 2015</u>	<u>% Change 2011 to 2015</u>
Debt Service	\$9.2	\$11.5	\$12.1	\$12.4	\$11.5	\$2.3	24.9%
County/Municipal	94.6	103.0	72.1	59.3	55.3	-39.3	-41.5%
Community Colleges	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Education/Libraries	1,477.8	763.6	748.3	754.3	802.3	-675.5	-45.7%
Health	4.5	4.5	4.5	4.5	4.5	0.0	0.0%
<i>Aid to Local Governments</i>	<i>\$1,576.9</i>	<i>\$871.1</i>	<i>\$824.9</i>	<i>\$818.1</i>	<i>\$862.1</i>	<i>-\$714.8</i>	<i>-45.3%</i>
Foster Care Payments	\$86.4	\$93.0	\$88.2	\$84.0	\$90.6	\$4.2	4.9%
Assistance Payments	1,146.4	1,207.5	1,269.9	1,197.7	1,353.1	206.7	18.0%
Medical Assistance	3,775.0	3,365.1	3,466.9	3,936.4	4,484.0	709.0	18.8%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	n/a
<i>Entitlements</i>	<i>\$5,007.8</i>	<i>\$4,665.6</i>	<i>\$4,825.0</i>	<i>\$5,218.0</i>	<i>\$5,927.7</i>	<i>\$919.8</i>	<i>18.4%</i>
Health	\$964.5	\$1,100.3	\$1,177.2	\$1,400.3	\$1,356.4	\$392.0	40.6%
Human Resources	503.3	438.9	478.8	521.0	519.2	15.9	3.2%
Children's Cabinet Interagency Fund	7.3	0.0	0.0	0.0	0.0	-7.3	-100.0%
Juvenile Services	14.2	11.8	8.6	7.4	7.2	-7.0	-49.4%
Public Safety/Police	107.5	35.1	30.3	29.5	29.6	-78.0	-72.5%
Higher Education	0.0	0.0	0.0	0.0	0.0	0.0	n/a
Other Education	228.3	230.7	235.4	338.7	241.3	13.1	5.7%
Transportation	90.7	92.7	72.4	97.2	92.6	1.9	2.1%
Agric./Nat'l. Res./Environment	70.1	66.6	61.5	68.1	66.6	-3.6	-5.1%
Other Executive Agencies	657.4	642.1	596.7	573.3	546.3	-111.1	-16.9%
Judiciary	4.4	4.5	5.5	5.4	0.3	-4.1	-93.1%
Across-the-board Reductions	0.0	0.0	0.0	-8.8	-8.3	-8.3	n/a
<i>State Agencies</i>	<i>\$2,647.7</i>	<i>\$2,622.7</i>	<i>\$2,666.4</i>	<i>\$3,032.1</i>	<i>\$2,851.1</i>	<i>\$203.4</i>	<i>7.7%</i>
Total Operating	\$9,241.6	\$8,170.9	\$8,328.4	\$9,080.6	\$9,652.4	\$410.7	4.4%
Capital	\$709.7	\$887.5	\$855.8	\$799.4	\$860.9	\$151.3	21.3%
Total	\$9,951.3	\$9,058.3	\$9,184.2	\$9,880.0	\$10,513.3	\$562.0	5.6%

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficiencies, \$13.1 million in cost containment, and legislative reductions to the deficiencies.

Exhibit A-1.13 (Cont.)
State Expenditures – State Funds
Fiscal 2011-2015
(\$ in Millions)

<u>Category</u>	<u>Actual 2011</u>	<u>Actual 2012</u>	<u>Actual 2013</u>	<u>Working. Appr. 2014</u>	<u>Legislative Appr. 2015</u>	<u>\$ Change 2011 to 2015</u>	<u>% Change</u>
Debt Service	\$981.4	\$1,039.1	\$1,078.2	\$1,183.0	\$1,283.3	\$301.9	30.8%
County/Municipal	385.1	378.5	436.3	522.0	520.4	135.3	35.1%
Community Colleges	258.1	263.3	272.3	281.3	297.3	39.2	15.2%
Education/Libraries	5,332.9	5,707.7	5,875.9	5,995.2	6,136.6	803.7	15.1%
Health	37.3	38.3	38.1	41.7	46.9	9.6	25.7%
<i>Aid to Local Governments</i>	<i>\$6,013.4</i>	<i>\$6,387.8</i>	<i>\$6,622.5</i>	<i>\$6,840.2</i>	<i>\$7,001.3</i>	<i>\$987.9</i>	<i>16.4%</i>
Foster Care Payments	\$212.9	\$213.4	\$210.2	\$262.4	\$238.1	\$25.1	11.8%
Assistance Payments	63.9	94.0	103.6	90.1	92.5	28.6	44.8%
Medical Assistance	2,407.5	3,300.7	3,297.3	3,312.3	3,412.8	1,005.3	41.8%
Property Tax Credits	75.9	81.8	81.9	80.2	82.0	6.1	8.0%
<i>Entitlements</i>	<i>\$2,760.2</i>	<i>\$3,689.9</i>	<i>\$3,693.0</i>	<i>\$3,744.9</i>	<i>\$3,825.4</i>	<i>\$1,065.1</i>	<i>38.6%</i>
Health	\$1,790.0	\$1,910.5	\$1,975.2	\$2,111.6	\$2,113.2	\$323.3	18.1%
Human Resources	383.0	407.2	453.5	429.8	433.5	50.4	13.2%
Childre's Cabinet Interagency Fund	13.9	21.2	13.4	20.1	21.8	8.0	57.7%
Juvenile Services	257.9	273.8	272.6	283.2	294.5	36.6	14.2%
Public Safety/Police	1,370.7	1,482.9	1,522.9	1,611.3	1,662.9	292.2	21.3%
Higher Education	4,793.3	4,975.6	5,072.1	5,358.6	5,539.7	746.4	15.6%
Other Education	415.0	447.0	430.3	459.0	442.5	27.4	6.6%
Transportation	1,446.7	1,471.9	1,558.6	1,606.0	1,657.5	210.8	14.6%
Agric./Nat'l. Res./Environment	290.6	298.1	305.4	339.5	364.6	73.9	25.4%
Other Executive Agencies	950.6	1,019.6	1,167.3	1,302.1	1,376.5	425.9	44.8%
Legislative	75.0	76.8	77.8	79.6	83.3	8.3	11.0%
Judiciary	407.3	419.3	432.6	458.1	496.1	88.8	21.8%
Across-the-board Reductions	0.0	0.0	0.0	-54.4	-71.1	-71.1	n/a
<i>State Agencies</i>	<i>\$12,194.1</i>	<i>\$12,804.2</i>	<i>\$13,281.8</i>	<i>\$14,004.4</i>	<i>\$14,414.9</i>	<i>\$2,220.9</i>	<i>18.2%</i>
Total Operating	\$21,949.0	\$23,920.9	\$24,675.5	\$25,772.6	\$26,524.9	\$4,575.8	20.8%
Capital ⁽¹⁾	\$768.5	\$920.5	\$1,222.1	\$1,631.4	\$1,829.1	\$1,060.6	138.0%
<i>Subtotal</i>	<i>\$22,717.5</i>	<i>\$24,841.4</i>	<i>\$25,897.6</i>	<i>\$27,404.0</i>	<i>\$28,354.0</i>	<i>\$5,636.5</i>	<i>24.8%</i>
Reserve Funds	\$15.0	\$15.0	\$37.8	\$55.3	\$19.7	\$4.7	31.4%
Appropriations	\$22,732.5	\$24,856.4	\$25,935.3	\$27,459.2	\$28,373.7	\$5,641.2	24.8%
Reversions	\$0.0	\$0.0	\$0.0	-\$67.2	-\$30.3	-\$30.3	n/a
Total	\$22,732.5	\$24,856.4	\$25,935.3	\$27,392.0	\$28,343.4	\$5,610.9	24.7%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficiencies, \$274.2 million in cost containment, \$51.0 million in targeted reversions, and legislative reductions to the deficiencies. The fiscal 2015 appropriation includes \$0.1 million in additional special funds due to funding swaps.

Exhibit A-1.13 (Cont.)
State Expenditures – All Funds
Fiscal 2011-2015
(\$ in Millions)

<u>Category</u>	<u>Actual 2011</u>	<u>Actual 2012</u>	<u>Actual 2013</u>	<u>Working. Appr. 2014</u>	<u>Legislative Appr. 2015</u>	<u>\$ Change 2011 to 2015</u>	<u>% Change</u>
Debt Service	\$990.6	\$1,050.6	\$1,090.3	\$1,195.3	\$1,294.8	\$304.2	30.7%
County/Municipal	479.7	481.5	508.4	581.3	575.7	96.0	20.0%
Community Colleges	258.1	263.3	272.3	281.3	297.3	39.2	15.2%
Education/Libraries	6,810.7	6,471.3	6,624.2	6,749.5	6,939.0	128.3	1.9%
Health	41.8	42.8	42.5	46.2	51.4	9.6	23.0%
<i>Aid to Local Governments</i>	<i>\$7,590.3</i>	<i>\$7,258.9</i>	<i>\$7,447.5</i>	<i>\$7,658.3</i>	<i>\$7,863.4</i>	<i>\$273.1</i>	<i>3.6%</i>
Foster Care Payments	\$299.4	\$306.4	\$298.4	\$346.3	\$328.7	\$29.3	9.8%
Assistance Payments	1,210.3	1,301.5	1,373.5	1,287.7	1,445.6	235.2	19.4%
Medical Assistance	6,182.5	6,665.8	6,764.2	7,248.7	7,896.8	1,714.3	27.7%
Property Tax Credits	75.9	81.8	81.9	80.2	82.0	6.1	8.0%
<i>Entitlements</i>	<i>\$7,768.1</i>	<i>\$8,355.5</i>	<i>\$8,518.0</i>	<i>\$8,963.0</i>	<i>\$9,753.0</i>	<i>\$1,985.0</i>	<i>25.6%</i>
Health	\$2,754.4	\$3,010.8	\$3,152.4	\$3,511.9	\$3,472.8	\$718.4	26.1%
Human Resources	886.3	846.1	932.3	950.8	954.1	67.8	7.7%
Children's Cabinet Interagency Fund	21.2	21.2	13.4	20.1	21.8	0.7	3.1%
Juvenile Services	272.1	285.6	281.2	290.6	302.9	30.8	11.3%
Public Safety/Police	1,478.2	1,518.1	1,553.2	1,640.8	1,700.7	222.5	15.0%
Higher Education	4,793.3	4,975.6	5,072.1	5,358.6	5,543.9	750.6	15.7%
Other Education	643.3	677.7	665.7	797.7	684.3	41.0	6.4%
Transportation	1,537.5	1,564.7	1,631.0	1,703.1	1,752.7	215.2	14.0%
Agric./Nat'l. Res./Environment	360.7	364.6	366.9	407.6	432.1	71.4	19.8%
Other Executive Agencies	1,608.0	1,661.8	1,763.9	1,875.3	1,899.2	291.2	18.1%
Legislative	75.0	76.8	77.8	79.6	83.3	8.3	11.0%
Judiciary	411.7	423.8	438.1	463.5	496.4	84.6	20.6%
Across-the-board Reductions	0.0	0.0	0.0	-63.2	-79.4	-79.4	n/a
<i>State Agencies</i>	<i>\$14,841.8</i>	<i>\$15,426.9</i>	<i>\$15,948.2</i>	<i>\$17,036.5</i>	<i>\$17,264.8</i>	<i>\$2,423.1</i>	<i>16.3%</i>
Total Operating	\$31,190.7	\$32,091.8	\$33,003.9	\$34,853.2	\$36,176.1	\$4,985.4	16.0%
Capital ⁽¹⁾	\$1,478.1	\$1,808.0	\$2,077.9	\$2,430.8	\$2,691.2	\$1,213.1	82.1%
<i>Subtotal</i>	<i>\$32,668.8</i>	<i>\$33,899.7</i>	<i>\$35,081.8</i>	<i>\$37,284.0</i>	<i>\$38,867.3</i>	<i>\$6,198.5</i>	<i>19.0%</i>
Reserve Funds	\$15.0	\$15.0	\$37.8	\$55.3	\$19.7	\$4.7	31.4%
Appropriations	\$32,683.8	\$33,914.7	\$35,119.5	\$37,339.3	\$38,887.0	\$6,203.2	19.0%
Reversions	\$0.0	\$0.0	\$0.0	-\$67.2	-\$30.3	-\$30.3	n/a
Total	\$32,683.8	\$33,914.7	\$35,119.5	\$37,272.0	\$38,856.7	\$6,172.9	18.9%

⁽¹⁾ Includes the Sustainable Communities Tax Credit Reserve Fund.

Note: The fiscal 2014 working appropriation includes deficiencies, supplemental deficiencies, \$287.3 million in cost containment, \$51.0 million in targeted reversions, and legislative reductions to the deficiencies. The fiscal 2015 appropriation includes \$0.1 million in additional special funds due to funding swaps.

Capital Budget

A total of \$14 billion was authorized by the General Assembly for the State's capital program during the 2011-2014 legislative term. Total authorizations by funding type and major category are shown in **Exhibit A-2.1**.

Exhibit A-2.1
Authorization by Major Category
2011-2014 Sessions
(\$ in Millions)

<u>Uses</u>		<u>% of Total</u>
Transportation	\$7,867.1	56.2%
Environment	2,154.1	15.4%
Education	1,367.6	9.8%
Higher Education	1,311.7	9.4%
Housing/Community Development	455.2	3.3%
State Facilities	362.3	2.6%
Health/Social	242.8	1.7%
Local Projects	200.9	1.4%
Public Safety	149.0	1.1%
De-authorizations	-123.2	-0.9%
Total	\$13,987.5	100.0%
 <u>Sources</u>		
General Funds	\$119.9	0.9%
Special Funds	3,587.7	25.6%
Federal Funds	3,896.3	27.9%
Revenue Bonds	2,108.0	15.1%
General Obligation Bonds	4,275.3	30.6%
Total	\$13,987.2	100.0%

Transportation projects accounted for approximately 56% of the capital program, with environment, education, and higher education comprising the other top three capital program categories. **Exhibit A-2.2** provides greater detail of capital authorizations by session year.

Exhibit A-2.2
Capital Program Authorizations
2011-2014 Sessions

	<u>2011 Session (FY 2012)</u>	<u>2012 Session (FY 2013)</u>	<u>2013 Session (FY 2014)</u>	<u>2014 Session (FY 2015)</u>	<u>Subtotal</u>	<u>Total</u>
<u>Uses of Funds</u>						
State Facilities						\$362.3
Facilities Renewal	\$7.3	\$30.4	\$21.3	\$16.3	\$75.3	
Other	93.5	108.8	45.3	39.4	287.0	
Health/Social						242.8
State Facilities	7.1	9.0	38.6	34.0	88.7	
Private Hospitals	16.5	33.4	37.8	36.2	123.9	
Other	15.6	1.2	5.9	7.5	30.2	
Environment						2,154.1
Natural Resources	59.1	151.4	137.9	107.8	456.2	
Agriculture	15.8	20.2	40.3	33.7	110.0	
Environment	528.3	402.1	293.8	325.9	1,550.1	
MD Environmental Service	0.0	7.5	5.2	9.1	21.8	
Energy	5.0	4.3	3.7	3.0	16.0	
Public Safety						149.0
State Corrections	11.7	12.6	6.9	29.9	61.1	
Local Jails	5.0	0.1	0.0	0.0	5.1	
State Police	25.5	38.7	9.8	8.8	82.8	
Education						1,367.6
School Construction	312.4	372.8	337.7	289.2	1,312.1	
Other	10.8	10.0	15.6	19.1	55.5	
Higher Education						1,311.7
University System	158.1	221.3	225.9	283.0	888.3	
Morgan State University	6.4	29.7	54.9	16.2	107.2	
St. Mary's College	0.9	0.3	4.6	17.9	23.7	
Community Colleges	60.3	44.3	52.0	65.4	222.0	
Private Colleges/Univ.	10.0	14.0	22.5	24.0	70.5	

Exhibit A-2.2 (Cont.)

	<u>2011 Session (FY 2012)</u>	<u>2012 Session (FY 2013)</u>	<u>2013 Session (FY 2014)</u>	<u>2014 Session (FY 2015)</u>	<u>Subtotal</u>	<u>Total</u>
Housing/Community Development						455.2
Housing	78.2	120.4	103.0	113.2	414.8	
Other	9.1	8.3	11.3	11.7	40.4	
Local Projects						200.9
Administration	13.2	16.4	41.0	42.2	112.8	
Legislative	19.5	23.4	26.3	18.9	88.1	
Transportation						7,867.1
Transportation	1,652.6	1,773.0	2,020.1	2,421.4	7,867.1	
De-authorizations						-123.2
De-authorizations	-24.1	-44.4	-34.1	-20.6	-123.2	
Total	\$3,097.8	\$3,409.2	\$3,527.3	\$3,953.2	\$13,987.5	\$13,987.5

Sources of Funds**Debt**

General Obligation	\$940.9	\$1,090.3	\$1,079.5	\$1,164.6	\$4,275.3
Revenue Bonds	562.0	347.0	427.0	772.0	2,108.0
Subtotal	\$1,502.9	\$1,437.3	\$1,506.5	\$1,936.6	\$6,383.3

Current Funds (Pay-as-you-go)

General	\$54.5	\$10.2	\$42.7	\$12.5	\$119.9
Special	555.0	969.3	975.2	1,088.2	3,587.7
Federal	985.3	992.4	1,002.7	915.9	3,896.3
Subtotal	\$1,594.8	\$1,971.9	\$2,020.6	\$2,016.6	\$7,603.9

Total Funds	\$3,097.7	\$3,409.2	\$3,527.1	\$3,953.2	\$13,987.2
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Despite Fiscal Strain, State Uses New Debt Authorizations to Provide Operating Budget Relief

The Capital Debt Affordability Committee (CDAC) annually reviews the size and condition of all tax-supported debt to ensure that the State's tax-supported debt burden remains within affordability limits. Tax-supported debt consists of general obligation (GO) debt,

transportation debt, Grant Anticipation Revenue Vehicles, bay restoration bonds, capital leases, Stadium Authority debt, and bond or revenue anticipation notes. The committee makes annual, nonbinding recommendations to the Governor and the General Assembly on the appropriate level of new GO and academic revenue debt for each fiscal year.

Constrained State revenue growth due to the sluggish economy leading up to the 2011-2014 legislative term resulted in significant alterations to the amount of new annual GO authorizations proposed by the committee. By the end of 2009, State debt reached its affordability limits, resulting from a sudden decline in revenues coupled with a recent expansion in debt. From the time CDAC made its recommendation in September 2009, the BRE substantially reduced the State's general fund revenue projections. The revised revenue projections were low enough to increase the State debt service to revenue ratio to the point that it exceeded the CDAC 8% limit. Responding to these lower revenues, in December 2009, the committee reduced the recommended out-year GO bond authorizations to remain within the affordability limits.

Although the GO bond authorization limits were revised downward to remain within affordability limits, State revenues improved during the term in part due to enhancements adopted by the General Assembly, most notably increasing income tax rates in the First Special Session of 2012 and motor fuel taxes in the 2013 regular session. Increased revenues and an improved economy allowed the General Assembly to increase authorizations to pre-recession levels.

Exhibit A-2.3 shows the changes in the CDAC long-term GO bond authorization forecast recommended as a result of the great recession compared to actual authorization levels for each session in 2011-2014 term. Had the December 2009 revision been adhered to, this would have reduced new GO bond authorization levels by \$550 million compared to the September 2009 forecast. However, one-time increases and an upward adjustment in authorization levels brought about by an improved economy resulted in actual authorization levels for the term just \$25 million below pre-recession levels and \$525 million more than what was forecasted when the limits were revised downward.

Exhibit A-2.3
Capital Debt Affordability Committee Recommended Levels of General
Obligation Bond Authorizations
2011-2014 Legislative Sessions
(\$ in Millions)

Session	2009 September Report Recommended New Authorizations	2009 December Report Recommended New Authorizations	Actual New GO Authorizations	Variance of Actual New GO Authorizations and September 2009 Recommendation	Variance of Actual New GO Authorizations and December 2009 Recommendation
2011	\$1,020	\$925	\$925	-\$95	\$0
2012	1,050	925	1,075	25	150
2013	1,080	925	1,075	-5	150
2014	1,110	935	1,160	50	225
Total	\$4,260	\$3,710	\$4,235	-\$25	\$525

GO: general obligation

Source: *Report of the Capital Debt Affordability Committee on Recommended Debt Authorizations*, December 2010.

Despite the Great Recession of 2008's impact on the State's debt affordability limits that resulted in lower forecasted GO bond authorization levels, during the term, the State increased GO bond authorization levels relative to the December 2009 write-down to mitigate construction costs escalation and to address the need to use the GO bond program to reduce operating budget appropriations and replace funds transferred from various capital accounts to the general fund.

- **2011 Session:** Relative to the downward revision from December 2009, no adjustment was made to the level of new GO bond authorization levels in the 2011 session.
- **2012 Session:** Although the long-term forecasted levels of new GO bond authorizations remained at the reduced levels adopted for the 2010 and 2011 sessions, a \$150 million one-time increase for fiscal 2013 was approved (increasing the amount from \$925 million to \$1,075 million) to fund shovel-ready projects that would stimulate the economy and increase construction related employment.
- **2013 Session:** Prior to the 2013 session, the State increased GO bond authorizations \$150 million annually from fiscal 2014 to 2018, for a total increase of \$750 million. The increase was adopted to stimulate economic activity from the construction employment generated from funding shovel-ready projects. The increase effectively restored

forecasted new GO bond authorizations to the levels programmed prior to the recession induced reduction prior to the 2010 session.

- **2014 Session:** Prior to the 2014 session, the Administration proposed another five-year increase in GO bond authorizations. The proposal would have increased authorizations \$75 million annually from fiscal 2015 to 2019, for a total increase of \$375 million. The Administration requested the additional authorizations principally to fund the requirement in the Transportation Infrastructure Investment Act of 2013 (*Chapter 429 of 2013*). *Chapter 429* mandated \$395 million in GO bond or general funds to fund the State Highway Administration's (SHA) Watershed Implementation Plan (WIP) over five years. Rather than adopting the increase through the full five-year planning period, SAC adopted the \$75 million increase for the 2014 session only. Although the general fund forecast and the 2014 session *Capital Improvement Program* currently program the use of general funds to meet this multi-year commitment, discussions concerning the use of GO bonds and increased authorization levels to meet the SHA WIP requirement requested are likely to surface in the 2014 interim.

Capital Program Used for Operating Budget Relief and Fund Transfers

Although improving during the 2011-2014 legislative term, the fiscal situation continued to limit the use of PAYGO funds to support the capital program, and the bond program continued to be used to replace funds transferred from various capital accounts to the general fund through BRFA legislation. As shown in **Exhibit A-2.4**, the use of the bond program to support fund transfers and PAYGO replacement funding accounted for \$862.3 million of GO bond funding from fiscal 2012 through 2015. **Exhibit A-2.5** illustrates the share of total GO bond authorizations used for operating relief both during the four-year term and subsequent five years. During the term, 20% of total GO bond authorizations were used for some form of operating budget relief. Out-year commitments would commit another \$556.2 million from fiscal 2016 through 2020. **Exhibit A-2.6** reflects the program detail of GO bond replacement for fund balance and revenue transfers to the general fund made through BRFA legislation during the term. This includes out-year commitments that extend to fiscal 2020.

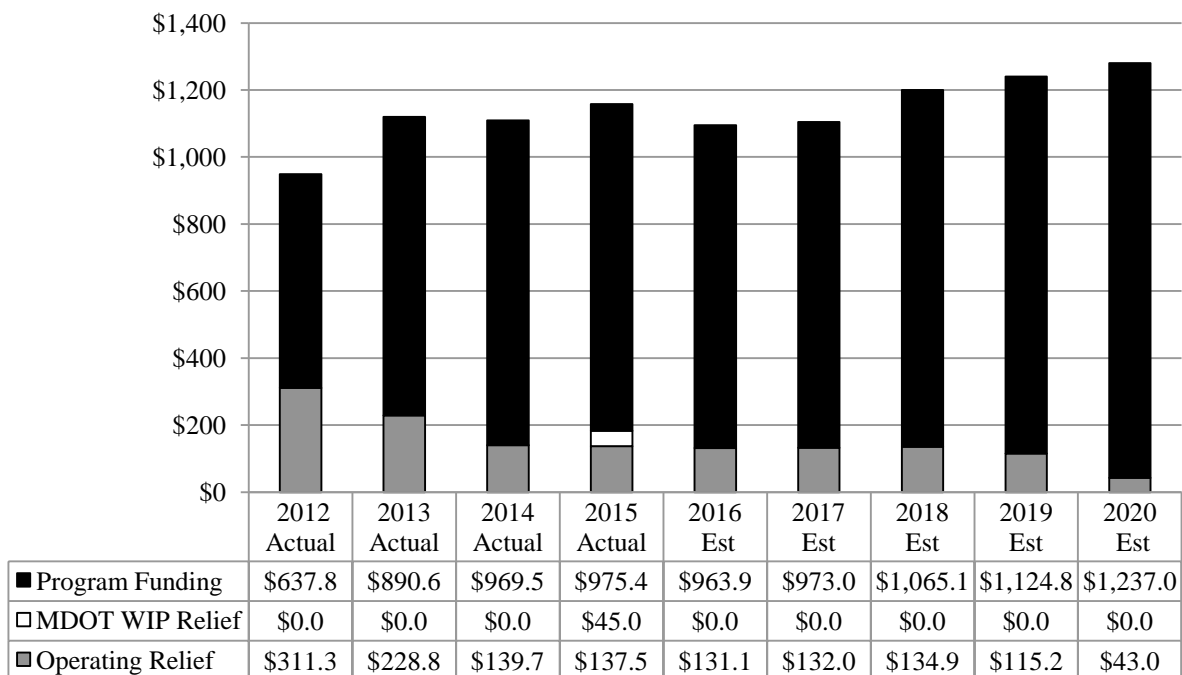
Exhibit A-2.4
Use of General Obligation Bond Program to Support Operating Budget Relief
Fiscal 2012-2015
(\$ in Millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Special Fund Revenue Replacement: Partial general obligation (GO) bond replacement for special fund revenues transferred to the general fund. Transferred revenue sources include transfer tax, Bay Restoration Fund, Waterway Improvement Fund, and various housing programs. Although fund transfers were made in full in the fiscal year of the transfer, the GO bonds used to replace the transferred funds are programmed over multiple fiscal years; therefore, the figures represented in the chart reflect only the amount of GO bonds authorized in the respective fiscal year.	\$133.7	\$106.8	\$62.2	\$67.1
Fund Balance Replacement: Partial GO bond replacement for unexpended fund balance from multiple capital program accounts transferred to the general fund. Transferred revenue sources include transfer tax, Bay Restoration Fund, Waterway Improvement Fund, and various housing programs. The GO bonds authorizations reflect partial repayment over a multi-year repayment plan.	71.8	0.0	0.0	0.0
InterCounty Connector Funding: Multi-year plan to use GO bond funds in place of general funds statutorily committed for the InterCounty Connector.	46.2	0.0	21.5	0.0
State Highway Administration: The Transportation Infrastructure Investment Act of 2013 requires the Governor to budget GO bonds or general funds for the State Highway Administration to use in complying with the Watershed Implementation Plan. The Act requires \$395 million from fiscal 2015 through fiscal 2019 as follows: \$45 million in fiscal 2015, \$65 million in fiscal 2016, \$85 million in fiscal 2017, and \$100 million in both fiscal 2018 and 2019.	0.0	0.0	0.0	45.0
Medevac Helicopter Replacement: Multi-year plan to use GO bond funds to fund the replacement of the Medevac helicopter fleet in place of using special funds from the Helicopter Replacement Fund.	22.7	38.5	0.0	0.0

Exhibit A-2.4 (Cont.)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Use of GO Bond Funds to Fund Capital Programs Traditionally Funded with General Funds: This principally includes funding for grant and loan programs administered by the Department of Housing and Community Development and the Maryland Department of the Environment and use of bonds to fund the Aging Schools Program.	36.9	83.5	56.0	70.4
Total	\$311.3	\$228.8	\$139.7	\$182.5

Exhibit A-2.5
Share of Total GO Bond Authorizations Used for Operating Relief
Fiscal 2012-2020 Est.
(\$ in Millions)



GO: general obligation

MDOT: Maryland Department of Transportation

WIP: Watershed Implementation Plan

Exhibit A-2.6
Multi-year General Obligation Bond Replacement Plan of Fund Transfers
Fiscal 2012-2020
(\$ in Millions)

<u>Program</u>	Fund Replacement									Total Amount of Fund Transfers to Be Replaced
	Replaced 2012	Replaced 2013	Replaced 2014	Replaced 2015	Planned Replacement 2016	Planned Replacement 2017	Planned Replacement 2018	Planned Replacement 2019	Planned Replacement 2020	
Waterway Improvement Program	\$7.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$7.3
Program Open Space (POS) – Stateside	4.8	12.8	15.1	18.9	28.4	28.4	29.7	24.2	12.4	174.7
POS – Local	23.6	46.6	17.9	22.8	29.8	28.7	29.7	23.3	11.9	234.3
Rural Legacy	4.5	5.6	8.1	10.2	12.5	11.6	11.8	9.3	4.7	78.3
Ocean City Beach Replenishment – POS	1.0	0.0	0.0		0.3	0.5	0.5	0.5	0.2	3.0
Natural Resources Development Fund	3.5	8.9	4.5		3.1	6.4	6.9	7.4	3.8	44.5
Critical Maintenance Program	3.0	4.0	4.5		1.0	2.0	2.0	2.0	1.0	19.5
Dam Rehabilitation Program	1.0	0.0	0.0							1.0
House Assessment Program	0.4	0.1	0.0							0.5
Homeownership Programs	1.5	0.0	0.0							1.5
Special Loan Programs	2.2	0.0	0.0							2.2
Tobacco Transition Program	1.5	1.9	1.9							5.3
Agricultural Land Preservation Program	4.4	8.7	10.3	15.2	22.7	21.8	22.6	17.7	9.0	132.4
Bay Restoration Fund	146.8	18.2	0.0							165.0
Helicopter Replacement Fund	22.7	38.5	0.0							61.2
Total	\$228.2	\$145.3	\$62.3	\$67.1	\$97.8	\$99.4	\$103.2	\$84.4	\$43.0	\$930.7

Public-private Partnerships

During the 2011-2014 legislative term, the State formalized the process under which State agencies may utilize public-private partnership (P3) agreements as one means to maintain and expand capital infrastructure investment.

In 2008, when the Maryland Department of Transportation (MDOT) announced that it was considering a P3 for the Seagirt Marine Terminal, and when the Department of General Services was developing agreements to transform State Center into a transit-oriented P3 development, it was determined that the State lacked statutory oversight over the process. Chapters 640 and 641 of 2010 addressed some of the oversight issues but were considered temporary pending additional legislative consideration, including recommendations from the newly established Joint Legislative and Executive Commission on Oversight of Public-private Partnerships.

The commission was charged with evaluating the State's framework and oversight of P3s including assessing the oversight, best practices, and approval processes for P3s in other states; evaluating the statutory definitions of "public-private partnership" and "public notice of solicitation"; making recommendations concerning legislative monitoring and oversight of P3s; and making recommendations concerning broad policy parameters within which P3s should be negotiated. The commission recommendations included revising several statutory definitions, creating a statement of public policy for the use of P3s, streamlining the legislative oversight process, and clarifying legislative oversight reporting requirements. It also recommended a number of contract provisions that should be included in all P3 agreements and established a set of parameters within which P3s must be negotiated. Legislation was introduced in the 2012 session by the Administration (SB 358/HB 576) but did not receive final approval.

Legislation was re-introduced and passed in the 2013 session – *Chapter 5 of 2013* established a State policy on the use of P3s and expressly authorized specified State reporting agencies to enter into P3s. The Act also established a process and associated reporting requirements for State oversight of P3s and instituted a process for both solicited and unsolicited P3 proposals that must be followed before the Board of Public Works (BPW) may approve a P3 agreement. A P3 agreement may not extend beyond 50 years unless the agency provides justification and receives BPW approval of an exemption. Moreover, P3s are explicitly excluded from most provisions of State procurement law but are subject to prevailing and living wage requirements and the Minority Business Enterprise Program.

Executive Order on Public-private Partnerships

In August 2013, Executive Order 01.01.2013.03 relating to P3 oversight was issued. It established a Maryland Subcabinet for P3s to coordinate efforts related to and supportive of the use of P3s in Maryland. Membership of the subcabinet comprises representatives of the reporting agencies defined in the P3 legislation, along with representatives from the Office of the Lieutenant Governor, the Secretary of the Department of Budget and Management, the

Governor's Office of Minority Affairs, and Maryland Stadium Authority (MSA). The executive order required the subcabinet to issue reports:

- analyzing the State's two capital improvement plans to assist reporting agencies in determining which capital projects should be considered P3s;
- exploring the advantages of establishing a formal Office of Public-private Partnerships or an Innovative Financing Office; and
- describing possible uses of availability payments and their applicability in Maryland.

The executive order also required the subcabinet to maintain a website to provide information on State P3 policies, processes, projects, and best practices.

Transportation

Transportation Infrastructure Investment Act of 2013

The Transportation Trust Fund (TTF) is a nonlapsing special fund that provides funding for transportation projects. It consists of tax and fee revenues, operating revenues, bond proceeds, and fund transfers. During the four-year term, there was concern that the State lacked adequate funding to build new transportation infrastructure. As a result, legislation was enacted in 2013 to increase funding for transportation projects.

Chapter 429 of 2013 increased transportation funding by increasing motor fuel taxes and requiring the Maryland Transit Administration to increase base fare prices beginning in fiscal 2015. The bill also increased the vehicle registration fee surcharge, required the Governor to include in the operating or capital budget specified appropriations to SHA, and placed procedural restrictions on transfers from the TTF and use of TTF monies. The bill specifically altered motor fuel taxes by:

- indexing motor fuel tax rates, except for aviation and turbine fuel, to inflation beginning in fiscal 2014;
- imposing a 1% sales and use tax equivalent rate on all motor fuel, except for aviation and turbine fuel, beginning in fiscal 2014, increasing to 2% beginning on January 1, 2015, and to 3% beginning in fiscal 2016;
- unless federal remote sales tax legislation is enacted by December 1, 2015, the sales and use tax equivalent rate increases from 3 to 4% beginning January 1, 2016, and then increases to 5% beginning in fiscal 2017; and

- if federal remote sales tax legislation is enacted and takes effect by December 1, 2015, the sales and use tax equivalent rate remains at 3%, and the Comptroller is then required to distribute 4% of total State sales and use tax revenues to the TTF.

Effect of the 2013 Session Revenue Increase on the Transportation Capital Program

Enactment of the Transportation Infrastructure Investment Act of 2013 (*Chapter 429*) allowed nearly \$4.3 billion in additional capital spending to be added to the six-year *Consolidated Transportation Program* (CTP). The fiscal 2014-2019 CTP includes over \$5.5 billion in additional spending compared to the fiscal 2013 CTP, with increased federal New Starts funding also contributing to the larger fiscal 2014 CTP.

Exhibit A-2.7 shows the programmed spending of the new revenue. Spending is split nearly evenly between roads and highways (\$2.13 billion, six-year total), and mass transit (\$2.17 billion, six-year total), but mass transit spending is more heavily programmed in the final years of the CTP, with spending on the new transit lines peaking in fiscal 2018.

Exhibit A-2.7 Programmed Spending of New Transportation Special Fund Revenue (\$ in Millions)

	Fiscal Year						Six-year Total
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	
Mass Transit							
New Transit Lines	\$64.0	\$218.6	\$238.6	\$248.6	\$464.8	\$266.1	\$1,500.7
Other	59.0	63.0	119.1	98.0	82.0	196.2	617.3
Subtotal – Mass Transit	\$123.0	\$281.6	\$357.7	\$346.6	\$546.8	\$462.2	\$2,117.9
Roads and Highways	\$86.3	\$279.7	\$465.5	\$517.7	\$421.1	\$361.8	\$2,132.0
Total	\$209.3	\$561.3	\$823.2	\$864.3	\$967.8	\$824.0	\$4,250.0

Note: Roads and highway amounts include spending for Watershed Implementation Projects.

Source: Maryland Department of Transportation, 2014-2019 *Consolidated Transportation Program*

Status of Transportation P3 Efforts

MDOT intends to procure the Purple Line Light Rail Transit project as a P3. The proposed Purple Line is a 16-mile light rail transit line extending from Bethesda in Montgomery

County to New Carrollton in Prince George's County with 21 stations – 10 in Montgomery County and 11 in Prince George's County.

MDOT has developed and promulgated the required regulations describing the procurement process that it will use for P3 projects. In September 2013, MDOT submitted, as required by statute, a presolicitation report to the Comptroller, the State Treasurer, the budget committees, and the Department of Legislative Services. The presolicitation report provided the justification for procuring the Purple Line as a P3. BPW officially designated the Purple Line as a P3.

Environment

Capital funding for environmental programs totaled \$2.15 billion over the four-year period. These programs are typically administered by the Department of Natural Resources (DNR), the Maryland Department of Agriculture (MDA), and the Maryland Department of the Environment (MDE). Programs receiving significant funding over the four years included:

- \$1.55 billion for MDE capital programs, including \$781.0 million for enhanced and biological nutrient removal upgrades at State wastewater treatment plants and septic system replacement grants, and \$698.0 million for grants and loans under the Water Quality and Drinking Water Loan programs;
- \$456.2 million DNR capital programs, including \$337.0 million for POS and land preservation programs and other programs funded to improve State and local parks, \$99.6 million for enhanced funding through the Chesapeake Bay Restoration Fund, and \$18.6 million for oyster restoration efforts in the Chesapeake Bay; and
- \$110.0 million for MDA capital programs, including \$85.2 million for Agricultural Land Preservation.

The largest undertaking during the 2011-2014 legislative term entailed the funding for improving the water quality of the Chesapeake Bay. This included upgrades to the State's largest wastewater treatment plants, principally through the Bay Restoration Fund, which is administered by the Water Quality Financing Administration within MDE to fund upgrades to reduce the nitrogen discharge levels at the State's 67 largest wastewater treatment plants. Capital authorizations from the Bay Restoration Fund are derived from a fee paid by users of wastewater treatment plants and users of onsite sewage septic systems. The revenues are used on a PAYGO basis and to support the issuance of revenue bonds.

During the 2011-2014 legislative term, it became apparent that the revenues would not fully support the estimated total project costs. To address the projected shortfall, the General Assembly adopted **Chapter 150 of 2012** (Environment – Bay Restoration Fund – Fees and Uses), which effectively doubled the annual revenue to the Bay Restoration Fund.

Overall, the program plans to issue \$530 million in revenue bonds through fiscal 2018, as shown in **Exhibit A-2.8**. These revenue bonds, in addition to revenues expended from the fund as PAYGO special funds, would fund the entirety of the currently projected \$1.26 billion upgrade cost, leaving a surplus projected to begin in fiscal 2017.

Exhibit A-2.8
Bay Restoration Fund – Current Law
Fiscal 2013-2019
(\$ in Millions)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenue Bonds Issued	\$0.0	\$90.0	\$140.0	\$140.0	\$80.0	\$30.0	\$0.0
Debt Outstanding	36.0	123.1	260.0	392.2	456.9	463.0	432.9
Debt Service	4.6	4.6	9.1	20.7	34.8	46.7	53.2

Note: In fiscal 2008, \$50 million in revenue bond debt was issued.

Source: Maryland Department of the Environment; Department of Legislative Services, October 2013

Public School Construction

During the 2011-2014 term, the General Assembly continued to focus on providing adequate funding for public school construction projects consistent with the goals established in the 2004 Public School Facilities Act. Through this Act, the State committed to providing \$250 million annually, for a total of \$2.0 billion over an eight-year period beginning with the fiscal 2006 budget. Although the \$2.0 billion goal was met in fiscal 2012, one year early, the State has continued to provide at least \$250 million for school construction annually. During the term, the State invested a total of \$1.3 billion. For an additional discussion on the allocation of authorized funds for public school construction, see the “Education – Primary and Secondary” subpart of Part L – Education of the *Major Issue Review*.

Baltimore City Public School Construction and Revitalization Act of 2013

The Baltimore City Public School Construction and Revitalization Act (*Chapter 647 of 2013*) established a new partnership between the State, Baltimore City, and Baltimore City Public Schools (BCPS) to fund up to \$1.1 billion in public school facility improvements through revenue bonds issued by MSA.

The partnership was formed to address the poor condition of BCPS cited in a 2012 report released by Jacobs Project Management. According to the Jacobs report, the total cost of building deficiencies was \$2.4 billion over 10 years, of which \$1.4 billion represents current

facility deficiencies, and \$1.0 billion represents 10-year life cycle deficiencies. In response to the Jacobs report findings, BCPS developed a 10-year plan, with Phase I of the plan intended to address the bulk of the \$1.4 billion current needs. Based on MSA projections of the estimated cost of construction and renovation and bond sale proceeds, a total of 30 to 35 new and renovated schools will be constructed under Phase I of the plan.

Chapter 647 created a unique financing mechanism for public school improvements. With respect to the partnership created with Baltimore City, MSA will use annual revenue contributions of \$20 million each from the State, Baltimore City, and BCPS to issue revenue bonds in support of the project. Based on preliminary market projections performed by MSA, \$60 million annually can support up to \$1.1 billion in bonds. The revenue sources are outlined in more detail below and include:

- all revenue generated by the Baltimore City beverage container tax;
- all of Baltimore City's proceeds from table games at the video lottery facility located in Baltimore City that are dedicated to school construction and 10% of the participation rent paid by the video lottery facility operator in Baltimore City;
- \$10 million in State education aid due to BCPS from recurring retiree health care costs shifted from Baltimore City to BCPS, beginning July 1, 2013;
- \$10 million diverted from State education aid to BPCS in fiscal 2016 and \$20 million annually thereafter; and
- \$20 million in annual proceeds from the lottery, beginning July 1, 2014.

MSA anticipates that the first series of bonds will be sold in summer/fall 2015, with all projects completed by summer 2020. A key component of the entire plan is that any debt issued by MSA to finance construction or improvements of BCPS facilities is not considered a debt of the State. As a result, MSA debt will not be counted in the annual calculation of State-supported debt, and the State does not pledge any security nor offer its full faith and credit.

Executive Order – Public School Construction Financing Study

At the end of the 2011-2014 legislative term, additional jurisdictions expressed interest in increasing the amount of funding dedicated to school construction projects similar to the model adopted for Baltimore City. Although no legislation was enacted expanding the funding model to other jurisdictions, the Governor did sign Executive Order 01.01.2014.06, which requires a study concerning (1) the development of creative means of increasing funding for public school construction; (2) establishment of more reliable revenue streams that could include leveraging funds from local jurisdictions to meet school construction needs; (3) alternative financing mechanisms/strategies, including the use of lease payments, for public school construction; (4) evaluation of local funding efforts and county tax effort and capacity; and (5) evaluation of

how other states fund public school construction. Report submission to the Governor is required by September 1, 2015.

Higher Education

The General Assembly continued its high level of funding for the higher education system by authorizing just over \$1.311 billion during the 2011-2014 term. These funds provided for the construction of new science and technology buildings, liberal arts and performing arts centers, research centers at State four-year institutions, community colleges throughout the State, and private colleges and universities. **Exhibit A-2.9** shows the funding for each of the four-year institutions as well as the total funding for community college projects and private colleges.

Exhibit A-2.9
Higher Education Capital Funding by Institution
Fiscal 2012-2015
(\$ in Thousands)

<u>Institution</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Four-year Total</u>
UM, Baltimore	\$4,000	\$4,672	\$16,570	\$49,000	\$74,242
UM, College Park	35,600	48,035	30,705	42,446	156,786
Bowie State University	1,500	5,266	6,000	23,842	36,608
Towson University	1,200	11,700	11,512	1,500	25,912
UM Eastern Shore	3,600	1,150	22,695	60,755	88,200
Frostburg State University	10,054	44,550	9,843	0	64,447
Coppin State University	0	38,775	56,198	10,300	105,273
University of Baltimore	41,493	4,037	1,000	2,775	49,305
Salisbury University	2,957	1,900	7,472	45,000	57,329
UM Baltimore County	41,200	34,225	38,068	14,106	127,599
UM University College	0	0	0	0	0
UM Ctr. for Env. Science	0	1,150	2,350	10,604	14,104
USM Office	17,000	27,000	23,500	17,000	84,500
<i>Subtotal, USM Institutions</i>	<i>\$158,604</i>	<i>\$222,460</i>	<i>\$225,913</i>	<i>\$277,328</i>	<i>\$884,305</i>
Morgan State University	\$6,071	\$29,685	\$54,861	\$16,170	\$106,787
St. Mary's College of Maryland	0	310	4,580	17,850	22,740
Regional Centers	935	0		5,300	6,235
Community Colleges	60,341	44,315	52,035	65,405	222,096
Independents	10,000	14,000	22,500	24,000	70,500
Total	\$235,951	\$310,770	\$359,889	\$406,053	\$1,312,663

UM: University of Maryland

USM: University System of Maryland

The University System of Maryland member institutions received 67% (\$884.3 million) of the funding. During the four-year term, the State's contribution for community college construction declined relative to the previous four-year term – \$222.1 million compared to \$308.7 million in the previous four-year term. This decline marked the impact of the economy on the capacity of local governments to contribute matching funds which resulted in planned projects being cancelled or delayed. Other substantial beneficiaries included Morgan State University at \$106.8 million and private colleges and universities receiving \$70.5 million compared to just \$34 million in the previous four-year term.

Housing and Community Development

Capital investment in housing and community development programs administered by the Department of Housing and Community Development (DHCD) totaled \$455.2 over the four-year term compared to \$340.1 million in the previous four-year term. The increased funding came despite the elimination of funds provided through the ARRA in the previous four-year term. The State's fiscal situation continued to virtually eliminate the use of general funds to support the capital program. Instead, these programs relied almost exclusively on GO bond authorizations and special funds derived from investments and principal and interest payments on loans.

During the 2011-2014 legislative term, the State focused on increasing the supply of affordable housing through DHCD Rental Housing programs, which fund the rehabilitation and creation of new affordable housing for low- to moderate-income individuals and families. Typically, DHCD funding is used to provide low-interest loans to housing developers for the financing of affordable housing developments. During the term, a total of \$167.2 million, or 36.7% of the total \$455.2 million of housing and community development funding, was provided to address the development of affordable housing through the Rental Housing programs.

Public Safety

Authorized funding for public safety projects totaled \$149.0 million during the 2011-2014 legislative term compared to \$274.4 million in the previous four-year term. Although a total of \$61.1 million was authorized for State correctional facilities, funding was intended to be much higher during the term. Two major projects the State intended to fund and complete during the term were substantially reduced in size, scope, and cost, and delayed several years – specifically, a new women's detention facility and a new youth detention facility at the Baltimore City Detention Center. State capital authorizations for local jail construction projects initially totaled just \$5.1 million, which reflected the lack of local government support due to the tight fiscal climate affecting State and local government finances.

Authorizations for Department of State Police (DSP) capital projects primarily reflect the multi-year replacement of the State's Medevac helicopter fleet. Of the \$82.8 million of capital funding provided to DSP, \$76.1 million was authorized for the purchase of 11 Medevac helicopters.

State Aid to Local Governments

Recent Trends

State aid to local governments will total \$7.0 billion in fiscal 2015. During the 2011 to 2014 legislative term (fiscal 2012 through 2015), State aid to local governments increased by an average annual rate of 2.2%, despite considerable fiscal challenges faced by the State during this period. Over this four-year period, State aid to local governments increased by \$574.8 million, including an increase of \$676.7 million in direct aid which is partially offset by a \$101.9 million decrease in State paid retirement costs for county teachers, librarians, and community college faculty. Direct State aid for public schools accounts for \$469.3 million, or 81.7%, of this increase, and is 75.9% of total State aid in fiscal 2015. Though it accounts for only 7.7% of State aid in fiscal 2015, State aid to county and municipal governments has increased by 42.8% during the term. **Exhibits A-3.1** and **A-3.2** show the change in State aid by governmental entity from fiscal 2011 to 2015.

Major Legislative Actions

The General Assembly has taken several actions in recent years, including the 2011 to 2014 legislative term, to respond to considerable fiscal challenges. With respect to State aid to local governments, decisions in two key areas significantly alleviated pressures on the State budget. First, growth in the per-pupil foundation amount, which is a central factor in determining funding through major education aid programs, was frozen in fiscal 2012 and capped at 1% in subsequent years. Second, changes to State retirement plans and the funding of those plans, including sharing the cost of local employee retirement with local governments, have provided substantial State budgetary relief.

Exhibit A-3.1
State Aid to Local Governments
Fiscal 2011 and 2015
(\$ in Millions)

	<u>2011</u>	<u>2015</u>	<u>\$ Difference</u>	<u>% Difference</u>
Public Schools	\$4,865.0	\$5,334.4	\$469.3	9.6%
Libraries	48.7	50.8	2.1	4.3%
Community Colleges	224.4	257.0	32.6	14.5%
Health	37.3	46.9	9.6	25.7%
County/Municipal	380.6	543.7	163.0	42.8%
Subtotal – Direct Aid	\$5,556.0	\$6,232.7	\$676.7	12.2%
Retirement Payments	\$899.8	\$797.9	-\$101.9	-11.3%
Total	\$6,455.8	\$7,030.6	\$574.8	8.9%

Source: Department of Legislative Services

Exhibit A-3.2
Annual Change in State Aid
Fiscal 2012-2015
(\$ in Millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Public Schools	\$80.5	\$140.0	\$121.0	\$127.8	\$469.3
Libraries	0.1	0.9	0.5	0.6	2.1
Community Colleges	6.0	4.7	8.1	13.8	32.6
Health	1.0	-1.0	4.5	5.1	9.6
County/Municipal	5.2	61.8	82.5	13.4	163.0
Subtotal – Direct Aid	\$92.9	\$206.5	\$216.6	\$160.7	\$676.7
Retirement Payments	-\$18.1	-\$72.5	-\$24.8	\$13.4	-\$101.9
Total	\$74.8	\$134.0	\$191.8	\$174.2	\$574.8

Source: Department of Legislative Services

Per-pupil Foundation Amount

The majority of State education aid is distributed to local school systems through formulas that are based primarily on student enrollments and local wealth. The per-pupil foundation amount affects State funding under the foundation program; the geographic cost of education index (GCEI); the compensatory education, special education, and limited English proficiency formulas; and the guaranteed tax base program. Chapter 2 of the 2007 Special Session held the per-pupil amount at the fiscal 2008 level of \$6,694 for fiscal 2009 and 2010 and capped annual increases to the lesser of two inflation rates (the implicit price deflator and the Consumer Price Index for All Urban Consumers for the Washington-Baltimore metropolitan area) or 5%. The inflation measures used to determine the fiscal 2011 increase in the per-pupil amount showed no growth, so the fiscal 2011 target per-pupil foundation amount remained at the fiscal 2008 level for a fourth consecutive year. Chapter 484 of 2010 limited the increase in the per-pupil amount for fiscal 2013 through 2015 to the lesser of 1% and the two inflation rates. **Chapter 397 of 2011**, the BRFA, prevented a 0.8%, or \$55 increase in the per-pupil foundation amount by holding it at \$6,694 in fiscal 2012 for a fifth consecutive year, resulting in a State aid reduction of approximately \$35.3 million in fiscal 2012 and \$41.4 million by fiscal 2015. Subsequent foundation increases for fiscal 2013 to 2015 averaged 0.8% annually due to inflation caps and low inflation.

Retirement Reform

Several changes in **Chapter 397** impacted State payments on behalf of local employees through the teachers' retirement program. State payments were reduced by \$79.9 million in fiscal 2012 due to benefit changes. This included a \$74.4 million reduction for local school employees, a \$1.2 million reduction for library employees, and a \$4.3 million reduction for

community college employees. Also, beginning in fiscal 2012, local school boards and community college boards are charged a share of retirement system administrative costs based on the number of their employees who are members of the Teacher Pension System (TPS) or Teachers' Retirement System (TRS). Consequently, State payments for teachers' retirement in fiscal 2012 were further reduced by \$15.9 million for local school boards and by \$758,000 for community college boards. The State continues to absorb the administrative costs associated with the local library boards.

Chapter 1 of the First Special Session of 2012, (the BRFA), phases in over four years (fiscal 2012 to 2016) the requirement that local employers pay the employer "normal cost" for active members of TRS/TPS. Counties are required to increase their appropriations to the local school boards to fund these teacher retirement costs. The local government share in fiscal 2013 totaled \$136.6 million, which is equivalent to the reduction in State retirement payments from the previous statutory amount. **Chapter 1** also initiated annual teacher retirement supplemental grants totaling \$27.7 million to lower-wealth counties (including Baltimore City) to help offset the impact of sharing teachers' retirement costs with the counties, beginning in fiscal 2013.

Chapter 397 required the Governor to reinvest a portion of the savings generated by retirement/pension benefit reform by making supplemental State contributions into the State Retirement and Pension System of Maryland trust fund. For fiscal 2012 and 2013, all but \$120.0 million of the roughly \$300.0 million in savings was required to be reinvested in the trust fund. Beginning in fiscal 2014 and each year thereafter, the amount of reinvested savings was subject to a \$300.0 million cap, with the total savings projected to exceed that amount each year. The BRFA of 2014, **Chapter 464**, reduces the mandated State retirement supplemental contribution from \$300.0 million to \$100.0 million in fiscal 2014 and 2015 and then increases the contribution by \$50.0 million annually until it reaches \$300.0 million in fiscal 2019 and, thereafter, until certain conditions are met. In fiscal 2014, this results in a decrease of \$132.0 million in State aid on behalf of local government employees, including \$124.7 million for teachers' retirement, \$2.0 million for local librarians, and \$5.3 million for community college employees. Similarly, in fiscal 2015, State aid on behalf of local government employees is reduced by \$131.9 million, including \$124.6 million for teachers' retirement, \$2.0 million for local library employees, and \$5.2 million for community college employees.

Changes by Program

Exhibit A-3.3 summarizes the distribution of direct aid by governmental unit and shows the estimated State retirement payments for local government employees in fiscal 2011 and 2015. **Exhibit A-3.4** compares total State aid in fiscal 2011 and 2015 by program.

Exhibit A-3.3
State Aid to Local Governments
Fiscal 2015 Legislative Appropriation
(\$ in Thousands)

County	County/ Municipal	Community Colleges	<i>Direct State Aid</i>				Retirement	Total	Change Over 2011	Percent Change
			Public Schools	Libraries	Health	Subtotal				
Allegany	\$13,376	\$6,235	\$76,561	\$744	\$1,175	\$98,091	\$9,504	\$107,595	-\$3,412	-3.1%
Anne Arundel	30,690	31,597	330,265	2,101	3,939	398,593	67,586	466,179	53,480	13.0%
Baltimore City	261,545	0	913,427	6,053	8,365	1,189,389	72,437	1,261,826	64,341	5.4%
Baltimore	21,262	42,224	593,702	5,327	5,413	667,928	95,543	763,471	77,521	11.3%
Calvert	3,355	2,587	81,902	385	479	88,709	15,114	103,823	-5,047	-4.6%
Caroline	4,461	1,629	48,790	270	668	55,818	4,685	60,503	7,270	13.7%
Carroll	4,964	8,364	133,782	902	1,537	149,549	23,042	172,590	-7,480	-4.2%
Cecil	7,225	6,035	100,798	719	1,008	115,785	13,998	129,783	-741	-0.6%
Charles	3,668	8,782	161,746	920	1,244	176,360	23,567	199,927	12,054	6.4%
Dorchester	4,120	1,220	37,502	252	545	43,639	3,910	47,549	6,019	14.5%
Frederick	7,803	10,005	231,966	1,334	1,889	252,997	35,184	288,182	24,645	9.4%
Garrett	4,116	3,864	20,632	114	553	29,279	3,711	32,990	-4,272	-11.5%
Harford	6,697	11,556	202,901	1,450	2,171	224,774	32,745	257,520	-6,698	-2.5%
Howard	7,650	17,103	222,484	838	1,528	249,603	60,772	310,375	15,519	5.3%
Kent	1,096	586	9,626	81	427	11,816	2,037	13,853	-163	-1.2%
Montgomery	28,265	47,428	624,368	2,813	3,825	706,698	165,932	872,630	104,238	13.6%
Prince George's	70,398	27,666	1,001,170	6,759	6,297	1,112,291	101,741	1,214,031	125,224	11.5%
Queen Anne's	1,592	1,891	33,909	138	521	38,051	6,077	44,128	2,778	6.7%
St. Mary's	2,534	2,907	97,259	612	1,009	104,322	14,091	118,413	2,129	1.8%
Somerset	6,505	739	28,575	268	535	36,622	2,721	39,343	5,222	15.3%
Talbot	1,940	1,759	13,093	107	409	17,307	3,926	21,233	2,487	13.3%
Washington	6,809	9,005	165,081	1,172	1,720	183,786	19,259	203,045	25,308	14.2%
Wicomico	13,621	5,070	128,271	943	1,179	149,084	12,997	162,080	20,399	14.4%
Worcester	5,600	2,105	19,591	144	442	27,882	7,318	35,200	2,919	9.0%
Unallocated	24,399	6,679	56,960	16,323	0	104,360	0	104,360	51,045	95.7%
Total	\$543,692	\$257,033	\$5,334,358	\$50,769	\$46,879	\$6,232,732	\$797,896	\$7,030,628	\$574,785	8.9%

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

Exhibit A-3.3 (Cont.)
State Aid to Local Governments
Fiscal 2011 Actual
(\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total
	County/ Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$8,733	\$5,898	\$84,105	\$758	\$909	\$100,403	\$10,604	\$111,007
Anne Arundel	9,320	28,694	293,093	1,913	3,142	336,163	76,536	412,699
Baltimore City	225,649	0	875,196	6,461	6,675	1,113,982	83,503	1,197,485
Baltimore	14,947	36,335	525,371	5,249	4,302	586,205	99,745	685,950
Calvert	1,352	2,124	86,951	402	370	91,199	17,671	108,870
Caroline	2,950	1,460	42,758	273	538	47,980	5,252	53,232
Carroll	2,293	7,409	141,005	982	1,232	152,921	27,149	180,070
Cecil	7,843	5,252	100,240	717	806	114,858	15,666	130,524
Charles	2,577	7,041	150,772	791	995	162,175	25,698	187,873
Dorchester	2,898	1,259	32,146	244	429	36,975	4,555	41,530
Frederick	3,880	8,667	209,210	1,140	1,512	224,409	39,128	263,537
Garrett	4,147	3,343	24,523	155	437	32,605	4,658	37,263
Harford	3,472	10,240	210,056	1,548	1,737	227,053	37,165	264,218
Howard	5,964	13,901	209,938	770	1,215	231,788	63,068	294,855
Kent	638	578	9,922	96	336	11,570	2,446	14,016
Montgomery	15,447	40,821	525,581	2,662	3,015	587,525	180,867	768,392
Prince George's	41,767	22,412	880,482	5,648	5,007	955,317	133,491	1,088,807
Queen Anne's	885	1,609	31,372	132	418	34,415	6,935	41,350
St. Mary's	2,471	2,392	94,705	624	809	101,001	15,283	116,284
Somerset	5,649	699	23,878	263	429	30,918	3,203	34,121
Talbot	1,516	1,402	11,344	101	329	14,692	4,054	18,745
Washington	2,996	7,857	144,411	1,128	1,381	157,772	19,965	177,737
Wicomico	4,983	4,679	115,569	838	947	127,016	14,665	141,681
Worcester	3,391	1,867	18,068	138	313	23,777	8,504	32,281
Unallocated	4,874	8,463	24,321	15,658	0	53,316	0	53,316
Total	\$380,644	\$224,401	\$4,865,016	\$48,690	\$37,283	\$5,556,034	\$899,809	\$6,455,843

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

Exhibit A-3.3 (Cont.)
State Aid to Local Governments
Dollar Difference Between Fiscal 2015 Legislative Appropriation and Fiscal 2011 Actual
(\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total
	County/ Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$4,643	\$337	-\$7,544	-\$14	\$267	-\$2,312	-\$1,100	-\$3,412
Anne Arundel	21,370	2,903	37,172	188	797	62,430	-8,950	53,480
Baltimore City	35,895	0	38,231	-409	1,690	75,407	-11,066	64,341
Baltimore	6,314	5,889	68,331	77	1,111	81,722	-4,201	77,521
Calvert	2,004	462	-5,049	-17	110	-2,490	-2,557	-5,047
Caroline	1,511	169	6,032	-4	129	7,838	-567	7,270
Carroll	2,671	954	-7,223	-80	305	-3,373	-4,107	-7,480
Cecil	-618	783	559	2	201	928	-1,669	-741
Charles	1,091	1,740	10,974	129	249	14,185	-2,131	12,054
Dorchester	1,222	-39	5,356	8	117	6,664	-645	6,019
Frederick	3,922	1,338	22,757	194	377	28,589	-3,944	24,645
Garrett	-31	521	-3,890	-40	116	-3,326	-946	-4,272
Harford	3,225	1,316	-7,155	-98	433	-2,279	-4,419	-6,698
Howard	1,686	3,202	12,546	68	313	17,815	-2,296	15,519
Kent	459	8	-296	-15	92	246	-409	-163
Montgomery	12,818	6,607	98,786	151	810	119,173	-14,935	104,238
Prince George's	28,631	5,254	120,688	1,111	1,290	156,974	-31,750	125,224
Queen Anne's	708	282	2,537	6	103	3,635	-857	2,778
St. Mary's	63	515	2,554	-12	200	3,321	-1,192	2,129
Somerset	856	40	4,697	4	106	5,704	-482	5,222
Talbot	424	357	1,748	5	81	2,615	-128	2,487
Washington	3,813	1,148	20,670	44	339	26,014	-706	25,308
Wicomico	8,638	391	12,702	105	232	22,068	-1,669	20,399
Worcester	2,209	239	1,523	6	129	4,105	-1,186	2,919
Unallocated	19,525	-1,784	32,638	665	0	51,045	0	51,045
Total	\$163,049	\$32,632	\$469,343	\$2,079	\$9,595	\$676,698	-\$101,913	\$574,785

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

Exhibit A-3.3 (Cont.)
State Aid to Local Governments
Percent Change: Fiscal 2015 Legislative Appropriation over Fiscal 2011 Actual

County	<i>Direct State Aid</i>						Retirement	Total
	County/ Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	53.2%	5.7%	-9.0%	-1.9%	29.4%	-2.3%	-10.4%	-3.1%
Anne Arundel	229.3%	10.1%	12.7%	9.8%	25.4%	18.6%	-11.7%	13.0%
Baltimore City	15.9%	n/a	4.4%	-6.3%	25.3%	6.8%	-13.3%	5.4%
Baltimore	42.2%	16.2%	13.0%	1.5%	25.8%	13.9%	-4.2%	11.3%
Calvert	148.2%	21.8%	-5.8%	-4.1%	29.6%	-2.7%	-14.5%	-4.6%
Caroline	51.2%	11.6%	14.1%	-1.3%	24.1%	16.3%	-10.8%	13.7%
Carroll	116.5%	12.9%	-5.1%	-8.2%	24.7%	-2.2%	-15.1%	-4.2%
Cecil	-7.9%	14.9%	0.6%	0.3%	25.0%	0.8%	-10.7%	-0.6%
Charles	42.4%	24.7%	7.3%	16.3%	25.1%	8.7%	-8.3%	6.4%
Dorchester	42.2%	-3.1%	16.7%	3.4%	27.2%	18.0%	-14.2%	14.5%
Frederick	101.1%	15.4%	10.9%	17.0%	24.9%	12.7%	-10.1%	9.4%
Garrett	-0.8%	15.6%	-15.9%	-26.2%	26.4%	-10.2%	-20.3%	-11.5%
Harford	92.9%	12.9%	-3.4%	-6.3%	24.9%	-1.0%	-11.9%	-2.5%
Howard	28.3%	23.0%	6.0%	8.9%	25.8%	7.7%	-3.6%	5.3%
Kent	71.9%	1.3%	-3.0%	-15.7%	27.2%	2.1%	-16.7%	-1.2%
Montgomery	83.0%	16.2%	18.8%	5.7%	26.9%	20.3%	-8.3%	13.6%
Prince George's	68.5%	23.4%	13.7%	19.7%	25.8%	16.4%	-23.8%	11.5%
Queen Anne's	80.0%	17.5%	8.1%	4.8%	24.6%	10.6%	-12.4%	6.7%
St. Mary's	2.6%	21.5%	2.7%	-1.8%	24.7%	3.3%	-7.8%	1.8%
Somerset	15.2%	5.7%	19.7%	1.7%	24.6%	18.4%	-15.0%	15.3%
Talbot	27.9%	25.5%	15.4%	5.2%	24.5%	17.8%	-3.2%	13.3%
Washington	127.3%	14.6%	14.3%	3.9%	24.5%	16.5%	-3.5%	14.2%
Wicomico	173.3%	8.3%	11.0%	12.5%	24.5%	17.4%	-11.4%	14.4%
Worcester	65.1%	12.8%	8.4%	4.7%	41.1%	17.3%	-13.9%	9.0%
Unallocated	400.6%	-21.1%	134.2%	4.2%	n/a	95.7%	n/a	95.7%
Total	42.8%	14.5%	9.6%	4.3%	25.7%	12.2%	-11.3%	8.9%

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

Exhibit A-3.4
Total State Aid to Local Governments
Fiscal 2011 and 2015

<u>Program</u>	<u>2011</u>	<u>2015</u>	<u>Difference</u>
Foundation Aid	\$2,762,670,493	\$2,882,444,199	\$119,773,706
Supplemental Program	46,496,416	46,620,083	123,667
Geographic Cost of Education Index	126,612,027	132,684,798	6,072,771
Net Taxable Income Education Grant	0	26,860,206	26,860,206
Foundation – Special Grants	0	593,055	593,055
Compensatory Education	1,041,059,587	1,251,675,638	210,616,051
Student Transportation – Regular	220,692,402	234,187,692	13,495,290
Student Transportation – Special Education	23,692,000	24,192,000	500,000
Special Education – Formula	263,975,411	271,702,888	7,727,477
Special Education – Nonpublic Placements	112,480,314	110,917,897	-1,562,417
Special Education – Infants and Toddlers	10,389,105	10,389,104	-1
Limited English Proficiency Grants	151,176,031	197,658,807	46,482,776
Guaranteed Tax Base	47,391,600	59,390,154	11,998,554
Aging Schools	6,108,997	6,108,986	-11
Teacher Development Grants	5,631,558	12,904,000	7,272,442
Adult Education	6,927,084	8,433,620	1,506,536
Food Service	7,156,664	11,236,664	4,080,000
Out-of-county Foster Placements	4,626,108	3,881,000	-745,108
Head Start	1,800,002	1,800,000	-2
Prekindergarten Expansion Program	0	4,300,000	4,300,000
SEED School	6,000,000	10,146,460	4,146,460
Judy Hoyer Centers	10,575,000	10,575,000	0
Other Programs	9,554,843	15,656,247	6,101,404
Total Primary and Secondary Education	\$4,865,015,642	\$5,334,358,498	\$469,342,856
Library Formula	\$33,032,330	\$34,446,211	\$1,413,881
Library Network	15,657,837	16,323,271	665,434
Total Libraries	\$48,690,167	\$50,769,482	\$2,079,315
Community College Formula	\$194,407,431	\$226,110,315	\$31,702,884
Grants for ESOL Programs	3,812,144	5,516,744	1,704,600
Optional Retirement	13,822,567	14,301,000	478,433
Small College Grants	3,296,346	3,826,335	529,989
Other Community College Aid	9,062,776	7,278,830	-1,783,946
Total Community Colleges	\$224,401,264	\$257,033,224	\$32,631,960

Exhibit A-3.4 (Cont.)

<u>Program</u>	<u>2011</u>	<u>2015</u>	<u>Difference</u>
Highway User Revenue	\$139,346,370	\$169,686,146	\$30,339,776
Elderly and Handicapped Transportation Aid	4,418,598	4,305,938	-112,660
Paratransit	2,991,591	2,926,702	-64,889
Municipal Transportation Grant	0	16,000,001	16,000,001
Total Transportation	\$146,756,559	\$192,918,787	\$46,162,228
Police Aid	\$45,407,943	\$67,876,377	\$22,468,434
Fire and Rescue Aid	10,000,000	11,700,001	1,700,001
Vehicle Theft Prevention	1,665,310	1,860,000	194,690
9-1-1 Grants	13,402,948	14,400,000	997,052
Community Policing	1,974,000	1,974,000	0
Foot Patrol/Drug Enforcement Grants	4,228,210	4,228,210	0
Law Enforcement Training Grants	53,202	50,000	-3,202
Stop Gun Violence Grants	923,909	928,478	4,569
Violent Crime Grants	4,734,914	4,750,714	15,800
State's Attorney Grants	1,959,195	3,959,195	2,000,000
Domestic Violence Grants	196,353	196,354	1
War Room/Sex Offender Grants	1,445,312	1,445,313	1
Safe Streets Program	523,109	2,830,352	2,307,243
School Vehicle Safety Grant	576,324	550,000	-26,324
Body Armor	49,352	49,088	-264
Total Public Safety	\$87,140,081	\$116,798,082	\$29,658,001
Program Open Space	\$15,252,000	\$26,446,000	\$11,194,000
Critical Area Grants	264,779	243,900	-20,879
Total Recreation/Environment	\$15,516,779	\$26,689,900	\$11,173,121
Local Health Formula	\$37,283,484	\$46,878,532	\$9,595,048
Disparity Grant	\$121,436,013	\$135,797,163	\$14,361,150
Horse Racing Impact Aid	\$684,912	\$73,000	-\$611,912
Payments in Lieu of Taxes	1,020,754	1,123,928	103,174
Video Lottery Terminal Impact Aid	5,672,304	39,051,403	33,379,099
Instant Bingo	0	1,019,846	1,019,846
Senior Citizens Activities Center	416,270	500,000	83,730
Statewide Voting Systems	2,000,000	2,061,485	61,485
Teacher Retirement Supplemental Grant	0	27,658,661	27,658,661
Total Other Direct Aid	\$9,794,240	\$71,488,323	\$61,694,083
Total Direct Aid	\$5,556,034,229	\$6,232,731,991	\$676,697,762

Exhibit A-3.4 (Cont.)

<u>Program</u>	<u>2011</u>	<u>2015</u>	<u>Difference</u>
Retirement – Teachers	\$849,836,102	\$738,575,043	-\$111,261,059
Retirement – Libraries	16,260,080	19,028,258	2,768,178
Retirement – Community Colleges	33,712,536	40,292,675	6,580,139
Total Payments-in-behalf	\$899,808,718	\$797,895,976	-\$101,912,742
Total State Aid	\$6,455,842,947	\$7,030,627,967	\$574,785,020

ESOL: English for Speakers of Other Languages

Primary and Secondary Education

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. The State provides funding for roughly 50% of the program's cost. Less affluent local school systems, as measured by the property tax base and net taxable income (NTI), receive relatively more aid per-pupil than wealthier school systems. The per-pupil foundation amount for fiscal 2015 is set at \$6,860. This represents a 0.5% increase over fiscal 2014, consistent with *Chapter 397*, which limits the increase in the per-pupil amount for fiscal 2013 through 2015 to the lesser of two inflation rates or 1.0%. The implicit price deflator for local governments increases by 0.5%. The student enrollment count used for the program totals 834,524 students. Enrollment for the formula is based on the September 30, 2013 full-time equivalent (FTE) student enrollment count. State aid under the foundation program will total \$2.9 billion in fiscal 2015, or \$119.8 million above fiscal 2011 program funding.

Net Taxable Income: Pursuant to *Chapter 4 of 2013*, State education aid formulas that include a local wealth component are to be calculated twice, once using an NTI amount for each county based on tax returns filed by September 1 and once using an NTI amount based on tax returns filed by November 1. Each local school system then receives the higher State aid amount resulting from the two calculations. The increase in State aid is phased in over a five-year period, beginning in fiscal 2014. Fiscal 2015 funding provided to 18 counties totals \$26.9 million, an increase of \$18.5 million over fiscal 2014.

Special Grants: In recent years, legislation has been enacted to provide grants to certain counties experiencing a decrease in education aid. *Chapter 397* provided that for fiscal 2012 only, the State must make grants to limit fiscal 2011 to 2012 decreases in direct education aid (as defined by the bill) to 6.5%. This resulted in a \$779,300 grant to Allegany County and a \$640,600 grant to Garrett County for fiscal 2012. *Chapter 1* required the State to provide a grant to a local board of education to ensure that "total direct education aid" for fiscal 2013 decreases by no more than 5% below the fiscal 2012 aid amount, a threshold exceeded by Garrett County.

The grant to Garrett County totaled \$1.2 million. **Chapter 425 of 2013** provided that for fiscal 2014 only, if a county's total direct education aid in the current fiscal year is less than the prior year by more than 1%, the State must provide a grant equal to 25% of the decrease in total direct education aid from the prior fiscal year to the current fiscal year. While this resulted in a calculated grant of \$2.1 million to be shared by Carroll, Garrett, Harford, and Kent counties, funding for this grant was not mandatory and, although the General Assembly restricted funds in the State budget, the Governor did not transfer the funds. The fiscal 2015 State budget includes a negative deficiency to revert the funds to the general fund.

Chapters 515 and 516 of 2014 require the State to provide a grant in fiscal 2015 through 2017 to a local board of education if "total direct education aid" in the current fiscal year is less than the prior fiscal year by more than 1% and FTE enrollment is both less than 5,000 and less than in the prior year. The grant must equal 50% of the decrease in total direct education aid. Grants will total \$593,100 in fiscal 2015, including \$464,100 for Garrett County and \$129,000 for Kent County.

Geographic Cost of Education Index: This discretionary formula provides additional State funds to local school systems where costs for educational resources are higher than the State average. Funding for the GCEI formula was first provided in fiscal 2009. Thirteen local school systems receive a total of \$132.7 million in fiscal 2015 from the GCEI formula, representing an increase of \$6.1 million in funding over fiscal 2011.

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% 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 share of the formula cost is 50.0%, with the State paying no less than 40.0% of formula funding for each local school system. The student enrollment count used to determine State aid in fiscal 2015 totals 360,420. State aid under the compensatory education program will total \$1.3 billion in fiscal 2015, representing a \$210.6 million increase over fiscal 2011 and accounting for over one-third of the overall growth in State aid to local governments during the 2011 to 2014 legislative term. This 20.2% increase was primarily driven by a 17.6% increase in the number of students eligible for free and reduced-price meals.

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 public schools; however, if an appropriate program is not available in 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% of the annual per-pupil foundation amount and the number of special education students from the prior fiscal year. The State share of the formula cost is 50% statewide with a floor of 40% for each local school

system. The student enrollment count used to determine fiscal 2015 State aid totals 102,882. A local school system pays its respective local share of the basic cost of education for each nonpublic placement plus two times the total basic cost of education in the system, as well as 30% of any expense above that sum. The State pays 70% of the costs above the base local funding. In fiscal 2015, State formula funding for public special education programs will total \$271.7 million and funding for nonpublic placements totals \$110.9 million. Between fiscal 2011 and 2015, State funding has increased by \$7.7 million for public programs and decreased by \$1.6 million for nonpublic programs.

Residential Boarding Education Programs: Chapter 397 of 2006 established a residential boarding education program for at-risk youth to be run by a private operator under the supervision of the Maryland State Department of Education (MSDE). The SEED Foundation, which runs a similar school in the District of Columbia, won the contract and operates the SEED School of Maryland. **Chapters 503 and 504 of 2011** altered the minimum amount of State funds to appropriate annually toward transportation, boarding, and administrative costs of residential boarding education programs for at-risk youth. Funding had been set at \$25,000 per student. Beginning in fiscal 2014, minimum funding per student will be the prior year funding amount as altered by the annual change in the per-pupil foundation amount. State funding for the SEED school totals \$10.1 million in fiscal 2015, or \$4.1 million above the fiscal 2011 total, due primarily to a multi-year phase in of the number of students served, culminating in a count of 400 students by fiscal 2014.

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 when applicable. 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 BRFA of 2009 (Chapter 487) limited to 1% the fiscal 2012 inflationary increases for the student transportation formula and the per-pupil foundation amount. The BRFA of 2010 (Chapter 484) then extended the 1% cap on per-pupil funding through fiscal 2015 and reduced the minimum annual inflation adjustment from 3 to 1% for all years after fiscal 2015. The fiscal 2015 State budget includes \$234.2 million for regular transportation services and \$24.2 million for special transportation services. Between fiscal 2011 and 2015, funding has increased by \$13.5 million for regular transportation services and by \$500,000 for special transportation services.

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% of the annual per-pupil foundation amount, with the State providing funding for 50.0% of the program's cost. State funding for the program will total \$197.7 million in fiscal 2015. The number of LEP students totals 56,047 for the 2013-2014 school year. Between fiscal 2011 and 2015, LEP funding has increased by \$46.5 million, or 30.7%, due primarily to a 27.2% increase in the number of LEP students.

Guaranteed Tax Base Program: The Bridge to Excellence in Public Schools Act included an add-on grant for jurisdictions with less than 80% of statewide per-pupil wealth that contributed more than the minimum required local share under the foundation program in the prior year. The grant is based on local support for education relative to local wealth. The grant cannot exceed 20% of the per-pupil foundation amount. In conjunction with a provision in **Chapter 397**, Baltimore City's shift of school system retiree health care costs from the Baltimore City budget to the school system's budget allowed local retiree health payments in fiscal 2011 to be included in the calculation of the grant for fiscal 2012, increasing Baltimore City's allocation by \$12.2 million in fiscal 2012. Nine local school systems will qualify for grants totaling \$59.4 million in fiscal 2015. Between fiscal 2011 and 2015, funding for the program has increased by \$12.0 million.

Aging Schools Program and School Wiring: 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. **Chapter 397** authorized mandated funding to be provided in the operating or capital budget. In addition to base funding of \$6.1 million, **Chapter 396 of 2011** included a \$2.5 million enhancement for fiscal 2012, **Chapter 444 of 2012** included a \$25.0 million enhancement for fiscal 2013, and **Chapter 424 of 2013** included a \$2.0 million enhancement for fiscal 2014. State funding for the Aging Schools Program will total \$6.1 million in fiscal 2015. Funding for school wiring through the Technology in Maryland Schools Program totals \$42,100 in fiscal 2015, representing the last payment for financing of the Master Lease/Purchase Financing Arrangement for the program.

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. The programs also provide funding to support childhood educators, and statewide implementation of an early childhood assessment system. The fiscal 2015 State budget includes \$7.6 million for Judy Center grants and \$3.0 million for school readiness and program accreditation, consistent with funding levels throughout the 2011 to 2014 legislative term. A one-time increase of \$4.1 million for Head Start in fiscal 2014 offset reduced federal funding due to sequestration. Those additional funds are no longer needed for fiscal 2015 as federal funding has been restored to the program; State aid for Head Start totals \$1.8 million in fiscal 2015, level with fiscal 2011.

Teacher Development: The State provides salary enhancements for teachers obtaining national certification and a stipend for teachers and other nonadministrative certificated school employees working in low-performing schools. The fiscal 2015 State budget includes \$12.3 million for teacher quality incentives and \$96,000 for the Governor's Teacher Excellence Award Program which distributes awards to teachers for outstanding performance. The fiscal 2015 State budget also includes \$600,000 for teacher quality and national board certification grants. **Chapter 581 of 2013** repealed the June 30, 2013 termination of the State and Local Aid Program for Certification by the National Board for Professional Teaching Standards.

State aid for teacher development has increased by \$7.3 million during the 2011 to 2014 legislative term.

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 2015 State budget provides \$11.2 million for food and nutrition services, including a \$1.7 million increase for Maryland Meals for Achievement to provide breakfast to approximately 40,000 additional students. This follows a fiscal 2014 increase of \$1.8 million above the fiscal 2013 funding amount of \$7.7 million, also for support of Maryland Meals for Achievement. Funding for food and nutrition services has increased by \$4.1 million during the 2011-2014 legislative term.

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. ***Chapter 404 of 2014*** clarifies that a child is eligible to participate in the program until the beginning of the school year following a child's fourth birthday. State funding for infants and toddlers programs will total \$10.4 million in fiscal 2015, the same annual amount that has been provided each year of the 2011 to 2014 legislative term.

Adult Education: The State provides funding for adult education services, including classes on basic skills in reading, writing, and math, or learning to speak and understand the English language. Grants also assist adults to prepare to earn a high school diploma through the general education development tests or the National External Diploma Program. The State budget includes \$8.4 million for adult education programs in fiscal 2015, a \$1.5 million increase over the amount provided in fiscal 2011.

School-based Health Centers: The fiscal 2015 State budget includes \$2.6 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. This amount reflects near-level funding since fiscal 2011.

Healthy Families/Home Visits Program: The Healthy Families Program aims to promote positive parenting to enhance child health and development to prevent child abuse and neglect through home visits prenatally through early childhood. The program had been funded through federal Temporary Assistance for Needy Families funds; however, beginning in fiscal 2012, general funds are used. Fiscal 2015 funding totals \$4.6 million, virtually the same funding amount provided in fiscal 2012.

Science and Mathematics Education Initiative: This program includes summer sessions for teachers and an equipment incentive fund to strengthen science and math education. The State budget includes \$2.6 million for this initiative in fiscal 2015, an increase of nearly \$1.3 million over fiscal 2011 funding.

Digital Learning Innovation Fund: This fund supports competitive grants to local school systems to create digital learning environments such as multimedia assets to students and teachers; differentiated instruction; differentiated assignments and materials for students advancing at different paces; training and support to educators and students; and offering more current information than traditional textbooks on an ongoing basis. Fiscal 2015 funds must be distributed to local education agencies in need of funds to accelerate their transition to digital learning and upgrade their information technology infrastructure to be compatible with and to implement the Partnership for Assessment of Readiness for College and Careers tests online. Fiscal 2015 funding totals \$3.5 million, level with fiscal 2014 funding.

Early College Innovation Fund: This fund supports an expansion of early college access programs that provide accelerated pathways for students seeking career and technical education or training in science, technology, engineering, and math disciplines. MSDE makes competitive grants to partnerships of local school systems and higher education institutions that are formed to create early college high schools and other forms of early college access. Funds are intended as bridge funding to assist in the start-up costs associated with creating new early college programs. Fiscal 2015 funding totals \$1.4 million and is \$595,100 below funding in fiscal 2014, the first year of State aid through the fund.

Lacrosse Opportunities Program: Under *Chapter 706 of 2012*, beginning in fiscal 2014, at least \$40,000 annually must be provided to the Lacrosse Opportunities Program to increase opportunities for minority students to participate in lacrosse in their communities. Funding totaled \$40,000 in both fiscal 2014 and 2015.

Prekindergarten Expansion Program: *Chapter 2 of 2014*, the Prekindergarten Expansion Act, expands prekindergarten services to four-year-old children from families whose income is no more than 300% of the federal poverty guidelines by establishing a competitive grant program to provide funding to qualified public and private prekindergarten providers. The State budget includes \$4.3 million for the grant program in fiscal 2015. At least the same amount must be provided in subsequent years.

Retirement Payments: State support for local teacher retirement totals \$738.6 million in fiscal 2015, a decrease of \$111.3 million compared to fiscal 2011. The various reforms resulting in this decrease are discussed in greater detail above.

Local Libraries

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. Overall, the State provides 40% of the minimum program, and the counties provide 60%. The State/local share of the minimum program varies by county depending on local wealth. Chapter 481 of 2005 started a phase in of enhancements for the library aid formula, increasing the per-resident allocation by \$1 per year from \$12 per resident in fiscal 2006 to \$16 per resident by fiscal 2010. However, budget reconciliation legislation enacted between calendar 2007 and 2011 slowed enhancements. *Chapter 397* set the per-resident amount at \$14

for fiscal 2012 through 2016, phasing up to \$15 by fiscal 2019 and in subsequent years. Under **Chapter 500 of 2014**, per-resident funding increases to \$15 in fiscal 2016 and phases up to \$16.70 per resident by fiscal 2019. Fiscal 2015 funding totals \$34.4 million, an increase of \$1.4 million over fiscal 2011.

State Library Network: The State provides funds to libraries designated as resource centers including the State Library Resource Center in Baltimore City, the Eastern Resource Center in Salisbury, the Southern Resource Center in Charlotte Hall, and the Western Resource Center in Hagerstown. State funding for the State Library Resource Center had been steady at \$1.85 per Maryland resident, but budget reconciliation actions beginning in calendar 2009 reduced the per capita amount. Chapter 487 of 2009 reduced the amount to \$1.67 per resident in fiscal 2010 and 2011. **Chapter 397** set State Library Resource Center funding at \$1.67 per resident for fiscal 2012 through 2016, before a phase in to \$1.85 in fiscal 2019 and in subsequent years. Chapter 397 also set funding for regional resource centers at \$6.75 per resident of each region for fiscal 2012 through 2016, before phasing up to \$7.50 per resident in fiscal 2019 and in subsequent years. However, under **Chapter 500**, per-resident funding for regional resource centers increases to \$7.50 in fiscal 2016 and phases up to \$8.75 per resident by fiscal 2019. Fiscal 2015 funding totals \$16.3 million, \$665,400 over fiscal 2011 funding.

Retirement Payments: State support for librarians' retirement totals \$19.0 million in fiscal 2015. Despite recent reforms, discussed above, this represents a \$2.8 million increase in funding since fiscal 2011.

Community Colleges

Senator John A. Cade Formula Funding: The Cade funding formula aid is based on a percentage of the current year's per student State support for selected four-year public higher education institutions and the total number of FTE students at the community colleges. The total is then distributed to each college based on the previous year's direct grant, enrollment, and a small-size factor. Chapter 333 of 2006 phased in a 5% increase in the formula over five years, ending in fiscal 2013, but the formula has since been adjusted frequently by budget reconciliation legislation. Chapter 484, reduced funding under the Cade formula to \$194.4 million in fiscal 2011 and 2012 and reset the phase in of scheduled formula enhancements.

Chapter 397 did not impact fiscal 2012 formula funding, but reduced funding under the formula from fiscal 2013 through 2022 by adding two years to the phase in of formula enhancements in order to reach full funding by fiscal 2023 rather than fiscal 2021. Under the formula, three colleges would have received an increase in fiscal 2013; however, the General Assembly reduced these amounts to level fund the formula grants. **Chapter 464** alters the factor of the formula related to four-year institutions by increasing the percentage used in each of fiscal 2016 through 2019. It is estimated that this change will increase community college State aid by \$12.0 million in fiscal 2016. The Governor's proposed fiscal 2015 budget included a \$4.6 million contingent reduction to Cade formula funding in fiscal 2015, or 2.0%; instead, the General Assembly reduced funding by \$2.2 million, or 0.9%, compared to the preexisting

statutory level for fiscal 2015. Cade formula funding totals \$226.1 million in fiscal 2015, an increase of \$31.7 million over fiscal 2011.

Special Programs: State funding in fiscal 2015 will total \$3.8 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 \$6.7 million. The English as a Second Language Program will receive \$5.5 million. Over the 2011 to 2014 legislative term, funding for these programs has increased by \$450,600. In addition, local community colleges received additional funding through the Keeping Maryland Community Colleges Affordable grant program in fiscal 2012 if the colleges held tuition rate increases to 3% or less for the 2011-2012 academic year. All community colleges held tuition growth to 3% or less and received a share of the additional funding which totaled \$4.8 million. For fiscal 2013, **Chapter 1** adds these amounts to each college's fiscal 2012 Cade formula funding. There has been no new funding provided under this program since fiscal 2012.

Retirement Payments: The State will provide \$40.3 million to support funding of the retirement plans of community college faculty in fiscal 2015. This represents a \$6.6 million increase in funding since fiscal 2011. In addition, State funding for the optional retirement program will total \$14.3 million in fiscal 2015, an increase of \$478,400 over fiscal 2011.

Local Health Departments

The State provides funds to support the delivery of public health services in each of Maryland's 24 jurisdictions. These services include child health, communicable disease prevention, maternal health, family planning, environmental health, and administration of the departments. Due to declining State revenues, the fiscal 2010 appropriation for grants to local health departments was reduced from \$57.4 million to \$37.3 million by the Board of Public Works in August 2009. Chapter 484 maintained the base appropriation for the targeted local health formula for fiscal 2011 and 2012 at \$37.3 million; however, due to one-time employee bonuses, fiscal 2012 aid totaled \$38.3 million. Fiscal 2013 funding reverted to the \$37.3 million level. The formula adjustment combines an inflation factor with a population growth factor. **Chapter 464** clarifies that the local health funding formula inflationary adjustments are made to the prior year's formula allocation (consistent with practice) rather than to the \$37.3 million base funding level. The fiscal 2015 budget includes \$46.9 million. Between fiscal 2011 and 2015, State funding for local health departments has increased by \$9.6 million, largely due to cost-of-living adjustments for health employees in fiscal 2014 and 2015.

County and Municipal Governments

Highway User Revenues: The State shares various transportation revenues, commonly referred to as highway user revenues (HUR), with the counties and municipalities. Due to declining State revenues, local highway user grants were significantly reduced in fiscal 2010 to \$163.5 million. Prior to the fiscal 2010 reductions, Maryland's local governments received 30.0% of HUR. Under **Chapter 397**, HUR local aid was distributed as follows in fiscal 2012: 7.5% to Baltimore City; 0.8% to counties; and 0.6% to municipalities. In fiscal 2013, 8.1% was

distributed to Baltimore City; 1.5% was distributed to counties; and 0.4% was distributed to municipalities. Beginning in fiscal 2014, 7.7% is distributed to Baltimore City; 1.5% is distributed to counties; and 0.4% is distributed to municipalities. Allocations to counties and municipalities are based on the percentage of road miles and of vehicle registrations within each local jurisdiction. In fiscal 2015, HUR funding totals \$169.7 million, including \$136.1 million for Baltimore City; \$26.5 million for counties; and \$7.1 million for municipalities. Fiscal 2015 funding is \$30.3 million above HUR funding in fiscal 2011.

Other Transportation Aid: The BRFA of 2013 (*Chapter 425*) included \$15.4 million in fiscal 2014 to fund transportation grants to municipal governments. Grants are allocated in a manner consistent with the HUR formula. The fiscal 2015 State budget funds the municipal transportation grants for a second year (fiscal 2015) at \$16.0 million. State funding for elderly/disabled transportation grants will total \$4.3 million in fiscal 2015, \$112,700 less than fiscal 2011 funding. State funding for paratransit grants will total \$2.9 million, \$64,900 below fiscal 2011. In addition, \$10.0 million in grant funding to counties in fiscal 2014 only for the purpose of pothole repairs was approved at the 2014 session; funding is distributed on the basis of county road miles.

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 Maryland State Police recovers 30% of the State crime laboratory costs relating to evidence-testing services from each county's formula allocation. Fiscal 2015 funding totals \$67.9 million, \$22.5 million above the fiscal 2011 funding level. As a cost-containment measure, police aid had been capped at \$45.4 million for several years. The formula was fully funded in fiscal 2014 and 2015.

Targeted Public Safety Grants: State funding for targeted public safety grants will total \$14.2 million in fiscal 2015. 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. Also, \$2.5 million is provided in fiscal 2015 to the Baltimore City State's Attorney Office to assist in the prosecution of gun offenses and repeat violent offenders, and \$1.5 million will be provided to support the Community Prosecution, Special Investigations, and Collateral Offender Units of the Prince George's County State's Attorney Office. Also, Safe Streets program funding totals \$2.8 million in fiscal 2015. Targeted public safety funding has remained relatively constant during the 2011 to 2014 legislative term with the exception of the Safe Streets Program, which has increased by \$2.3 million over this period.

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 nonlapsing 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 \$1.9 million in fiscal 2015, a \$194,700 increase over fiscal 2011 funding.

Fire, Rescue, and Ambulance Services: The State provides formula grants through the Senator William H. Amoss Fire, Rescue, and Ambulance Fund to the counties, Baltimore City, and qualifying municipalities for local and volunteer fire, rescue, and ambulance services. The program supports the purchase of fire and rescue equipment and capital building improvements and is funded through the Maryland Emergency Medical System Operations Fund (MEMSOF). ***Chapter 429 of 2013*** increased the annual vehicle registration fee surcharge from \$13.50 to \$17.00, with the additional fees credited to MEMSOF. Revenues from the surcharge increase will in part be used to support increased appropriations to the Amoss Fund. ***Chapter 429*** specified the intent of the General Assembly that the annual appropriation to the fund will be increased from \$10.0 million to \$11.7 million in fiscal 2015, \$13.3 million in fiscal 2016, and \$15.0 million in fiscal 2017. Consequently, fiscal 2015 funding is \$1.7 million above the fiscal 2011 total.

Chapters 331 and 332 of 2013 required the percentage of Amoss funds to be distributed by each county to volunteer fire, rescue, and ambulance companies to be equal to the same total percentage of funds distributed to such companies from the Amoss Fund in fiscal 2011 or at least 51% of the allocation received by each county under the current distribution methodology, whichever is greater. ***Chapter 225 of 2014*** alters the permissible uses of Amoss funds, alters maintenance of effort (MOE) provisions, and establishes certain waivers from MOE provisions.

9-1-1 Emergency Systems Grants: 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. ***Chapter 313 of 2013*** established that the surcharge on wireless telecommunication services applies to prepaid service and established the amount of the prepaid wireless E 9-1-1 fee at 60 cents per each retail transaction and that 25% of fee revenues are reimbursed to counties. State funding to local 9-1-1 emergency systems will total \$14.4 million in fiscal 2015, a \$997,100 increase since fiscal 2011.

Program Open Space: POS was established in 1969 to expedite the acquisition of outdoor recreation and open space and to accelerate the development of outdoor recreation facilities. Under POS, the State provides grants to local governments. POS is funded from State transfer tax revenues; however, in recent years transfer tax special funds have been shifted to the State's general fund and POS grants have been funded with State general obligation bonds. Funding in fiscal 2015 totals \$18.6 million; funding from fiscal 2012 through 2015 totals \$61.4 million.

In addition, in fiscal 2015, Baltimore City will receive \$1.5 million in special POS funding, and the capital budget includes \$6.0 million in POS funding for the city's Gwynn

Falls/Leakin Park Urban Children in Nature Campus Project as well as \$300,000 in POS funding for the Royal Theater and Community Heritage Corporation for the acquisition, clearance, and site preparation of land and the design of athletic and open spaces. These POS grants targeted to Baltimore City, totaling \$7.8 million in fiscal 2015, are \$4.9 million above the fiscal 2011 funding level.

Horse Racing Impact Aid: Horse racing impact aid consists of grants to counties and municipalities that contain or are located close to thoroughbred tracks. Grant funding is derived in part from the collection of the tax on horse race wagering. The amounts granted to each jurisdiction are mandated by statute and are largely based on the number of racing days held each year. In recent years, revenues have been insufficient to fulfill the expected allocation to each jurisdiction and to the other mandated uses. Horse racing local impact aid was eliminated for fiscal 2012. **Chapter 425** requires the Comptroller, in any fiscal year that revenues to the horse racing special fund are not sufficient to fully fund local impact aid, to proportionately reduce the amount of grants required to be paid. Fiscal 2015 funding totals \$73,000, a decrease of \$611,900 since fiscal 2011.

Video Lottery Terminal Local Impact Grants: Two VLT gambling bills (Chapters 4 and 5) passed during the 2007 special session. Chapter 5 was a constitutional amendment approved by Maryland voters at the November 2008 general election that authorized 15,000 VLTs at five locations in the State. Chapter 4, which was contingent on ratification of Chapter 5, established the operational and regulatory framework for the authorized VLT program. **Chapter 1 of the Second Special Session of 2012**, made numerous changes to the State's gaming program, including authorization of a sixth VLT license in Prince George's County and table games at VLT facilities. Required voter approval was achieved in November 2012.

From the proceeds generated by VLTs at video lottery facilities in the State, 5.5% is distributed to local governments in which a video lottery facility is operating. Of this amount, 82.0% is distributed based on each facility's share of proceeds. The remaining 18.0% would go for 20 years (starting in fiscal 2012 and ending in fiscal 2032) to Baltimore City through the Pimlico Community Development Authority and to Prince George's County for the community surrounding Rosecroft (\$1.0 million annually), except that the 18.0% dedication does not apply to facilities located in Allegany, Cecil, and Worcester counties upon issuance of the Baltimore City license. Furthermore, under **Chapter 464**, for fiscal 2015 through 2019, \$500,000 of the 18.0% dedication is distributed to communities within three miles of Laurel Race Course. This results in \$89,300 for Howard County and an additional \$357,100 for Anne Arundel County and \$53,600 for Laurel in each of these five fiscal years. Upon issuance of a Prince George's County license, 5.0% of table game revenues will be distributed to local jurisdictions where a video lottery facility is located. VLT local impact grants total \$39.1 million in fiscal 2015, an increase of \$33.4 million since fiscal 2011.

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. Through fiscal 2011, counties with per-capita local income tax revenues less than 75.0% of the State's average received grants. Aid received by a county

equaled the dollar amount necessary to raise the county's per capita income tax revenues to 75.0% of the State average. Chapter 487 of 2009 included a provision, beginning in fiscal 2011 that capped each county's funding under the program at the fiscal 2010 level. **Chapter 425** modified the formula to add a minimum grant amount based on local tax effort of eligible counties and raises from 2.4 to 2.6% the local income tax rate required to be eligible to receive a grant. Disparity grant funding totals \$135.8 million in fiscal 2015, a \$14.4 million increase over fiscal 2011.

Teacher Retirement Supplemental Grants: Chapter 1 of the First Special Session of 2012 established this grant program, beginning in fiscal 2013. Grants totaling \$27.7 million are distributed annually to nine counties (including Baltimore City) to help offset the impact of sharing teachers' retirement costs with the counties. This funding level includes \$3.1 million that had been designated for the Baltimore City miscellaneous grant, which was permanently repealed by **Chapter 1**.

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. Part A, section 1 of each county's statistical tables compares aid distributed to the county for fiscal 2012 through 2015.

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 a portion of the employer share of the retirement costs on behalf of the counties for these local employees. 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. The figure shown in this report for each county is the four-year cumulative total retirement costs (fiscal 2012 through 2015). 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 estimates of general and special fund appropriations for health services, social services, and senior citizen services for fiscal 2012 through 2015.

Health Services: The Department of Health and Mental Hygiene, through its various administrations, funds, in whole or in part, community health programs that are provided in the

local subdivisions. These programs are described below. This does not include spending at the State mental health hospitals, developmental disability facilities, or chronic disease centers.

- ***Behavioral Health Services:*** The new Behavioral Health Administration combines the Alcohol and Drug Abuse Administration with the Mental Health Administration. Substance abuse programs include primary and emergency care, intermediate care facilities, halfway houses and long-term care programs, outpatient care, and prevention programs. Community mental health services 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.
- ***Family Health and Chronic Disease Services:*** The Prevention and Health Promotion Administration funds a variety of community-based programs through the local health departments and private sector agencies in each of the subdivisions. These programs include maternal health (family planning, pregnancy testing, and prenatal and perinatal care, etc.) and infant and child health (disease prevention, child health clinics, and specialty services, etc.). The administration is also responsible for chronic and hereditary disease prevention (cancer, heart disease, and diabetes, etc.) and the prevention and control of infectious diseases including HIV/AIDS. This includes 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.
- ***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.
- ***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.

Social Services: The Department of Human Resources and the Governor's Office of Crime Control and Prevention provide funding for various social and community services in the subdivisions. Part B of each county's statistical tables shows fiscal 2012 through 2015 estimates

of funding for those programs that were available by subdivision. Note that fiscal 2015 funding for homeless and women's services is allocated among the subdivisions on the basis of each jurisdiction's share of fiscal 2014 funding and may change.

- ***Homeless Services:*** The State 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.
- ***Women's Services:*** The State provides funding for a variety of community-based programs for women. These include the domestic violence program, rape crisis centers, crime victim's services, and services for homeless women and children.
- ***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.
- ***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.

Senior Citizen Services: The Department of Aging funds a variety of services for senior citizens mostly through local agencies on aging. In Part B of each county, these programs have been combined into two broad categories: long-term care and community services. In this report, the fiscal 2015 total spending is allocated among the subdivisions on the basis of each jurisdiction's share of fiscal 2014 funding and may change.

- ***Long-term Care:*** This category includes the following programs: frail and vulnerable elderly, senior care, senior guardianship, and the ombudsman program.
- ***Community Services:*** Included in this category are the senior information and assistance program and the senior nutrition 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.

Capital Grants and Capital Projects for State Facilities

This section shows capital grants for local projects as well as capital spending at State-owned facilities funded by the fiscal 2012 through 2015 operating and capital budgets. For each capital project, the total authorized amount is given, regardless of the funding source, although federally funded projects are shown separately.

The projects included and the funding level are those that were anticipated at the time the operating and capital budgets were adopted for each of the four fiscal years covered in this report. The actual projects funded and/or the amount of funding for specific projects could be significantly different from what is reported here.

Selected State Grants for Capital Projects: The State provides capital grants for public schools; community colleges; local jails; community health facilities; adult day care centers; water quality projects; waterway improvements; homeless shelters; and other cultural, historical, and economic development projects. These projects are listed in Part C for each county. Projects at regional community colleges are shown for each county that the college serves. Projects at wastewater treatment plants that serve more than one county are shown for each county served.

Capital Projects for State Facilities Located in the County: Part D for each county shows capital projects 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 the universities, projects funded from academic revenue bonds are included, but projects funded by auxiliary revenue bonds are excluded. This report does not include transportation projects.

Allegany County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$41,439	\$39,710	\$40,050	\$40,198	-3.0
Compensatory Education	20,561	20,281	20,307	20,724	0.8
Student Transportation	4,401	4,456	4,488	4,495	2.1
Special Education	6,808	6,545	6,295	6,518	-4.3
Limited English Proficiency Grants	89	101	131	85	-4.0
Guaranteed Tax Base	4,689	3,581	3,491	3,477	-25.9
Adult Education	147	150	183	183	24.7
Aging Schools	138	498	98	98	-29.0
Other Education Aid	814	815	783	783	-3.8
<i>Subtotal</i>	<i>\$79,086</i>	<i>\$76,137</i>	<i>\$75,827</i>	<i>\$76,561</i>	<i>-3.2</i>
<u>Other</u>					
Libraries	747	767	753	744	-0.4
Community Colleges	5,994	6,006	6,039	6,235	4.0
Health Formula Grant	1,012	909	1,051	1,175	16.2
* Transportation	1,109	892	2,009	1,841	66.0
* Police and Public Safety	591	1,710	874	868	46.8
* Fire and Rescue Aid	220	238	226	264	20.2
Recreation and Natural Resources	77	113	285	208	168.3
Disparity Grant	7,299	7,299	7,299	7,299	0.0
Teachers Retirement Supplemental Grant	0	1,632	1,632	1,632	n/a
Video Lottery Terminal Impact Aid	0	0	1,474	1,265	n/a
Total Direct Aid	\$96,133	\$95,702	\$97,468	\$98,091	2.0
Aid Per Capita (\$)	1,301	1,302	1,326	1,334	2.5
Property Tax Equivalent (\$)	2.39	2.42	2.49	2.53	5.7

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Allegany County for teachers, librarians, and community college faculty are estimated to be \$39,489,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$714	\$718	\$760	\$721
Family Health and Chronic Disease	667	663	597	644
Developmental Disabilities	5,531	6,920	7,563	7,782
Behavioral Health Services	10,699	10,601	11,048	11,298
Total	\$17,611	\$18,902	\$19,968	\$20,445
<u>Social Services</u>				
Homeless Services	69	64	64	69
Women's Services	157	68	182	183
Adult Services	207	21	223	203
Child Welfare Services	3,707	3,504	1,944	3,083
Total	\$4,140	\$3,657	\$2,413	\$3,538
<u>Senior Citizen Services</u>				
Long-term Care	275	184	181	183
Community Services	155	148	148	148
Total	\$430	\$332	\$329	\$331

C. Selected State Grants for Capital Projects**Public Schools**

Allegany High School – construction	\$6,400,000
Beall Elementary School – renovations (lighting)	130,000
Bel Air Elementary School – renovations (lighting)	108,000
Braddock Middle School – renovations (lighting)	63,000
Cash Valley Elementary School – renovations (lighting)	36,000
Center for Career & Technical Education – renovations (lighting)	77,000
Cresaptown Elementary School – renovations (lighting)	28,000
Eckhart Alternative School – renovations (lighting)	54,000
Flintstone Elementary School – renovations (lighting)	157,000
Fort Hill High School – renovations (roof)	603,000
Fort Hill High School – renovations (roof/lighting)	832,000
Frost Elementary School – renovations (lighting)	77,000
George's Creek Elementary School – renovations (lighting)	24,000
John Humbird Elementary School – renovations (lighting)	62,000
Mt. Savage Elementary/Middle School – renovations (lighting)	42,000
Northeast Elementary School – renovations (exterior site)	124,125
Northeast Elementary School – renovations (lighting)	21,000
Parkside Elementary School – renovations (lighting)	77,000
South Penn Elementary School – renovations (lighting)	36,000
Washington Middle School – renovations (lighting)	42,000
Washington Middle School – renovations (roof)	1,197,000
West Side Elementary School – renovations (lighting)	26,000
Westernport Elementary School – renovations (lighting)	25,000
Westmar Middle School – renovations (lighting)	82,000
Westmar Middle School – renovations (roof)	1,174,000
School Security Initiative	322,000
	\$11,819,125

Public Libraries

South Cumberland Library – renovation	\$247,000
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Community Health Facilities Grant Program

Friends Aware, Inc.	\$600,000
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Community Parks and Playgrounds

Baker Park	\$35,000
Canal Place	62,000
Constitution Park Pool	23,000
Frostburg Community Park	14,000
Meadow Park	30,000
	\$164,000

Chesapeake Bay Water Quality Projects

Bedford Road – sanitary sewer rehabilitation	\$875,000
Braddock Run – sanitary district rehabilitation	875,000
Cumberland Combined Sewer – overflow improvements	1,500,000
Evitts Creek Combined Sewer – overflow improvements	350,000
Frostburg Combined Sewer – overflow improvements	2,039,000
Jennings Run – sanitary sewer rehabilitation	875,000
La Vale Sanitary Commission – manhole rehabilitation	875,000
La Vale Sewage Pump Station – improvements	625,000
Westernport Combined Sewer – overflow improvements	500,000
	\$8,514,000

Water Supply Financial Assistance Program

Rawlings – water system connection project	\$1,312,000
Westernport – water distribution system replacement	834,000
	\$2,146,000

Mining Remediation Program

Jennings Run – watershed remediation	\$100,000
Matthew Run – acid mine drainage remediation	125,000
Upper George’s Creek – stream sealing	175,000
Winebrenner Run – acid mine drainage remediation	100,000
	\$500,000

Other Projects

Allegany County Animal Shelter	\$100,000
Allegany Museum	600,000
Cumberland City Market	100,000
Friends Aware, Inc.	450,000
	\$1,250,000

D. Capital Projects for State Facilities in the County**Department of Natural Resources**

C&O Canal National Park – boat ramp improvements	\$99,000
Rocky Gap State Park – parking lot improvements	195,000
Western Region – public boating facilities improvements	50,000
	\$344,000

Maryland Environmental Service

Rocky Gap State Park – replace water treatment plant	\$3,644,000
Rocky Gap State Park – wastewater treatment plant improvements	3,053,000
Western Correctional Institution – wastewater pump station improvements	150,000
	\$6,847,000

Maryland Department of Veterans Affairs

Rocky Gap Veterans Cemetery – expansion	\$400,000
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University System of Maryland

Frostburg State – Center for Communications and Information Technology	\$64,447,000
Frostburg State – Public Safety Facility	400,000
	\$64,847,000

Anne Arundel County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$186,760	\$191,894	\$198,993	\$199,978	7.1
Compensatory Education	52,264	55,599	58,734	63,083	20.7
Student Transportation	21,002	21,337	21,683	22,026	4.9
Special Education	23,917	23,841	23,813	23,958	0.2
Limited English Proficiency Grants	7,462	8,305	8,782	9,669	29.6
Geographic Cost of Education Index	8,875	9,043	9,274	9,407	6.0
Adult Education	302	278	339	339	12.4
Aging Schools	713	2,577	506	506	-29.0
Other Education Aid	1,730	2,162	1,297	1,300	-24.8
<i>Subtotal</i>	<i>\$303,024</i>	<i>\$315,035</i>	<i>\$323,421</i>	<i>\$330,265</i>	<i>9.0</i>
<u>Other</u>					
Libraries	1,965	2,114	2,126	2,101	6.9
Community Colleges	29,497	29,753	30,516	31,597	7.1
Health Formula Grant	3,221	3,142	3,507	3,939	22.3
* Transportation	2,445	3,313	5,134	4,508	84.4
* Police and Public Safety	6,695	4,460	6,850	6,895	3.0
* Fire and Rescue Aid	813	812	812	951	16.9
Recreation and Natural Resources	836	1,217	3,083	2,246	168.6
Video Lottery Terminal Impact Aid	1,307	16,326	18,797	15,996	1123.6
* Other Direct Aid	75	75	95	95	26.4
Total Direct Aid	\$349,878	\$376,246	\$394,342	\$398,593	13.9
Aid Per Capita (\$)	636	677	710	717	12.8
Property Tax Equivalent (\$)	0.44	0.49	0.52	0.52	17.2

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Anne Arundel County for teachers, librarians, and community college faculty are estimated to be \$277,233,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$1,813	\$1,791	\$2,004	\$1,877
Family Health and Chronic Disease	1,527	1,584	1,346	1,387
Developmental Disabilities	39,731	32,222	35,213	36,236
Behavioral Health Services	30,544	28,583	31,562	32,190
Total	\$73,615	\$64,180	\$70,125	\$71,690
<u>Social Services</u>				
Homeless Services	158	158	158	158
Women's Services	297	320	321	322
Adult Services	131	19	217	190
Child Welfare Services	7,314	7,076	7,500	6,782
Total	\$7,900	\$7,573	\$8,196	\$7,452
<u>Senior Citizen Services</u>				
Long-term Care	665	622	619	629
Community Services	150	150	150	150
Total	\$815	\$772	\$769	\$779

C. Selected State Grants for Capital Projects**Public Schools**

Annapolis Elementary School – construction	\$2,819,000
Annapolis High School – construction	7,024,000
Annapolis High School – renovations (HVAC)	1,892,000
Benfield Elementary School – construction	2,671,000
Bodkin Elementary School – kindergarten addition	720,000
Broadneck Elementary School – construction	993,000
Broadneck High School – construction	706,000
Broadneck High School – science facilities	1,331,000
Cape St. Claire Elementary School – kindergarten addition	1,258,000
Central Middle School – construction	2,462,474
Chesapeake High School – renovations (HVAC)	1,892,000
Crofton Elementary School – construction	5,912,000
Crofton Meadows Elementary School – kindergarten/pre-k addition	1,219,000
Crofton Middle School – construction	2,288,000
Davidsonville Elementary School – kindergarten addition	998,000
Deale Elementary School – renovations (electrical)	58,000
Deale Elementary School – renovations (roof/lighting)	714,000
Folger McKinsey Elementary School – construction	4,900,000
Four Seasons Elementary School – construction	905,000
Four Seasons Elementary School – kindergarten addition	1,111,000
Glen Burnie High School – renovations (HVAC)	1,406,000
Glen Burnie Park Elementary School – kindergarten addition	889,000
Glen Burnie Park Elementary School – renovations (roof)	271,000
J. Albert Adams Academy – renovations (electrical)	58,000
Jacobsville Elementary School – kindergarten/pre-k addition	879,000
Jones Elementary School – kindergarten addition	463,000
Lothian Elementary School – construction	5,822,000
Magothy River Middle School – construction	1,758,000
Magothy River Middle School – renovations (electrical)	748,000
Marley Elementary School – kindergarten/pre-k addition	1,313,000
Maryland City Elementary School – construction	784,000
Maryland City Elementary School – renovations (electrical)	32,000
Meade Heights Elementary School – renovations (electrical/roof)	895,000
Meade High School – construction	1,872,000
Meade High School – renovations (HVAC/ceiling/lighting)	5,667,000
Meade High School – renovations (lighting)	25,000
Mills-Parole Elementary School – construction	5,613,000
Nantucket Elementary School – kindergarten/pre-k addition	892,000
North Glen Elementary School – construction	883,000
North Glen Elementary School – renovations (HVAC/windows/ceiling)	2,256,000
Northeast High School – construction	15,021,526

Oak Hill Elementary School – kindergarten addition	882,000
Oakwood Elementary School – construction	883,000
Park Elementary School – renovations (electrical)	77,000
Park Elementary School – renovations (roof)	833,000
Phoenix Annapolis at Germantown Elementary School – construction	6,045,000
Piney Orchard Elementary School – kindergarten addition	971,000
Point Pleasant Elementary School – construction	5,897,000
Rolling Knolls Elementary School – construction	7,968,000
Severn Elementary School – construction	477,000
Severn River Middle School – construction	2,196,000
Severna Park Elementary School – kindergarten/pre-k addition	766,000
Severna Park Elementary School – renovations (electrical)	35,000
Severna Park High School – construction	8,183,048
Solley Elementary School – kindergarten addition	939,000
Solley Elementary School – renovations (electrical)	58,000
South Shore Elementary School – construction	429,000
Southern High School – renovations (roof/wastewater treatment plant)	2,009,000
Southern High School – science facilities	1,331,000
Waugh Chapel Elementary School – construction	784,000
Waugh Chapel Elementary School – renovations (HVAC/windows/doors)	1,727,000
West Annapolis Elementary School – construction	2,537,000
Woodside Elementary School – renovations (electrical)	58,000
School Security Initiative	2,313,000
	\$136,819,048

Public Libraries

Annapolis Regional Library – construction	\$250,000
Severna Park Library – renovation	120,000
West County Area Library – renovation	36,000
	\$406,000

Anne Arundel Community College

Administration Building – renovation and expansion	\$2,969,000
Library – renovation and addition	5,058,000
	\$8,027,000

Community Health Facilities Grant Program

Supported Housing Developers, Inc.	\$660,000
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Federally Qualified Health Centers Grant Program

People's Community Health Center	\$1,600,000
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Community Parks and Playgrounds

Bywater Park	\$202,000
Truxton Park	160,000
	\$362,000

Chesapeake Bay Restoration Fund

Cox Creek WWTP – enhanced nutrient removal	\$55,000,000
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Waterway Improvement

Annapolis – citywide harbor improvements	\$50,000
Annapolis – public boating facilities improvements	25,000
Duval Creek – main channel dredging	300,000
Fort Smallwood Park – public boating facility	250,000
Pocahontas Creek – dredging	75,000
Rockhold Creek – engineering and dredging	275,250
Severn River – headwaters channel dredging	350,000
	\$1,325,250

Hazardous Substance Cleanup Program

Drumco – site assessment and remediation	\$200,000
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African American Heritage Preservation Grant Program

Highland Beach Town Hall Museum Annex	\$46,000
Kunta Kinte-Alex Haley Memorial	36,000
Maynard-Burgess House	100,000
Wilson Farmstead	150,000
	\$332,000

Other Projects

Andover Park – fields and field house renovations	\$100,000
Annapolis and Anne Arundel County Conference and Visitors Bureau Center	150,000
Annapolis High School – scoreboard and field house	400,000
Annapolis High School – stadium and athletic fields	6,700,000
Annapolis Market House	250,000
Annapolis Police Department	200,000
Anne Arundel Medical Center	1,300,000
Arundel Lodge – expansion	200,000
Bates Middle School – gymnasium and theater	1,000,000
Bestgate Park	150,000

Calvary Food Bank	75,000
Captain Avery Museum	40,000
Carroll Field Puglise Stadium – field lights	100,000
Charles Carroll House	75,000
Chesapeake Arts Center	150,000
Clay Street Development	100,000
Coordinating Center for Home and Community Care Building Facilities	200,000
Deale Elementary School – technology enhancement project	23,000
Girl Scouts of Central Maryland – Camp Whippoorwill	250,000
Girl Scouts of Central Maryland – Camp Woodlands	150,000
Historic Annapolis, Inc. – 1 Martin Street renovation	250,000
Hospice of the Chesapeake	1,600,000
Maryland Hall for the Creative Arts	1,750,000
Maryland Therapeutic Riding, Inc.	200,000
Mayo Civic Association Community Hall	25,000
Meade High School – concession stand	200,000
National Cryptologic Museum	1,500,000
National Electronics Museum	200,000
National Sailing Hall of Fame	250,000
Reece Road Community Health Center	250,000
Samaritan House	100,000
Shiplap House	250,000
South River High School – athletic facilities	1,300,000
South River High School – media center	50,000
Southern Middle School and Southern High School	150,000
St. John's College – Hodson Hall and Carroll-Barrister House	1,500,000
The Light House, Inc. – 206 West Social Enterprise project	250,000
Wiley H. Bates Heritage Park – turf field	350,000
William Paca House	250,000
YWCA Counseling and Community Service Building	1,325,000
	\$23,363,000

D. Capital Projects for State Facilities in the County

General Government

Annapolis Post Office	\$4,133,000
Courts of Appeal Building – lobby and ADA improvements	4,040,000
Lowe House Office Building – renovations	7,050,000
State House – Old Senate Chamber	7,850,000
State House – security upgrades	250,000
State House Exhibits	140,000
	\$23,463,000

Maryland State Police

Barrack P – land acquisition	\$760,000
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Department of Natural Resources

Sandy Point State Park – boat ramp area improvements	\$3,165,000
Sandy Point State Park – green infrastructure improvements	1,700,000
	\$4,865,000

Department of Public Safety and Correctional Services

Dorsey Run Correctional Facility – construction	\$17,501,000
Dorsey Run Correctional Facility – construction (federal funds)	7,900,000
Maryland House of Correction – deconstruction project	7,306,000
	\$32,707,000

Maryland Department of Veterans Affairs

Crownsville Veterans Cemetery – expansion	\$700,000
Crownsville Veterans Cemetery – expansion (federal funds)	5,983,000
	\$6,683,000

Baltimore City

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$393,043	\$393,858	\$404,031	\$406,108	3.3
Compensatory Education	312,099	314,689	323,375	327,714	5.0
Student Transportation	19,100	18,546	19,486	19,168	0.4
Special Education	79,844	72,729	74,571	73,578	-7.8
Limited English Proficiency Grants	12,810	14,492	17,814	17,323	35.2
Guaranteed Tax Base	33,682	31,540	38,064	39,427	17.1
Geographic Cost of Education Index	22,103	22,396	22,735	22,863	3.4
Adult Education	1,426	1,422	1,736	1,736	21.7
Aging Schools	1,956	7,068	1,388	1,388	-29.0
Other Education Aid	6,257	5,530	4,122	4,122	-34.1
<i>Subtotal</i>	<i>\$882,321</i>	<i>\$882,271</i>	<i>\$907,323</i>	<i>\$913,427</i>	<i>3.5</i>
<u>Other</u>					
Libraries	6,346	6,034	6,035	6,053	-4.6
Health Formula Grant	6,675	6,675	7,449	8,365	25.3
Transportation	124,137	130,464	132,656	136,482	9.9
Police and Public Safety	9,968	10,467	10,368	10,368	4.0
Fire and Rescue Aid	928	924	915	1,070	15.3
Recreation and Natural Resources	2,462	3,673	4,549	9,287	277.2
Disparity Grant	79,052	77,542	79,052	79,052	0.0
Teachers Retirement Supplemental Grant	0	10,048	10,048	10,048	n/a
Video Lottery Terminal Impact Aid	931	4,194	4,672	14,155	1419.7
Other Direct Aid	1,007	844	1,084	1,084	7.6
Total Direct Aid	\$1,113,828	\$1,133,137	\$1,164,149	\$1,189,389	6.8
Aid Per Capita (\$)	1,790	1,821	1,871	1,912	6.8
Property Tax Equivalent (\$)	2.97	3.23	3.37	3.43	15.4

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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Baltimore City for teachers, librarians, and community college faculty are estimated to be \$298,049,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$9,093	\$8,721	\$9,071	\$8,562
Family Health and Chronic Disease	9,240	8,233	7,557	8,395
Developmental Disabilities	49,531	63,042	69,938	71,784
Behavioral Health Services	176,059	171,302	176,388	182,985
Total	\$243,923	\$251,298	\$262,954	\$271,726
<u>Social Services</u>				
Homeless Services	1,613	1,585	1,577	1,606
Women's Services	1,094	457	433	433
Adult Services	2,104	243	2,753	1,562
Child Welfare Services	35,361	75,711	63,462	52,237
Total	\$40,172	\$77,996	\$68,225	\$55,838
<u>Senior Citizen Services</u>				
Long-term Care	1,937	1,918	1,904	1,930
Community Services	940	940	940	940
Total	\$2,877	\$2,858	\$2,844	\$2,870

C. Selected State Grants for Capital Projects**Public Schools**

Alexander Hamilton Elementary School #145 – renovations (roof)	\$340,000
Baltimore City College High School #480 – renovations (fire safety/windows/doors)	3,792,000
Baltimore City College High School #480 – renovations (lighting)	299,000
Baltimore City College High School #480 – science facilities	1,832,000
Baltimore Polytechnic Institute #403 – renovations (lighting)	584,000
Barclay Elementary/Middle School #54 – renovations (elevator)	320,000
Barclay Elementary/Middle School #54 – renovations (fire safety)	280,000
Bay Brook Elementary/Middle School #124 – renovations (roof)	382,000
Beechfield Elementary/Middle School #246 – renovations (fire safety)	232,000
Beechfield Elementary/Middle School #246 – renovations (HVAC)	4,420,000
Booker T. Washington Building #130 – renovations (elevator/windows/doors)	1,776,000
Booker T. Washington Building #130 – renovations (roof)	3,263,057
Brehms Lane Elementary School #231 – renovations (roof)	600,000
Callaway Elementary School #251 – renovations (roof)	1,400,000
Callaway Elementary School #251 – renovations (windows)	644,000
Cherry Hill Elementary/Middle School #159 – renovations (fire safety)	252,000
Chinquapin Building #46 – renovations (elevator)	288,000
Chinquapin Building #46 – renovations (fire safety)	238,000
Coldstream Park Elementary/Middle School #31 – renovations (fire safety)	280,000
Collington Square Elementary/Middle School #97 – renovations (fire safety)	260,000
Commodore John Rodgers Elementary/Middle School #27 – renovations	452,000
Curtis Bay Elementary/Middle School #207 – renovations (fire safety)	252,000
Dallas F. Nicholas, Sr. Elementary School #39 – renovations (boilers/chiller)	800,000
Dallas F. Nicholas, Sr. Elementary School #39 – renovations (HVAC)	1,336,000
Diggs-Johnson Building #162 – renovations (roof)	680,000
Dr. Bernard E. Harris, Sr. Elementary School #250 – renovations (roof)	1,000,000
Dr. Bernard E. Harris, Sr. Elementary School #250 – renovations (windows/doors)	225,000
Dr. Martin Luther King Jr. Elem/Middle School #254 – renovations (window/doors)	900,000
Dr. Martin Luther King Jr. Elementary/Middle School #254 – renovations (elevators)	424,000
Dr. Roland N. Patterson, Sr. Building #82 – renovations (elevator/roof)	2,800,000
Edgewood Elementary School #67 – renovations (fire safety)	280,000
Edmondson High School #400A – renovations (elevator)	288,000
Eutaw-Marshburn Elementary School #11 – renovations (roof)	860,000
Federal Hill Preparatory School #45 – renovations (HVAC)	800,000
Federal Hill Preparatory School #45 – renovations (roof/boilers)	1,652,000
Francis Scott Key Elementary/Middle School #76 – renovations (HVAC)	2,383,000
Franklin Square Elementary/Middle School #95 – renovations (fire safety)	280,000
Franklin Square Elementary/Middle School #95 – renovations (roof)	800,000
Frederick Douglass High School #450 – renovations (elevators)	528,000
Frederick Elementary School #260 – renovations (boiler)	515,000
Furley Elementary School #206 – renovations (roof)	868,000

Furman L. Templeton Elementary School #125 – renovations (unit ventilator)	443,000
Gardenville Elementary School #211 – renovations (roof)	517,000
Garrett Heights Elementary School #212 – renovations (chillers)	488,000
George G. Kelson Building #157 – renovations (HVAC)	1,640,000
George G. Kelson Building #157 – renovations (roof)	680,000
Gilmor Elementary School #107 – renovations (elevator)	272,000
Govans Elementary School #213 – renovations (HVAC)	1,637,000
Grove Park Elementary/Middle School #224 – renovations (HVAC)	273,000
Gwynns Falls Elementary School #60 – renovations (HVAC)	1,354,000
Hampden Elementary/Middle School #55 – renovations (HVAC)	1,240,000
Hampstead Hill Academy #47 – renovations (boilers/chiller)	693,943
Harlem Park Elementary/Middle School #35 – renovations (elevator/fire safety)	560,000
Harlem Park Elementary/Middle School #35 – renovations (lighting)	69,000
Harriet Tubman Building #138 – renovations (boilers)	400,000
Hazelwood Elementary/Middle School #210 – renovations (fire safety)	208,000
Highlandtown Elementary/Middle School #215 – renovations (elevator/HVAC)	1,856,000
Highlandtown Elementary/Middle School #215 – renovations (roof)	312,000
Hilton Elementary School #21 – renovations (fire safety)	270,000
Hilton Elementary School #21 – renovations (HVAC)	1,600,000
James McHenry Elementary/Middle School #10 – renovations (HVAC)	2,740,000
John Eager Howard Elementary School #61 – renovations (roof)	1,100,000
Johnston Square Elementary School #16 – renovations (fire safety)	490,000
Johnston Square Elementary School #16 – renovations (roof)	1,100,000
Joseph C. Briscoe Building #451 – renovations (HVAC)	1,060,000
Leith Walk Elementary School #245 – construction	10,319,000
Maree Garnett Farring Elementary/Middle School #203 – renovations (elevator)	264,000
Margaret Brent Elementary/Middle School #53 – renovations (HVAC)	1,336,000
Mary Ann Winterling Elementary School #150 – renovations (windows/doors)	1,100,000
Mary E. Rodman Elementary School #204 – renovations (fire safety)	252,000
Matthew A. Henson Elementary School #29 – renovations (fire safety)	280,000
Medfield Heights Elementary School #249 – renovations (HVAC)	1,865,000
Medfield Heights Elementary School #249 – renovations (roof)	752,000
Montebello Elementary/Middle School #44 – renovations (HVAC)	3,724,000
Moravia Park Building #105B – renovations (air conditioning)	2,800,000
Moravia Park Elementary School #105A – renovations (fire safety/boilers)	1,180,000
Mt. Royal Elementary/Middle School #66 – renovations (elevator)	264,000
Mt. Washington Elementary School #221 – renovations (HVAC)	2,574,000
North Bend Elementary/Middle School #81 – renovations (elevator)	260,000
North Bend Elementary/Middle School #81 – renovations (HVAC)	600,000
Patapsco Elementary/Middle School #163 – renovations (HVAC)	2,103,000
Patterson High School #405 – renovations (fire safety)	380,000
Paul Laurence Dunbar Middle School #133 – renovations (fire safety/elevator)	656,000
Pimlico Elementary/Middle School #223 – renovations (fire safety)	292,000
Professional Development Building #93 – renovations (fire safety/elevator)	2,108,000
Robert Poole Building #56 – renovations (windows/doors)	2,200,000

Roland Park Elementary/Middle School #233 – renovations (elevators)	540,000
Roland Park Elementary/Middle School #233 – renovations (HVAC/roof)	6,066,000
Roland Park Elementary/Middle School #233 – renovations (windows/doors)	1,600,000
Rosemont Elementary/Middle School #63 – renovations (elevators)	320,000
Rosemont Elementary/Middle School #63 – renovations (roof)	680,000
Rosemont Elementary/Middle School #63 – renovations (windows)	288,874
Samuel Coleridge-Taylor Elementary School #122 – renovations (boiler)	434,000
Samuel Coleridge-Taylor Elementary School #122 – renovations (roof)	1,600,000
Samuel Coleridge-Taylor Elementary School #122 – renovations (windows/doors)	3,500,000
Sarah M. Roach Elementary School #73 – renovations (fire safety)	208,000
Sharp-Leadenhall Special Education #314 – renovations (boilers)	324,000
Sinclair Lane Elementary School #248 – renovations (fire safety)	224,000
Sinclair Lane Elementary School #248 – renovations (HVAC/roof)	4,840,000
Southeast Building #255 – renovations (HVAC)	747,000
Steuart Hill Elementary School #4 – renovations (fire safety)	320,000
Thomas G. Hayes Building #102 – renovations (fire safety)	258,000
Thomas G. Hayes Building #102 – renovations (plumbing)	400,000
Thomas G. Hayes Building #102 – renovations (roof)	602,000
Thomas Johnson Elementary/Middle School #84 – renovations (boilers)	494,000
Thomas Johnson Elementary/Middle School #84 – renovations (windows/doors)	352,000
Thurgood Marshall Building #170 – renovations (elevators)	240,000
Thurgood Marshall Building #170 – renovations (roof)	3,800,000
Walbrook Building #411 – renovations (elevator)	288,000
Walbrook Building #411 – renovations (fire safety)	1,026,000
Walter P. Carter Elementary/Middle School #134 – renovations (boiler)	444,000
Walter P. Carter Elementary/Middle School #134 – renovations (chiller)	606,000
Waverly Elementary/Middle School #51 – construction	15,375,000
Waverly Elementary/Middle School #51 – renovations (solar)	255,000
West Baltimore Building #80 – renovations (elevator)	260,000
West Baltimore Building #80 – renovations (fire safety/boilers/windows/doors)	2,648,000
West Baltimore Building #80 – renovations (HVAC)	6,000,000
Western High School #407 – renovations (lighting)	458,000
William H. Lemmel Building #79 – renovations (elevator)	300,000
William S. Baer School #301 – renovations (windows/doors/HVAC)	2,236,000
Woodhome Elementary School #205 – renovations (windows)	689,850
Woodhome Elementary/Middle School #205 – renovations (HVAC/windows)	680,000
School Security Initiative	3,178,000
	\$158,198,724

Public Libraries

Waverly Library – renovation	\$1,400,000
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Community Health Facilities Grant Program

Associated Jewish Charities	\$200,000
Baltimore Crisis Response, Inc.	1,108,000
Community Housing Associates, Inc.	2,250,000
Comprehensive Housing Assistance, Inc.	365,000
Family Recovery Program, Inc.	2,220,000
Gaudenzia Foundation, Inc.	750,000
Institute for Behavioral Resources	898,000
Main Street Housing, Inc.	1,095,000
Mosaic Community Services, Inc.	882,000
People Encouraging People, Inc.	150,000
Project PLASE, Inc.	1,231,000
Tuerk House, Inc.	137,000
	\$11,286,000

Federally Qualified Health Centers Grant Program

Chase Brexton Health Services	\$1,500,000
Family Health Centers of Baltimore	2,700,000
Health Care for the Homeless	321,000
Total Health Care, Inc.	1,500,000
	\$6,021,000

Senior Centers Grant Program

Waxter Senior Center	\$350,000
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Shelter and Transitional Facilities

Dayspring Square	\$1,000,000
Family Recovery	1,200,000
Gaudenzia Women and Children Center	1,000,000
Project PLASE Vets Transitional	600,000
	\$3,800,000

Partnership Rental Housing Program

CHA Bailey	\$675,000
Disability Units	1,320,800
Thompson 22	2,729,187
	\$4,724,987

Program Open Space

Center for Parks and People at Auchentoroly Terrace at Druid Hill Park	\$1,000,000
Gwynns Falls/Leakin Park Urban Children in Nature Campus	6,000,000
Ripkin Foundation Athletic Fields	400,000
Royal Theater and Community Heritage Corporation	300,000
Stony Run Trail – improvements	600,000
	\$8,300,000

Community Parks and Playgrounds

Alexander Odum Park	\$185,000
Citywide – playground surfacing improvements	112,000
Herring Run Park	185,000
McKim Park	185,000
	\$667,000

Chesapeake Bay Water Quality Projects

Back River WWTP – nutrient removal	\$57,395,000
High Level Interceptor – cleaning	1,500,000
Patapsco Sewershed – sanitary sewer improvements	1,500,000
Patapsco WWTP – nutrient removal	20,690,000
Stoney Run – sanitary sewer improvements	1,500,000
	\$82,585,000

Chesapeake Bay Restoration Fund

Back River WWTP – enhanced nutrient removal	\$156,300,000
Patapsco WWTP – enhanced nutrient removal	114,000,000
	\$270,300,000

Waterway Improvement

Canton Waterfront Park – parking lot improvements	\$99,000
City Fire Department – marine fire and rescue equipment	10,000
	\$109,000

Hazardous Substance Cleanup Program

Chemical Metals, Inc. – indoor air and water quality improvements	\$50,000
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African American Heritage Preservation Grant Program

Bauernschmidt Mansion	\$53,000
Prince Hall Grand Lodge	95,000

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Reginald F. Lewis Museum	13,000
The Church of St. Katherine of Alexandria	92,000
The Sphinx Club	100,000
Two Sisters' Houses	100,000
Union Baptist Church of Baltimore	135,000
	\$588,000

Other Projects

Academy of Success Community Empowerment Center	\$200,000
American Visionary Art Museum	55,000
Arch Social Club Historic Site	118,000
Arena Players, Inc.	125,000
Baltimore City Convention Center – expansion	2,500,000
Baltimore Design School	300,000
Baltimore Food Hub	750,000
Baltimore Museum of Art	8,500,000
Baltimore Museum of Industry	500,000
Baltimore Zoo – infrastructure improvements	19,500,000
BARCO North Avenue Arts Building	100,000
Brooks Robinson Statue – Babe Ruth Birthplace Foundation	100,000
Carroll's Hundred Archaeology Project	100,000
Center Stage	1,000,000
Central Baltimore Partnership – Central Baltimore Revitalization Plan	4,500,000
Chesapeake Shakespeare Company	350,000
City Springs School Community Athletic Complex	55,000
Community Resource Center	175,000
Coppin Heights – urban revitalization project	100,000
Creative Alliance	650,000
Dayspring Square	50,000
Delta Lambda Foundation – Head Start Facility	150,000
Digital Harbor Foundation Tech Center	15,000
Doctor Christina Phillips Community Center	100,000
Dr. Bob's Place – A Hospice for Children	50,000
East Baltimore Biotechnology Park	12,500,000
East Baltimore Historical Library	350,000
East Baltimore Revitalization Projects	1,350,000
Education Based Latino Outreach, Inc.	300,000
Epiphany House and Micah House	53,000
Everyman Theatre	1,025,000
Fayette Street Outreach Community Center	350,000
Garrett-Jacobs Mansion	250,000
Gaudenzia's Park Heights	200,000
Grace Outreach Center	90,000
Greenmount Construction Jobs Training Center	50,000

Habitat for Humanity of the Chesapeake	500,000
Hamilton-Lauraville Main Street, Inc. – 4500 Harford Road development project	250,000
Healthy Start Client Service Center	100,000
Historic Diamond Press Building	50,000
Hobbs Fitness Center	75,000
In Our House Homeless Youth Center	300,000
Inner Harbor – infrastructure improvements	2,000,000
Institutes for Behavior Resources	50,000
Johns Hopkins Bayview Medical Center	975,000
Johns Hopkins Health System – Cardiovascular and Critical Care Tower	5,500,000
Johns Hopkins University – academic/research building	4,000,000
Johns Hopkins University – Brody Learning Commons	3,000,000
Johns Hopkins University – High Performance Computing Data Center	30,000,000
Johns Hopkins University – undergraduate teaching laboratory	4,000,000
Junior League of Baltimore Thrift Store	265,000
Kappa Alpha Psi Youth and Community Center	200,000
Kennedy Krieger Children’s Hospital	500,000
Kennedy Krieger Institute	6,000,000
LAMB Community Resource Center	125,000
Leadenhall Community Outreach Center	70,000
Learn’In to Live Again, Inc.	105,000
Liberty Rec and Tech Center	200,000
Loyola University – renovations	1,800,000
Mary Harvin Transformation Center	125,000
Maryland Center of Veterans Education and Training	90,000
Maryland General Hospital	1,000,000
Maryland Historical Society	500,000
Maryland Institute College of Art – academic building and Fox Building	4,000,000
Maryland Institute College of Art – Studio Center	3,000,000
Maryland School for the Blind – construction	14,733,000
Maryland School for the Blind – Life Cottage Building	8,369,000
Maryland School for the Blind – Life Education Building	14,000,000
Maryland School for the Blind – renovations (air conditioning)	394,000
Maryland School for the Blind – school security initiative	100,000
Maryland Science Center	967,000
Mattie B. Uzzle Outreach Center	475,000
Meals on Wheels Green Building	150,000
Medstar Good Samaritan Hospital	750,000
Mercy Medical Center	2,700,000
Miles Washington Family Support Center	175,000
Morgan Mill Facility	100,000
Mount Auburn Cemetery	100,000
Mount Pleasant Family Life Center	100,000
Mount Vernon Place	3,100,000
Mt. Lebanon CDC Community Center and Gymnasium	100,000

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National Aquarium in Baltimore	10,620,000
New Creation Christian Academy Day Care	100,000
Notre Dame of Maryland University – academic building	4,000,000
Orianda Mansion	150,000
Park Heights Women and Children’s Center	275,000
Parks and People Headquarters at Auchentoroly Terrace	50,000
Patricia and Arthur Modell Performing Arts Center at the Lyric	1,000,000
Patterson Park Public Charter School – facade restoration	50,000
Payne Memorial Outreach Community Youth Center	125,000
Port Discovery	1,178,000
Prince Hall Grand Lodge	300,000
Ralph J. Young Early Childhood Center	45,000
Rita R. Church Foundation and Teach Educate Assist Mentor Office	42,000
Roland Water Tower Stabilization	250,000
Roosevelt Park – Skatepark of Baltimore	200,000
Saint Agnes Hospital	674,000
Saints Philip and James Roman Catholic Church Hall	30,000
Sinai Hospital	2,500,000
Sinai Hospital – Neurological Rehabilitation Center	2,000,000
Sports Legends Museum	980,000
St. Clare of Assisi, Inc. – Stone House	275,000
St. Elizabeth School – roof replacement	100,000
St. Francis Xavier Head Start	125,000
Star-Spangled Banner Flag House	150,000
Town Theatre	60,000
Union Memorial Hospital	242,500
Upton Planning Committee	50,000
USS Constellation – renovations	1,250,000
USS Constellation Education and Heritage Center	1,000,000
Walters Art Museum	2,500,000
Winchester Street Potter’s House	75,000
	\$202,050,500

D. Capital Projects for State Facilities in the City**General Government**

Saratoga State Center – garage improvements	\$4,445,000
William Donald Schaefer Tower – fire alarm system	2,475,000
	\$6,920,000

Baltimore City Community College

Liberty Campus – renovate main building	\$8,936,000
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Department of Labor, Licensing & Regulation

1100 North Eutaw Street – elevator replacement	\$1,620,000
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Department of Public Safety and Correctional Services

Baltimore City Detention Center – dining facility renovation	\$1,500,000
Youth Detention Center	12,106,000
	\$13,606,000

Department of Education

State Library Resource Center – renovation	\$13,300,000
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Morgan State University

Campuswide – facilities renewal projects	\$5,000,000
Campuswide – utility upgrades	6,070,000
Center for the Built Environment and Infrastructure Studies	4,000,000
Hill Field House – athletic facility renovations	1,200,000
Jenkins Behavioral and Social Sciences Center	9,697,000
Lillie Carroll Jackson Museum – renovation	50,000
School of Business and Management – new complex	75,120,000
Soper Library – demolition	4,350,000
Student Services Support Building	1,600,000
	\$107,087,000

University System of Maryland

Baltimore – Health Sciences Research Facility	\$74,242,000
Coppin State – pedestrian bridge ADA improvements	1,786,000
Coppin State – Science and Technology Center	103,487,000
University of Baltimore – Langsdale Library renovation	3,775,000
University of Baltimore – Law School	45,530,000
	\$228,820,000

Other

Emergency Medical Communications Systems	\$1,000,000
University of Maryland Medical System – ambulatory care pavilion	20,000,000
University of Maryland Medical System – patient care building	25,000,000
University of Maryland Medical System – Shock Trauma Center	6,650,000
	\$52,650,000

Baltimore County**A. Direct Aid and Retirement Payments****1. Direct Aid**

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$330,772	\$337,602	\$348,782	\$357,702	8.1
Compensatory Education	112,836	121,773	128,745	135,833	20.4
Student Transportation	27,122	27,872	28,455	29,035	7.1
Special Education	45,236	44,509	45,292	46,120	2.0
Limited English Proficiency Grants	11,625	12,092	13,657	13,358	14.9
Geographic Cost of Education Index	5,373	5,478	5,628	5,727	6.6
Adult Education	484	470	574	574	18.5
Aging Schools	1,232	4,452	2,874	874	-29.0
Other Education Aid	5,357	8,090	4,455	4,478	-16.4
<i>Subtotal</i>	<i>\$540,038</i>	<i>\$562,338</i>	<i>\$578,462</i>	<i>\$593,702</i>	<i>9.9</i>
<u>Other</u>					
Libraries	5,180	5,256	5,250	5,327	2.8
Community Colleges	37,384	37,638	39,982	42,224	12.9
Health Formula Grant	4,303	4,302	4,812	5,413	25.8
Transportation	2,327	4,020	5,414	4,400	89.1
Police and Public Safety	9,075	6,963	9,929	9,978	9.9
Fire and Rescue Aid	1,165	1,161	1,152	1,348	15.7
Recreation and Natural Resources	926	1,357	3,458	2,532	173.3
Teachers Retirement Supplemental Grant	0	3,000	3,000	3,000	n/a
Other Direct Aid	0	0	3	3	n/a
Total Direct Aid	\$600,398	\$626,035	\$651,464	\$667,928	11.2
Aid Per Capita (\$)	734	761	792	812	10.5
Property Tax Equivalent (\$)	0.71	0.78	0.83	0.86	20.1

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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Baltimore County for teachers, librarians, and community college faculty are estimated to be \$387,054,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$4,053	\$4,215	\$4,609	\$4,212
Family Health and Chronic Disease	1,970	2,076	2,251	2,377
Developmental Disabilities	60,207	69,332	75,766	77,967
Behavioral Health Services	67,931	65,524	64,967	68,022
Total	\$134,161	\$141,147	\$147,593	\$152,578
<u>Social Services</u>				
Homeless Services	188	205	197	181
Women's Services	334	767	944	947
Adult Services	659	51	855	768
Child Welfare Services	9,578	9,616	10,362	9,505
Total	\$10,759	\$10,639	\$12,358	\$11,401
<u>Senior Citizen Services</u>				
Long-term Care	1,390	1,372	1,375	1,395
Community Services	232	232	232	232
Total	\$1,622	\$1,604	\$1,607	\$1,627

C. Selected State Grants for Capital Projects**Public Schools**

Catonsville Center for Alternative Studies – renovations (roof)	\$362,000
Catonsville Center for Alternative Studies – renovations (windows/doors)	308,000
Cedarmere Elementary School – renovations (windows/doors)	428,000
Chapel Hill Elementary School – renovations (roof)	806,000
Chatsworth Elementary School – renovations (windows/door)	416,850
Chesapeake Terrace Elementary School – renovations (roof)	627,000
Deer Park Elementary School – renovations (roof)	663,000
Dundalk High/Sollers Point Technical High School – construction	22,934,975
Elmwood Elementary School – renovations (roof)	470,000
Featherbed Lane Elementary School – renovations (air conditioning)	2,126,000
Fort Garrison Elementary School – renovations (air conditioning)	3,120,000
Franklin Elementary School – renovations (air conditioning)	1,479,000
Franklin High School – renovations (interior site)	209,849
Franklin High School – renovations (roof)	1,841,000
Franklin Middle School – renovations (roof)	862,000
Fullerton Elementary School – renovations (windows/doors)	194,000
General John Stricker Middle School – renovations (HVAC)	1,650,000
Glenmar Elementary School – renovations (roof)	790,000
Glyndon Elementary School – renovations (windows/doors)	259,640
Grange Elementary School – renovations (roof)	806,000
Hampton Elementary School – construction	6,402,000
Hawthorne Elementary School – renovations (air conditioning)	2,584,000
Hawthorne Elementary School – renovations (roof)	572,000
Hebbville Elementary School – renovations (air conditioning)	3,452,000
Hereford High School – construction	15,881,000
Jacksonville Elementary School – renovations (roof)	474,000
Landsdowne High School – renovations (windows/doors)	2,460,000
Lutherville Elementary School – construction	8,994,000
Lutherville Elementary School – renovations (roof)	705,000
Middle River Middle School – renovations (roof)	1,716,000
Middleborough Elementary School – renovations (air conditioning)	252,000
Middleborough Elementary School – renovations (air conditioning/roof)	1,522,000
Middlesex Elementary School – renovations (air conditioning)	1,413,000
Milford Mill Academy – construction	5,085,095
Northwest Corridor Elementary School – construction	7,966,930
Oliver Beach Elementary School – renovations (roof)	660,000
Orems Elementary School – renovations (roof)	538,000
Overlea High School – renovations (air conditioning)	8,678,000
Overlea High School – renovations (windows/doors/air conditioning)	1,440,000
Owings Mills Elementary School – renovations (boilers)	103,000
Owings Mills Elementary School – renovations (roof)	517,000

Parkville High School – construction	10,454,000
Parkville Middle School – renovations (air conditioning)	3,017,000
Parkville Middle School – renovations (boilers)	354,000
Patapsco High & Center for the Arts – renovations (windows/doors)	1,691,000
Pikesville High School – construction	10,847,000
Pikesville High School – renovations (windows/doors)	1,573,000
Pikesville Middle School – construction	873,421
Pikesville Middle School – renovations (interior site)	185,361
Pine Grove Elementary School – renovations (windows/doors)	236,000
Prettyboy Elementary School – renovations (underground storage tank)	224,675
Randallstown Elementary School – renovations (roof)	510,942
Randallstown High School – renovations (windows/doors)	846,000
Riverview Elementary School – renovations (roof)	653,000
Rosedale Center for Alternative Studies – renovations (windows/doors)	280,000
Scotts Branch Elementary School – renovations (air conditioning)	2,058,000
Scotts Branch Elementary School – renovations (roof)	740,000
Severn Oaks Elementary School – renovations (roof)	250,000
Sparks Elementary School – construction	1,518,000
Stoneleigh Elementary School – construction	5,646,000
Sussex Elementary School – renovations (air conditioning)	1,381,000
Timonium Elementary School – renovations (air conditioning)	1,451,000
Warren Elementary School – renovations (air handling unit)	100,186
Warren Elementary School – renovations (roof)	703,000
Wellwood International School – renovations (air conditioning)	1,930,000
Westchester Elementary School – construction	700,000
Western School of Technology – renovations (chiller)	564,000
Westowne Elementary School – renovations (roof)	766,000
Woodlawn High School – renovations (roof)	1,384,000
Woodlawn High School – renovations (windows)	3,300,000
Woodmoor Elementary School – renovations (air conditioning)	3,613,000
School Security Initiative	2,914,000
	\$172,531,924

Public Libraries

Reisterstown Library – roof replacement	\$65,000
Rosedale Library – roof replacement	157,000
Towson Library – HVAC replacement	451,000
Towson Library – roof replacement	590,000
	\$1,263,000

Baltimore Community College

Catonsville – F Building renovation and expansion	\$17,022,000
Catonsville – multiple building roof membrane replacement	401,000

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Essex – N Building renovation and expansion	900,000
Owings Mills Education Center	2,700,000
	\$21,023,000

Community Health Facilities Grant Program

Alliance Real Estate Holdings	\$1,122,000
Mosaic Community Services, Inc.	895,000
The First Journey, Inc.	458,000
	\$2,475,000

Federally Qualified Health Centers Grant Program

Healthcare for the Homeless	\$875,000
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Shelter and Transitional Facilities

Eastern Avenue Family Resource Center	\$1,500,000
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Chesapeake Bay Water Quality Projects

Back River WWTP – nutrient removal	\$57,395,000
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Chesapeake Bay Restoration Fund

Back River WWTP – enhanced nutrient removal	\$156,300,000
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Water Supply Financial Assistance Program

Towson – reservoir replacement and expansion	\$1,500,000
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Waterway Improvement

Arbutus Volunteer Fire Department – purchase fire/rescue boat and equipment	\$5,000
County Fire Department – purchase rescue boat and equipment	2,900
Kingsville Volunteer Fire Department – purchase fire/rescue boat and equipment	10,000
North Point Road – engineer and design public boating facility	95,000
White Marsh Volunteer Fire Department – purchase rescue boat and equipment	10,000
	\$122,900

African American Heritage Preservation Grant Program

Louis S. Diggs Research Center for African-American History	\$100,000
Mt. Gilboa AME Church	135,000

Samuel and Ida Torsell Mini Museum	69,000
St. Luke's Methodist Church Fellowship Hall	95,000
	\$399,000

Other Projects

Acorn Hill Natural Play Area	\$215,000
Arbutus Recreation Center	30,000
Arrow Child and Family Ministries	154,000
Augsburg Lutheran Home of Maryland	300,000
Baltimore County Humane Society	35,000
Baltimore County Schools – turf field security investment	50,000
Career Development Center	250,000
Catonsville Clubhouse	65,000
Catonsville Historic Mansion	125,000
Catonsville Rails to Trails – Short Line Trail	50,000
Catonsville YMCA – Family Center Y	500,000
Chesapeake High School Stadium	80,000
Children's Home, Inc. – Therapeutic Group Home Building	400,000
Comet Booster Club – bleachers and press box	125,000
Comet Booster Club – concession stand	65,000
Cromwell Valley Park – Limekilns and Log House	150,000
Diversified Housing Development, Inc.	120,000
Dundalk Renaissance Office and Incubator	175,000
Dundalk Youth Services Arts Center	200,000
Easter Seals Adult Day Services Center	250,000
Eastern Family Resource Center	3,500,000
Franklin Square Hospital	1,000,000
Good Shepherd Center	170,000
Greenspring Montessori School	100,000
Jewish Community Services	225,000
Kingsville Volunteer Fire Company	395,000
Lansdowne Volunteer Fire Department	20,000
Leadership Through Athletics, Inc.	65,000
Liberty Road Corridor – infrastructure improvements	2,000,000
Lighthouse Youth and Family Services Center	34,000
Little Sisters of the Poor	500,000
Lutherville Volunteer Fire Company	70,000
Maryland Food Bank Sustainability Project	300,000
Neighbor-Space of Baltimore County	150,000
Northwest Hospital Center	700,000
Owings Mills High School – stadium	100,000
Parkville Middle School – facility improvements	100,000
Perry Hall High School – stadium scoreboard	55,000
Stevenson University – School of the Sciences	3,600,000

Aid to Local Government – Baltimore County

A-95

Todd's Inheritance	175,000
Towson High School – stadium	55,000
United Cerebral Palsy Adult Daycare Facility	125,000
University of Maryland St. Joseph Medical Center	750,000
War of 1812 Historic Site – Battle Acre Park	250,000
Youth in Transition School	550,000
	\$18,328,000

D. Capital Projects for State Facilities in the County

General Government

Catonsville District Court	\$3,900,000
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Department of Health and Mental Hygiene

Spring Grove Hospital Center	\$400,000
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Maryland State Police

Headquarters Building K – renovation	\$1,612,000
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Department of Natural Resources

Daniels Dam – repairs	\$500,000
Dundee Creek Marina – improvements	675,000
Dundee Creek Marina – replace docks, bulkhead and dredging	375,000
North Point State Park – battlefield improvements	500,000
North Point State Park – pier replacement/shore erosion control	1,910,000
	\$3,960,000

Maryland Environmental Service

Camp Fretterd – water/wastewater/distribution systems upgrades	\$197,000
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Military

Dundalk Readiness Center – alteration and addition	\$5,691,000
Dundalk Readiness Center – alteration and addition (federal funds)	15,723,000
Gunpowder Military Reservation – firing range renovation	1,382,000
Gunpowder Military Reservation – firing range renovation (federal funds)	1,998,000
Gunpowder Military Reservation – upgrade safety standards (federal funds)	3,000,000
	\$27,794,000

University System of Maryland

Baltimore County – campus traffic safety and circulation improvements	\$12,968,000
Baltimore County – Interdisciplinary Life Sciences Building	4,100,000
Baltimore County – Performing Arts and Humanities Facility	110,531,000
Towson University – campuswide safety and circulation improvements	15,012,000
Towson University – Smith Hall expansion and renovation	8,900,000
Towson University – softball facility improvements	2,000,000
	\$153,511,000

Calvert County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$58,671	\$57,480	\$57,129	\$57,306	-2.3
Compensatory Education	10,029	10,472	10,202	10,771	7.4
Student Transportation	5,503	5,544	5,527	5,589	1.6
Special Education	4,877	4,615	4,513	4,409	-9.6
Limited English Proficiency Grants	524	495	555	434	-17.2
Geographic Cost of Education Index	2,302	2,291	2,278	2,279	-1.0
Adult Education	190	193	236	236	24.3
Aging Schools	54	195	38	38	-29.0
Other Education Aid	1,056	879	839	839	-20.5
<i>Subtotal</i>	<i>\$83,205</i>	<i>\$82,163</i>	<i>\$81,318</i>	<i>\$81,902</i>	<i>-1.6</i>
<u>Other</u>					
Libraries	384	367	379	385	0.5
Community Colleges	2,204	2,226	2,369	2,587	17.4
Health Formula Grant	408	370	426	479	17.5
* Transportation	611	886	1,301	1,103	80.6
* Police and Public Safety	749	1,436	775	775	3.4
* Fire and Rescue Aid	200	200	200	234	17.0
Recreation and Natural Resources	82	119	306	224	173.7
* Other Direct Aid	0	1,180	1,078	1,020	n/a
Total Direct Aid	\$87,842	\$88,948	\$88,152	\$88,709	1.0
Aid Per Capita (\$)	979	983	974	980	0.1
Property Tax Equivalent (\$)	0.66	0.71	0.72	0.73	10.4

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Calvert County for teachers, librarians, and community college faculty are estimated to be \$64,461,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$418	\$400	\$421	\$401
Family Health and Chronic Disease	437	444	466	482
Developmental Disabilities	6,799	6,396	6,989	7,192
Behavioral Health Services	4,010	3,861	4,171	4,281
Total	\$11,664	\$11,101	\$12,047	\$12,356
<u>Social Services</u>				
Homeless Services	26	22	22	26
Women's Services	94	260	105	105
Adult Services	70	5	100	90
Child Welfare Services	1,429	1,426	765	1,295
Total	\$1,619	\$1,713	\$992	\$1,516
<u>Senior Citizen Services</u>				
Long-term Care	127	123	122	124
Community Services	19	19	19	19
Total	\$146	\$142	\$141	\$143

C. Selected State Grants for Capital Projects**Public Schools**

Appeal Elementary School – renovations (roof)	\$248,000
Calvert High School – construction	16,650,731
Mutual Elementary School – construction	1,358,000
Mutual Elementary School – renovations (roof)	128,000
Northern High School – construction	2,040,000
Northern Middle School – renovations (lighting)	138,000
Patuxent High School – renovations (roof)	194,288
Plum Point Elementary School – renovations (roof)	452,812
Plum Point Middle School – renovations (roof)	357,000
Southern Middle School – renovations (air conditioning)	230,000
Southern Middle School – renovations (lighting)	74,000
Sunderland Elementary School – renovations (roof)	369,000
School Security Initiative	435,000
	\$22,674,831

College of Southern Maryland

Campuswide – technology infrastructure upgrades	\$1,465,000
Hughesville – Center for Regional Programs	7,741,000
La Plata – Continuing Education Building renovation and expansion	12,315,000
Prince Frederick – campus development	4,022,000
	\$25,543,000

Water Supply Financial Assistance Program

Prince Frederick – construct well and water tank	\$350,000
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Waterway Improvement

Calvert Marine Museum – boat basin reconstruction/docking facility	\$68,690
Chesapeake Beach – dredge spoil site reclamation	125,000
Solomon’s Island – boat ramp replacement and renovation	50,000
	\$243,690

African American Heritage Preservation Grant Program

Biscoe Gray Heritage Farm	\$50,000
Kings Landing Park/Camp Mohawk	15,000
	\$65,000

Other Projects

Calvert Marine Museum – exhibition building	\$250,000
Chesapeake Beach – Skate Park	125,000
End Hunger, Inc.	125,000
North Beach – Bayfront Park and Sculptural Garden	100,000
North Beach – fishing platform	100,000
North Beach – pier improvements	250,000
North Beach – public works building	200,000
	\$1,150,000

D. Capital Projects for State Facilities in the County**Maryland Department of Planning**

Jefferson Patterson Park and Museum – Patterson Center	\$350,000
Jefferson Patterson Park and Museum – Riverside Trails and Exhibit Stations	1,001,000
	\$1,351,000

University System of Maryland

Center for Environmental Science – Environmental Sustainability Research Lab	\$14,104,000
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Caroline County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$24,493	\$25,169	\$25,657	\$26,527	8.3
Compensatory Education	11,382	12,558	13,158	13,702	20.4
Student Transportation	2,469	2,532	2,525	2,555	3.5
Special Education	2,306	2,500	2,509	2,620	13.6
Limited English Proficiency Grants	977	1,188	1,299	1,544	58.1
Guaranteed Tax Base	324	328	585	866	167.1
Adult Education	170	167	204	204	20.1
Aging Schools	71	255	50	50	-29.0
Other Education Aid	721	900	721	721	0.0
<i>Subtotal</i>	<i>\$42,913</i>	<i>\$45,597</i>	<i>\$46,708</i>	<i>\$48,790</i>	<i>13.7</i>
<u>Other</u>					
Libraries	272	268	268	270	-0.7
Community Colleges	1,499	1,519	1,637	1,629	8.7
Health Formula Grant	564	538	597	668	18.3
* Transportation	776	615	1,134	957	23.4
* Police and Public Safety	667	1,500	337	346	-48.1
* Fire and Rescue Aid	209	209	207	242	16.2
Recreation and Natural Resources	40	57	138	99	146.3
Disparity Grant	2,132	2,132	2,132	2,132	0.0
Teachers Retirement Supplemental Grant	0	685	685	685	n/a
Total Direct Aid	\$49,071	\$53,119	\$53,843	\$55,818	13.7
Aid Per Capita (\$)	1,503	1,625	1,647	1,707	13.6
Property Tax Equivalent (\$)	1.66	1.89	2.03	2.16	29.6

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Caroline County for teachers, librarians, and community college faculty are estimated to be \$19,123,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$371	\$387	\$408	\$388
Family Health and Chronic Disease	524	521	542	537
Developmental Disabilities	2,542	5,980	6,535	6,724
Behavioral Health Services	5,050	3,809	3,986	4,020
Total	\$8,487	\$10,697	\$11,471	\$11,669
<u>Social Services</u>				
Homeless Services	36	34	34	36
Women's Services	13	19	20	20
Adult Services	59	5	101	98
Child Welfare Services	1,292	1,309	708	1,195
Total	\$1,400	\$1,367	\$863	\$1,349
<u>Senior Citizen Services</u>				
Long-term Care	509	350	349	353
Community Services	106	117	117	117
Total	\$615	\$467	\$466	\$470

Note: Senior citizen services funding supports services in Caroline, Kent, and Talbot counties.

C. Selected State Grants for Capital Projects**Public Schools**

Colonel Richardson Middle School – renovations (solar)	\$184,000
Denton Elementary School – relocatable classrooms	86,000
Denton Elementary School – renovations (mechanical)	32,185
Greensboro Elementary School – renovations (mechanical)	53,222
Greensboro Elementary School – renovations (solar)	63,000
North Caroline High School – renovations (mechanical)	63,330
North Caroline High School – renovations (solar)	159,000
Preston Elementary School – construction	7,986,000
School Security Initiative	152,000
	\$8,778,737

Chesapeake College

Center for Allied Health and Athletics	\$27,482,000
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Community Parks and Playgrounds

Austin Park	\$25,000
Church Playground	25,000
Hillsboro Playground	50,000
Marina Park	56,000
Martin Sutton Park	18,000
Ober Community Park	200,000
Third Street Basketball Court	95,000
	\$469,000

Chesapeake Bay Water Quality Projects

Federalsburg – Railroad Ave. combined sewer overflow removal/water main	\$550,000
Federalsburg Combined Sewer – overflow improvements	1,137,000
Goldsboro WWTP – wastewater system improvements	1,500,000
North Caroline County WWTP – construction	1,500,000
	\$4,687,000

Water Supply Financial Assistance Program

Denton – new well	\$498,000
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Waterway Improvement

Federalsburg – engineering for downtown channel dredging project	\$15,000
Public boating facilities – improvements	60,000
	\$75,000

Other Projects

Senior Housing for the Disabled	\$250,000
The Benedictine School	250,000
The Wharves at Choptank Crossing Heritage and Welcome Center	165,000
	\$665,000

Carroll County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$102,342	\$100,872	\$98,118	\$95,863	-6.3
Compensatory Education	12,728	13,767	13,892	14,225	11.8
Student Transportation	9,426	9,413	9,382	9,468	0.4
Special Education	11,864	10,662	10,326	10,018	-15.6
Limited English Proficiency Grants	670	660	757	712	6.3
Geographic Cost of Education Index	2,536	2,535	2,516	2,492	-1.7
Adult Education	137	131	160	160	16.9
Aging Schools	193	699	137	137	-29.0
Other Education Aid	825	688	707	707	-14.3
<i>Subtotal</i>	<i>\$140,722</i>	<i>\$139,428</i>	<i>\$135,995</i>	<i>\$133,782</i>	<i>-4.9</i>
<u>Other</u>					
Libraries	1,009	941	924	902	-10.6
Community Colleges	7,596	7,638	7,996	8,364	10.1
Health Formula Grant	1,286	1,232	1,371	1,537	19.5
* Transportation	1,271	1,515	2,908	2,573	102.4
* Police and Public Safety	1,969	2,928	1,599	1,588	-19.3
* Fire and Rescue Aid	261	260	258	302	15.8
Recreation and Natural Resources	186	271	688	503	170.6
Total Direct Aid	\$154,299	\$154,213	\$151,738	\$149,549	-3.1
Aid Per Capita (\$)	923	920	906	892	-3.3
Property Tax Equivalent (\$)	0.78	0.82	0.82	0.81	3.2

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Carroll County for teachers, librarians, and community college faculty are estimated to be \$95,763,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$545	\$578	\$620	\$583
Family Health and Chronic Disease	709	711	874	726
Developmental Disabilities	12,964	12,801	13,989	14,395
Behavioral Health Services	9,617	9,792	9,001	9,183
Total	\$23,835	\$23,882	\$24,484	\$24,887
<u>Social Services</u>				
Homeless Services	61	60	60	61
Women's Services	143	160	159	159
Adult Services	26	5	88	77
Child Welfare Services	2,186	2,141	1,449	2,338
Total	\$2,416	\$2,366	\$1,756	\$2,635
<u>Senior Citizen Services</u>				
Long-term Care	312	257	254	257
Community Services	54	54	54	54
Total	\$366	\$311	\$308	\$311

C. Selected State Grants for Capital Projects**Public Schools**

Career and Technology Center – renovations (lighting)	\$55,000
Carroll Springs School – renovations (roof)	428,000
Carrolltowne Elementary School – renovations (lighting)	55,000
Century High School – renovations (lighting)	146,000
Cranberry Station Elementary School – renovations (lighting)	43,000
Ebb Valley Elementary School – renovations (lighting)	65,000
Eldersburg Elementary School – construction	1,858,000
Eldersburg Elementary School – renovations (lighting)	43,000
Elmer Wolfe Elementary School – renovations (lighting)	47,000
Francis Scott Key High School – renovations (lighting)	108,000
Freedom Elementary School – renovations (boilers/lighting)	1,486,000
Freedom Elementary School – renovations (roof)	869,000
Friendship Valley Elementary School – renovations (lighting)	50,000
Hampstead Elementary School – renovations (HVAC)	699,000
Hampstead Elementary School – renovations (lighting)	42,000
Liberty High School – renovations (lighting)	65,000
Linton Springs Elementary School – renovations (lighting)	47,000
Manchester Elementary School – renovations (HVAC/roof)	2,982,000
Manchester Elementary School – renovations (lighting)	42,000
Manchester Valley High School – renovations (lighting)	94,000
Mechanicsville Elementary School – renovations (lighting)	53,000
Mechanicsville Elementary School – renovations (roof)	742,000
Mt. Airy Elementary School – renovations (lighting)	33,000
Mt. Airy Middle School – construction	12,637,000
New Windsor Middle School – renovations (lighting)	62,000
North Carroll High School – renovations (lighting)	96,000
North Carroll Middle School – renovations (lighting)	84,000
Northwest Middle School – construction	395,851
Northwest Middle School – renovations (lighting)	57,000
Oklahoma Road Middle School – renovations (lighting)	49,000
Parr’s Ridge Elementary School – renovations (lighting)	75,000
Piney Ridge Elementary School – renovations (lighting)	47,000
Robert Moton Elementary School – construction	1,538,000
Robert Moton Elementary School – renovations (lighting)	37,000
Runnymede Elementary School – renovations (lighting)	48,000
Sandymount Elementary School – renovations (lighting)	35,000
Shiloh Middle School – renovations (lighting)	119,000
South Carroll High School – renovations (lighting)	85,000
Spring Garden Elementary School – renovations (lighting)	42,000
Sykesville Middle School – renovations (lighting)	64,000
Sykesville Middle School – renovations (mechanical)	90,084

Sykesville Middle School – renovations (windows)	191,000
Taneytown Elementary School – renovations (lighting)	56,000
Taneytown Elementary School – renovations (roof)	505,000
Westminster East Middle School – renovations (lighting)	46,000
Westminster Elementary School – construction	1,452,944
Westminster High School – renovations (HVAC)	2,070,000
Westminster High School – renovations (lighting)	142,000
Westminster West Middle School – renovations (lighting)	55,000
Westminster West Middle School – renovations (roof)	1,266,000
William Winchester Elementary School – renovations (mechanical)	84,141
William Winchester Elementary School – renovations (roof/lighting)	585,000
Winfield Elementary School – renovations (lighting)	49,000
Winters Mill High School – renovations (lighting)	147,000
School Security Initiative	817,000
	\$33,079,020

Public Libraries

Mt. Airy Library – renovation	\$390,000
Westminster Library – renovation	47,000
	\$437,000

Community Health Facilities Grant Program

Prologue, Inc.	\$252,000
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Community Parks and Playgrounds

Charles Street Tot Lot	\$188,000
Christmas Tree Park	58,000
Hampstead Municipal Park	150,000
Leister Park	88,000
South Branch Park	256,000
Union Bridge Wetlands Park	20,000
	\$760,000

Chesapeake Bay Water Quality Projects

New Windsor WWTP	\$2,000,000
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Chesapeake Bay Restoration Fund

Westminster WWTP – enhanced nutrient removal	\$16,920,000
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Water Supply Financial Assistance Program

Taneytown – replace water treatment building	\$368,000
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Other Projects

Goodwill Industries of Monocacy Valley – Westminster	\$75,000
McDaniel College – Hoover Library and Alumni Hall	1,500,000
The Arc of Carroll County	175,000
	\$1,750,000

D. Capital Projects for State Facilities in the County**Department of Health and Mental Hygiene**

Henryton Center – abate asbestos and raze buildings	\$3,530,000
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Department of Juvenile Services

Female Detention Center – construction	\$830,000
Thomas J. S. Waxter Children’s Center – construction	1,670,000
	\$2,500,000

Maryland Environmental Service

Freedom District WWTP – improvements	\$2,414,000
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Military

Westminster Readiness Center – addition and renovation (federal funds)	\$13,403,000
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Cecil County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$62,745	\$62,272	\$62,054	\$64,147	2.2
Compensatory Education	19,997	21,475	20,915	21,835	9.2
Student Transportation	4,867	4,943	4,958	4,996	2.7
Special Education	7,852	6,934	7,215	7,607	-3.1
Limited English Proficiency Grants	646	660	624	612	-5.4
Guaranteed Tax Base	747	269	71	569	-23.8
Adult Education	81	85	104	104	28.7
Aging Schools	135	489	96	96	-29.0
Other Education Aid	993	1,179	833	833	-16.1
<i>Subtotal</i>	<i>\$98,063</i>	<i>\$98,307</i>	<i>\$96,872</i>	<i>\$100,798</i>	<i>2.8</i>
<u>Other</u>					
Libraries	712	703	713	719	1.1
Community Colleges	5,389	5,423	5,705	6,035	12.0
Health Formula Grant	849	806	899	1,008	18.6
* Transportation	629	887	1,643	1,431	127.6
* Police and Public Safety	863	2,462	997	1,013	17.3
* Fire and Rescue Aid	206	206	206	241	17.2
Recreation and Natural Resources	99	143	359	260	162.1
Disparity Grant	0	0	299	530	n/a
Video Lottery Terminal Impact Aid	5,326	5,205	3,229	3,750	-29.6
Total Direct Aid	\$112,136	\$114,143	\$110,921	\$115,785	3.3
Aid Per Capita (\$)	1,103	1,120	1,088	1,136	3.0
Property Tax Equivalent (\$)	1.06	1.15	1.15	1.20	13.2

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Cecil County for teachers, librarians, and community college faculty are estimated to be \$57,778,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$616	\$575	\$613	\$579
Family Health and Chronic Disease	616	529	559	580
Developmental Disabilities	7,686	6,306	6,892	7,092
Behavioral Health Services	8,222	8,498	8,607	8,835
Total	\$17,140	\$15,908	\$16,671	\$17,086
<u>Social Services</u>				
Homeless Services	32	40	40	32
Women's Services	201	222	93	93
Adult Services	103	19	132	119
Child Welfare Services	2,706	2,667	1,615	2,619
Total	\$3,042	\$2,948	\$1,880	\$2,863
<u>Senior Citizen Services</u>				
Long-term Care	141	129	130	132
Community Services	39	39	39	39
Total	\$180	\$168	\$169	\$171

C. Selected State Grants for Capital Projects**Public Schools**

Bohemia Manor Middle/High School – renovations (lighting)	\$125,000
Cecil Manor Elementary School – renovations (flooring)	9,289
Cecil School of Technology – construction	5,068,530
Cecilton Elementary School – renovations (entrance loop)	11,216
Conowingo Elementary School – renovations (HVAC)	207,000
Elkton Middle School – renovations (flooring)	11,800
North East High School – renovations (exterior site/roof/elevator/interior site)	272,909
North East High School – renovations (lighting)	83,000
North East Middle School – renovations (elevator)	159,000
North East Middle School – renovations (flooring)	61,232
Perryville Elementary School – construction	2,635,000
Perryville High School – renovations (ceiling/lighting)	479,000
Rising Sun Elementary School – renovations (HVAC)	1,221,000
Rising Sun Elementary School – renovations (roof)	491,470
Rising Sun High School – renovations (HVAC)	1,776,000
Rising Sun High School – renovations (roof)	884,000
Thomson Estates Elementary School – renovations (windows/doors)	294,000
School Security Initiative	384,000
	\$14,173,446

Public Libraries

Elkton Central Library – renovation	\$420,000
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Cecil Community College

Math and Engineering Building – construction	\$13,682,000
Math and Engineering Building – science lab renovation	2,145,000
	\$15,827,000

Local Jail Loan

County Detention Center – expansion and renovation	\$4,955,000
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Federally Qualified Health Centers Grant Program

West Cecil Health Center	\$1,371,000
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Community Parks and Playgrounds

Cecilton Town Park	\$17,000
Charlestown Athletic Complex	78,000
Chesapeake City Community Park	108,000
Helen Titter Park	34,000
Lower Ferry Park	60,000
Meadow Park	52,000
Port Deposit Playground	78,000
	\$427,000

Waterway Improvement

Elk River Park – dredge material placement site expansion	\$325,000
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Hazardous Substance Cleanup Program

Ordinance Products – wellhead treatment	\$150,000
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Other Projects

Boys and Girls Club of Cecil County	\$50,000
Cecil County Department of Parks and Recreation	125,000
Charlestown – Cecil Inn	100,000
Fair Hill Race Track	50,000
Girl Scouts Camp Conowingo – water system	250,000
Historic Tome School	100,000
Jacob Tome Gas House	80,000
Milburn Stone Theatre	100,000
Plumpton Park Zoological Garden	100,000
	\$955,000

D. Capital Projects for State Facilities in the County**Department of Natural Resources**

Elk Neck State Park – improvements	\$340,000
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Charles County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$105,451	\$105,697	\$106,492	\$107,314	1.8
Compensatory Education	25,069	25,658	27,535	28,929	15.4
Student Transportation	9,964	10,076	10,130	10,261	3.0
Special Education	8,137	8,365	8,456	8,666	6.5
Limited English Proficiency Grants	870	828	929	1,126	29.4
Guaranteed Tax Base	1,362	833	306	0	-100.0
Geographic Cost of Education Index	3,475	3,498	3,512	3,502	0.8
Adult Education	353	365	445	445	26.1
Aging Schools	71	255	50	50	-29.0
Other Education Aid	1,542	1,598	1,454	1,454	-5.7
<i>Subtotal</i>	<i>\$156,294</i>	<i>\$157,173</i>	<i>\$159,309</i>	<i>\$161,746</i>	<i>3.5</i>
<u>Other</u>					
Libraries	817	861	895	920	12.7
Community Colleges	7,304	7,377	8,050	8,782	20.2
Health Formula Grant	1,066	995	1,109	1,244	16.7
* Transportation	848	1,078	1,888	1,612	90.2
* Police and Public Safety	682	886	1,301	1,309	91.8
* Fire and Rescue Aid	244	246	247	289	18.1
Recreation and Natural Resources	167	245	625	459	174.3
Total Direct Aid	\$167,422	\$168,860	\$173,424	\$176,360	5.3
Aid Per Capita (\$)	1,111	1,105	1,134	1,154	3.9
Property Tax Equivalent (\$)	0.96	1.01	1.06	1.08	13.3

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Charles County for teachers, librarians, and community college faculty are estimated to be \$95,480,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$552	\$562	\$604	\$567
Family Health and Chronic Disease	907	861	739	862
Developmental Disabilities	10,840	5,526	6,038	6,214
Behavioral Health Services	7,745	6,407	6,916	6,958
Total	\$20,044	\$13,356	\$14,297	\$14,601
<u>Social Services</u>				
Homeless Services	62	57	57	62
Women's Services	38	57	150	150
Adult Services	110	5	140	126
Child Welfare Services	3,288	3,195	3,539	3,206
Total	\$3,498	\$3,314	\$3,886	\$3,544
<u>Senior Citizen Services</u>				
Long-term Care	193	150	149	152
Community Services	16	16	16	16
Total	\$209	\$166	\$165	\$168

C. Selected State Grants for Capital Projects**Public Schools**

Arthur Middleton Elementary School – kindergarten addition	\$468,685
Arthur Middleton Elementary School – renovations (lighting)	130,000
Benjamin Stoddert Middle School – renovations (lighting)	260,000
Daniel of St. Thomas Jenifer Elementary School – renovations (roof/HVAC)	1,300,315
Dr. James Craik Elementary School – renovations (lighting)	215,000
Dr. Thomas L. Higdon Elementary School – renovations (lighting)	180,000
F.B. Gwynn Center – renovations (windows/doors/structural/lighting/HVAC)	550,000
General Smallwood Middle School – renovations (lighting)	173,000
Indian Head Elementary School – renovations (lighting)	193,000
John Hanson Middle School – renovations (lighting)	419,000
La Plata High School – renovations (HVAC)	344,000
La Plata High School – renovations (lighting)	492,000
Malcolm Elementary School – renovations (lighting)	137,000
Mary H. Matula Elementary School – renovations (lighting)	317,000
Matthew Henson Middle School – renovations (air conditioning)	223,000
Matthew Henson Middle School – renovations (lighting)	140,000
Maurice J. McDonough High School – renovations (lighting)	565,000
Mt. Hope/Nanjemoy Elementary School – renovations (lighting)	95,000
Piccowaxen Middle School – renovations (lighting)	210,000
Robert D. Stetham Educational Center – renovations (lighting)	204,000
St. Charles High School – construction	32,144,470
Walter J. Mitchell Elementary School – renovations (lighting)	211,000
Westlake High School – renovations (lighting)	369,000
William B. Wade Elementary School – renovations (lighting)	170,000
School Security Initiative	659,000
	\$40,169,470

Public Libraries

La Plata Library – construction	\$100,000
P.D. Brown Library – renovation	41,000
Waldorf West Library – construction	800,000
	\$941,000

College of Southern Maryland

Campuswide – technology infrastructure upgrades	\$1,465,000
Hughesville – Center for Regional Programs	7,741,000
La Plata – Continuing Education Building renovation and expansion	12,315,000
Prince Frederick – campus development	4,022,000
	\$25,543,000

Community Parks and Playgrounds

Tilghman Lake Park	\$147,000
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Water Supply Financial Assistance Program

Strawberry Hills – water line extension	\$189,000
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Waterway Improvement

Cobb Island Fire Department – purchase fire/rescue equipment	\$7,500
Public boating facilities – improvements	50,000
	\$57,500

African American Heritage Preservation Grant Program

Old Pomonkey High School	\$85,000
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Other Projects

Bel Alton High School Community Development Center	\$100,000
Charles County Children's Aid Society, Inc.	100,000
Civista Medical Center	250,000
Greater Baden Medical Services	200,000
Heritage House	100,000
Indian Head Center for the Arts	170,000
Jude House	50,000
Lifestyles Homeless Services Center	100,000
Lions Camp Merrick	150,000
Maryland Veterans Memorial Museum	100,000
Melwood Recreation Center	105,000
Piscataway Indian Museum	100,000
Rich Hill Farm House	750,000
Southern Maryland Carousel	25,000
	\$2,300,000

D. Capital Projects for State Facilities in the County**Military**

La Plata Readiness Center (federal funds)	\$14,420,000
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Dorchester County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$18,651	\$19,240	\$19,965	\$20,941	12.3
Compensatory Education	8,481	9,226	9,699	10,678	25.9
Student Transportation	2,300	2,332	2,347	2,384	3.7
Special Education	1,341	1,377	1,437	1,515	12.9
Limited English Proficiency Grants	275	291	426	505	83.5
Guaranteed Tax Base	0	42	145	402	n/a
Adult Education	147	144	176	176	20.1
Aging Schools	54	195	38	38	-29.0
Other Education Aid	1,351	1,431	863	863	-36.1
<i>Subtotal</i>	<i>\$32,600</i>	<i>\$34,278</i>	<i>\$35,096</i>	<i>\$37,502</i>	<i>15.0</i>
<u>Other</u>					
Libraries	238	249	249	252	5.8
Community Colleges	1,293	1,310	1,345	1,220	-5.6
Health Formula Grant	469	429	488	545	16.3
* Transportation	582	696	1,291	1,077	85.0
* Police and Public Safety	1,470	371	382	383	-73.9
* Fire and Rescue Aid	207	203	208	243	17.7
Recreation and Natural Resources	39	54	123	85	116.1
Disparity Grant	2,023	2,023	2,023	2,023	0.0
Teachers Retirement Supplemental Grant	0	309	309	309	n/a
Total Direct Aid	\$38,921	\$39,922	\$41,513	\$43,639	12.1
Aid Per Capita (\$)	1,196	1,222	1,271	1,336	11.8
Property Tax Equivalent (\$)	1.21	1.28	1.39	1.50	24.4

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Dorchester County for teachers, librarians, and community college faculty are estimated to be \$15,984,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$323	\$348	\$367	\$348
Family Health and Chronic Disease	520	522	555	572
Developmental Disabilities	2,442	2,456	2,684	2,762
Behavioral Health Services	5,852	7,050	6,522	6,782
Total	\$9,137	\$10,376	\$10,128	\$10,464
<u>Social Services</u>				
Homeless Services	31	21	21	31
Women's Services	13	19	20	20
Adult Services	115	33	155	141
Child Welfare Services	1,480	1,480	874	1,403
Total	\$1,639	\$1,553	\$1,070	\$1,595
<u>Senior Citizen Services</u>				
Long-term Care	567	522	523	530
Community Services	302	297	297	297
Total	\$869	\$819	\$820	\$827

Note: Senior citizen services funding supports services in Dorchester, Somerset, Wicomico, and Worcester counties.

C. Selected State Grants for Capital Projects**Public Schools**

Cambridge-South Dorchester High School – renovations (lighting)	\$944,000
Dorchester Career and Technology Center – construction	3,502,000
Hurlock Elementary School – renovations (HVAC)	47,109
Hurlock Elementary School – renovations (lighting)	262,000
Hurlock Elementary School – renovations (roof)	202,000
Judy P. Hoyer Center – renovations (lighting)	33,000
Mace's Lane Middle School – renovations (solar)	161,000
Maple Elementary School – renovations (lighting)	234,000
New Directions Learning Academy – renovations (chillers)	90,000
New Directions Learning Academy – renovations (lighting)	73,000
North Dorchester High School – renovations (lighting)	111,000
Sandy Hill Elementary School – renovations (lighting)	244,000
South Dorchester Elementary/Middle School – renovations (lighting)	111,000
South Dorchester Elementary/Middle School – renovations (roof)	566,000
Vienna Elementary School – renovations (lighting)	68,000
Warwick Elementary School – renovations (lighting)	156,000
School Security Initiative	172,000
	\$6,976,109

Public Libraries

Cambridge Central Library – HVAC replacement	\$224,000
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Chesapeake College

Center for Allied Health and Athletics	\$27,482,000
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Community Parks and Playgrounds

Church Creek Park	\$8,000
Cosby Avenue Park	117,000
Friendship Park	55,000
Great Marsh Park	202,000
Secretary Veteran's Memorial Park	99,000
Vienna Riverwalk	220,000
	\$701,000

Water Supply Financial Assistance Program

Secretary – water system improvements	\$102,000
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Waterway Improvement

Bestpitch Ferry – boating facility parking lot improvements	\$99,000
Cambridge – Long Wharf bulkhead replacement	300,000
Cambridge Municipal Marina – restrooms	50,000
Public boating facilities – improvements	60,000
Secretary – channel dredging	150,000
Secretary – public boat slips and dock improvements	99,000
Wingate – public dock bulkhead replacement	85,000
	\$843,000

African American Heritage Preservation Grant Program

Christ Rock Methodist Episcopal Church	\$395,000
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Other Projects

Chesapeake Grove – Senior Housing and Intergenerational Center	\$545,000
Choptank River Lighthouse – replica	230,000
Choptank River Lighthouse Museum	50,000
Dorchester Center for the Arts – atrium entrance	40,000
Dorchester General Hospital	1,000,000
Sailwinds Park	1,000,000
	\$2,865,000

D. Capital Projects for State Facilities in the County**Department of Natural Resources**

Harriet Tubman Underground Railroad State Park	\$2,933,000
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Maryland Department of Veterans Affairs

Eastern Shore Veterans Cemetery – expansion	\$414,000
Eastern Shore Veterans Cemetery – expansion (federal funds)	2,980,000
	\$3,394,000

Other

Cambridge Marine Terminal	\$1,500,000
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Frederick County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$151,059	\$154,564	\$156,412	\$157,127	4.0
Compensatory Education	27,649	29,043	30,980	32,535	17.7
Student Transportation	11,571	11,686	11,725	11,878	2.7
Special Education	14,929	15,606	15,460	15,385	3.1
Limited English Proficiency Grants	6,029	6,461	6,530	6,744	11.9
Geographic Cost of Education Index	6,292	6,380	6,450	6,499	3.3
Adult Education	406	417	509	509	25.2
Aging Schools	257	930	183	183	-29.0
Other Education Aid	1,145	1,258	1,107	1,107	-3.3
<i>Subtotal</i>	<i>\$219,338</i>	<i>\$226,344</i>	<i>\$229,356</i>	<i>\$231,966</i>	<i>5.8</i>
<u>Other</u>					
Libraries	1,222	1,298	1,327	1,334	9.2
Community Colleges	8,955	9,181	9,822	10,005	11.7
Health Formula Grant	1,561	1,512	1,685	1,889	21.1
* Transportation	2,363	2,217	4,886	4,471	89.2
* Police and Public Safety	1,582	1,579	2,358	2,376	50.2
* Fire and Rescue Aid	365	365	365	427	16.9
Recreation and Natural Resources	191	279	720	529	177.4
Total Direct Aid	\$235,576	\$242,775	\$250,519	\$252,997	7.4
Aid Per Capita (\$)	984	1,006	1,038	1,048	6.6
Property Tax Equivalent (\$)	0.87	0.94	0.97	0.98	12.6

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Frederick County for teachers, librarians, and community college faculty are estimated to be \$141,799,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$785	\$816	\$870	\$821
Family Health and Chronic Disease	766	804	636	626
Developmental Disabilities	17,378	30,567	33,404	34,374
Behavioral Health Services	18,027	15,314	16,640	17,222
Total	\$36,956	\$47,501	\$51,550	\$53,043
<u>Social Services</u>				
Homeless Services	133	123	123	133
Women's Services	265	283	262	263
Adult Services	121	14	187	164
Child Welfare Services	3,651	3,557	3,706	3,414
Total	\$4,170	\$3,977	\$4,278	\$3,974
<u>Senior Citizen Services</u>				
Long-term Care	229	259	262	266
Community Services	70	70	70	70
Total	\$299	\$329	\$332	\$336

C. Selected State Grants for Capital Projects**Public Schools**

Ballenger Creek Middle School – renovations (roof top unit)	\$240,000
Brunswick High School – renovations (HVAC)	165,000
Brunswick High School – renovations (unit ventilators)	581,000
Brunswick Middle School – renovations (roof)	391,000
Career and Technology Center – renovations (boilers/roof)	613,000
Carroll Manor Elementary School – construction	4,515,936
Frederick High School – construction	231,750
Frederick High School – renovations (fire safety)	243,000
Glade Elementary School – renovations (chiller)	342,000
Liberty Elementary School – renovations (roof/windows/doors)	374,000
Lincoln "B" Elementary School – construction	11,761,000
Linganore High School – construction	28,255,476
Middletown Elementary School – renovations (boiler/cooling tower)	393,000
Middletown High School – renovations (boilers)	490,000
Middletown Middle School – renovations (piping)	219,000
Myersville Elementary School – renovations (HVAC)	308,000
Myersville Elementary School – renovations (roofing)	107,000
New Market Elementary School – renovations (roof)	290,000
New Market Middle School – renovations (windows/doors)	253,000
New Midway Elementary School – renovations (roof)	173,000
New Midway Elementary School – renovations (water storage tank)	194,000
North Frederick Elementary School – construction	11,930,000
Oakdale Elementary School – construction	526,000
Rock Creek School – renovations (HVAC/piping)	324,000
Rock Creek School – renovations (roof)	290,000
Sabillasville Elementary School – renovations (roof)	147,000
Sabillasville Elementary School – renovations (water tank)	201,000
Valley Elementary School – renovations (boiler)	188,000
Walkersville Elementary School – construction	6,755,578
Yellow Springs Elementary School – renovations (boiler)	180,000
School Security Initiative	1,163,000
	\$71,844,740

Public Libraries

C. Burr Artz Library – renovation	\$41,000
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Frederick Community College

Building B – reconfiguration and conversion	\$4,426,000
Science and Technology Hall – renovation and addition	4,896,000
	\$9,322,000

Community Health Facilities Grant Program

Way Station, Inc.	\$1,765,000
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Community Parks and Playgrounds

Countywide – basketball and tennis court improvements	\$18,000
Doub’s Meadow Park	60,000
Emmitsburg Community Park	13,000
Emmitsburg Walking Trail	29,000
Memorial Park	6,000
Thurmont Community Park	105,000
Wetherburne Park	35,000
Wiles Branch Park	36,000
Woodsboro Elementary School Playground	32,000
Woodsboro Regional Park	129,000
	\$463,000

Chesapeake Bay Water Quality Projects

Emmitsburg WWTP – nutrient removal	\$4,652,000
Frederick WWTP – nutrient removal	1,000,000
Thurmont – wastewater system improvements	515,000
	\$6,167,000

Chesapeake Bay Restoration Fund

Emmitsburg WWTP – enhanced nutrient removal	\$8,103,000
Frederick WWTP – enhanced nutrient removal	27,411,000
	\$35,514,000

African American Heritage Preservation Grant Program

Bartonsville Community Cemetery	\$13,000
Laboring Sons Memorial	57,000
	\$70,000

Other Projects

15sq Arts Center	\$125,000
Barbara Hauer Fritchie Foundation	50,000
Carroll Creek Linear Park	20,000
Culler Lake – stormwater management	250,000
Cultural Arts Center	125,000
Downtown Frederick Hotel and Conference Center	250,000
Frederick Alliance For Youth – Youth and Community Center	375,000
Goodwill Industries of Monocacy Valley – Frederick	75,000
Governor Thomas Johnson High School – stadium	50,000
Hood College – Hodson Science and Technology Center/Tatem Building	2,500,000
Mental Health Association of Frederick County, Inc.	325,000
Mount St. Mary's University – Bradley Hall	1,500,000
Oakdale High School – concession stand	50,000
The Catocin Furnace Historical Society, Inc. – Forgerman's House renovation	100,000
The Jane Hanson National Memorial	35,000
Unified Community Connections – adult day habilitation facility	127,000
Weinberg Center for the Arts	150,000
	\$6,107,000

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 – day use and beach improvements	316,000
Western Region – public boating facilities improvements	50,000
	\$465,000

Maryland Environmental Service

Cunningham Falls State Park – wastewater collection/water distribution	\$775,000
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Other

School for the Deaf – fire alarm and emergency notification system	\$2,887,000
School for the Deaf – water main replacement project	300,000
	\$3,187,000

Garrett County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$13,407	\$12,336	\$11,062	\$10,825	-19.3
Compensatory Education	4,795	4,751	4,899	4,692	-2.1
Student Transportation	2,826	2,859	2,867	2,882	2.0
Special Education	1,192	1,193	1,119	1,083	-9.2
Limited English Proficiency Grants	12	3	5	8	-30.9
Adult Education	66	67	82	82	23.6
Aging Schools	54	195	38	38	-29.0
Other Education Aid	925	1,128	1,022	1,022	10.5
<i>Subtotal</i>	<i>\$23,277</i>	<i>\$22,530</i>	<i>\$21,094</i>	<i>\$20,632</i>	<i>-11.4</i>
 <u>Other</u>					
Libraries	129	119	119	114	-11.5
Community Colleges	3,403	3,421	3,552	3,864	13.5
Health Formula Grant	476	437	495	553	16.2
* Transportation	531	694	1,273	1,012	90.4
* Police and Public Safety	333	205	229	228	-31.5
* Fire and Rescue Aid	200	200	200	234	17.0
Recreation and Natural Resources	45	63	150	104	129.4
Disparity Grant	2,131	2,131	2,131	2,131	0.0
Teachers Retirement Supplemental Grant	0	406	406	406	n/a
 Total Direct Aid	 \$30,526	 \$30,208	 \$29,650	 \$29,277	 -4.1
 Aid Per Capita (\$)	 1,023	 1,011	 992	 980	 -4.2
Property Tax Equivalent (\$)	0.61	0.62	0.61	0.66	7.3

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Garrett County for teachers, librarians, and community college faculty are estimated to be \$16,243,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$249	\$197	\$265	\$251
Family Health and Chronic Disease	512	430	453	453
Developmental Disabilities	2,255	1,997	2,182	2,245
Behavioral Health Services	2,527	2,436	2,732	2,767
Total	\$5,543	\$5,060	\$5,632	\$5,716
<u>Social Services</u>				
Homeless Services	45	41	41	45
Women's Services	61	196	197	197
Adult Services	32	3	41	37
Child Welfare Services	1,352	1,368	778	1,238
Total	\$1,490	\$1,608	\$1,057	\$1,517
<u>Senior Citizen Services</u>				
Long-term Care	166	123	123	124
Community Services	66	73	73	73
Total	\$232	\$196	\$196	\$197

C. Selected State Grants for Capital Projects**Public Schools**

Accident Elementary School – renovations (lighting)	\$50,000
Broad Ford Elementary School – renovations (exterior site)	48,675
Crellin Elementary School – renovations (lighting)	23,000
Friendsville Elementary School – renovations (lighting)	47,000
Grantsville Elementary School – renovations (lighting)	92,000
Route 40 Elementary School – renovations (lighting)	57,000
Southern High School – renovations (windows)	151,000
Southern Middle School – renovations (chiller)	181,606
Yough Glades Elementary School – renovations (lighting)	50,000
School Security Initiative	134,000
	\$834,281

Community Parks and Playgrounds

Broadford Recreation Area	\$50,000
Friendsville Community Park	178,000
Glades Park	95,000
Grantsville Community Park	40,000
Loch Lynn Community Park	122,000
Town of Accident Park	65,000
	\$550,000

Water Supply Financial Assistance Program

Oakland – water system improvements	\$328,000
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Waterway Improvement

Broadford Lake – replace and repair docks	\$15,000
Friendsville – boat launch improvements	10,000
	\$25,000

Mining Remediation Program

Upper George's Creek – stream sealing	\$175,000
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Other Projects

Adventure Sports Center International	\$1,000,000
Christian Crossing Thrift Shop	100,000
HART Animal Center	225,000
	\$1,325,000

D. Capital Projects for State Facilities in the County**Department of Natural Resources**

Deep Creek Lake State Park – dredging analysis project	\$65,000
Garrett County State Park – trail construction	750,000
New Germany State Park – day use and beach improvements	326,000
Western Maryland Recreational Access and Trail Restoration Project	1,036,000
Western Region – public boating facilities improvements	50,000
	\$2,227,000

Harford County**A. Direct Aid and Retirement Payments****1. Direct Aid**

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$143,439	\$140,851	\$137,678	\$137,404	-4.2
Compensatory Education	31,766	31,189	31,139	32,715	3.0
Student Transportation	11,859	11,988	12,031	12,174	2.7
Special Education	19,679	19,280	18,638	18,324	-6.9
Limited English Proficiency Grants	1,675	1,504	1,468	1,270	-24.2
Adult Education	97	106	129	129	34.0
Aging Schools	306	1,107	217	217	-29.0
Other Education Aid	1,027	812	666	667	-35.1
<i>Subtotal</i>	<i>\$209,847</i>	<i>\$206,836</i>	<i>\$201,966</i>	<i>\$202,901</i>	<i>-3.3</i>
<u>Other</u>					
Libraries	1,523	1,487	1,454	1,450	-4.8
Community Colleges	10,559	10,610	10,763	11,556	9.4
Health Formula Grant	1,788	1,737	1,936	2,171	21.4
* Transportation	1,322	1,717	3,043	2,677	102.5
* Police and Public Safety	2,011	2,772	2,812	2,826	40.5
* Fire and Rescue Aid	382	382	379	444	16.1
Recreation and Natural Resources	286	413	1,035	749	161.9
Total Direct Aid	\$227,719	\$225,954	\$223,388	\$224,774	-1.3
Aid Per Capita (\$)	916	907	896	902	-1.6
Property Tax Equivalent (\$)	0.83	0.84	0.84	0.87	4.4

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Harford County for teachers, librarians, and community college faculty are estimated to be \$134,392,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$887	\$929	\$958	\$902
Family Health and Chronic Disease	830	832	867	888
Developmental Disabilities	18,486	6,924	7,566	7,786
Behavioral Health Services	14,712	14,316	15,167	15,670
Total	\$34,915	\$23,001	\$24,558	\$25,246
<u>Social Services</u>				
Homeless Services	81	97	93	78
Women's Services	139	337	340	340
Adult Services	169	18	180	163
Child Welfare Services	3,805	3,799	3,951	3,444
Total	\$4,194	\$4,251	\$4,564	\$4,025
<u>Senior Citizen Services</u>				
Long-term Care	370	289	295	300
Community Services	70	70	70	70
Total	\$440	\$359	\$365	\$370

C. Selected State Grants for Capital Projects**Public Schools**

Aberdeen Middle School – renovations (lighting)	\$299,000
Abingdon Elementary School – renovations (lighting)	172,000
Bel Air Elementary School – renovations (lighting)	72,000
Bel Air High School – construction	426,520
Bel Air Middle School – renovations (lighting)	198,000
C. Milton Wright High School – renovations (lighting)	308,000
Church Creek Elementary School – renovations (chillers)	369,000
Churchville Elementary School – renovations (lighting)	96,000
Darlington Elementary School – renovations (HVAC)	603,000
Darlington Elementary School – renovations (lighting)	32,000
Deerfield Elementary School – construction	1,897,325
Dublin Elementary School – renovations (HVAC)	1,939,000
Dublin Elementary School – renovations (lighting)	40,000
Edgewood Elementary School – renovations (lighting)	97,000
Edgewood High School – construction	13,321,000
Edgewood Middle School – renovations (lighting)	153,000
Fallston High School – renovations (HVAC)	3,368,000
Fallston High School – renovations (HVAC/lighting/ceilings)	5,255,000
Fallston High School – renovations (lighting)	63,000
Fallston Middle School – renovations (lighting)	34,000
Fountain Green Elementary School – renovations (lighting)	123,000
George D. Lisby Elementary School – renovations (lighting)	87,000
George D. Lisby Elementary School – renovations (roof)	434,000
Harford Technical High School – renovations (lighting)	54,000
Havre de Grace Elementary School – renovations (chillers)	464,750
Havre de Grace High School – renovations (roof)	830,000
Havre de Grace Middle School – renovations (lighting)	106,000
Joppatown High School – renovations (lighting)	207,000
Magnolia Elementary School – renovations (lighting)	95,000
Magnolia Middle School – renovations (HVAC)	5,163,000
Meadowvale Elementary School – renovations (lighting)	104,000
Norrisville Elementary School – renovations (HVAC)	1,736,000
North Bend Elementary School – renovations (lighting)	122,000
North Bend Elementary School – renovations (roof)	561,000
North Harford Elementary School – renovations (HVAC)	2,325,000
North Harford Middle School – renovations (lighting)	218,000
Prospect Mill Elementary School – renovations (lighting)	41,000
Red Pump Elementary School – construction	9,809,000
Ring Factory Elementary School – renovations (HVAC)	629,000
Ring Factory Elementary School – renovations (lighting)	43,000
Riverside Elementary School – renovations (lighting)	62,000

Roye Williams Elementary School – renovations (lighting)	111,000
Southampton Middle School – renovations (lighting)	176,000
William S. James Elementary School – renovations (lighting)	34,000
Youth's Benefit Elementary School – construction	6,252,000
School Security Initiative	1,088,000
	\$59,617,595

Harford Community College

Campuswide – parking and site improvements	\$357,000
Edgewood Hall – renovation and expansion	360,000
Nursing and Allied Health Building – construction	10,262,000
Student Center and Chesapeake Center – roof replacement	375,000
Susquehanna Center – renovation and expansion	9,872,000
	\$21,226,000

Community Health Facilities Grant Program

Key Point Health Services, Inc.	\$407,000
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Community Parks and Playgrounds

Aberdeen Festival Park	\$100,000
Aberdeen Swim Club	63,000
Plumtree Park	200,000
	\$363,000

Waterway Improvement

Havre de Grace Yacht Basin – utility improvements	\$14,000
Mariner Point Park – decking replacement and park facility improvements	25,000
	\$39,000

African American Heritage Preservation Grant Program

Hosanna School	\$28,000
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Other Projects

Aberdeen Youth Baseball Field	\$150,000
Boy Scouts of America – Broad Creek Ecology Conservation Learning Center	250,000
Broad Creek Memorial Scout Reservation	200,000
Broad Creek Memorial Scout Reservation – Maryland STEM Lab	250,000
Edgewood Community Support Center	50,000
Havre de Grace Maritime Museum	50,000

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Havre de Grace Opera House	300,000
Historical Society of Harford County	50,000
Humane Society of Harford County – animal shelter	150,000
Ladew Topiary Gardens	110,000
Ripken Stadium	450,000
Upper Chesapeake Medical Center, Inc.	750,000
	\$2,760,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Rocks State Park – Rocks Ridge Comfort Station	\$136,000
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Howard County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$153,556	\$155,137	\$154,979	\$153,995	0.3
Compensatory Education	20,617	22,811	24,029	25,818	25.2
Student Transportation	15,251	15,549	15,642	15,928	4.4
Special Education	13,426	13,138	13,016	13,430	0.0
Limited English Proficiency Grants	6,541	6,918	6,551	6,137	-6.2
Geographic Cost of Education Index	5,015	5,120	5,219	5,313	5.9
Adult Education	250	250	305	305	22.2
Aging Schools	124	447	88	88	-29.0
Other Education Aid	1,512	1,674	1,468	1,471	-2.7
<i>Subtotal</i>	<i>\$216,291</i>	<i>\$221,044</i>	<i>\$221,297</i>	<i>\$222,484</i>	<i>2.9</i>
<u>Other</u>					
Libraries	824	812	821	838	1.8
Community Colleges	14,324	14,441	15,837	17,103	19.4
Health Formula Grant	1,269	1,215	1,359	1,528	20.4
Transportation	1,353	2,009	2,507	2,124	57.0
Police and Public Safety	3,861	2,388	3,567	3,624	-6.1
Fire and Rescue Aid	400	400	401	469	17.3
Recreation and Natural Resources	482	707	1,821	1,339	177.5
Video Lottery Terminal Impact Aid	0	0	0	89	n/a
Other Direct Aid	0	0	5	5	n/a
Total Direct Aid	\$238,803	\$243,015	\$247,614	\$249,603	4.5
Aid Per Capita (\$)	798	798	813	819	2.7
Property Tax Equivalent (\$)	0.53	0.55	0.56	0.55	4.4

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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Howard County for teachers, librarians, and community college faculty are estimated to be \$238,933,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$793	\$882	\$956	\$1,029
Family Health and Chronic Disease	720	699	736	728
Developmental Disabilities	21,488	45,019	49,197	50,626
Behavioral Health Services	11,053	9,849	10,720	10,972
Total	\$34,054	\$56,449	\$61,609	\$63,355
<u>Social Services</u>				
Homeless Services	82	79	79	82
Women's Services	224	261	265	266
Adult Services	32	3	44	39
Child Welfare Services	3,011	3,038	1,871	3,029
Total	\$3,349	\$3,381	\$2,259	\$3,416
<u>Senior Citizen Services</u>				
Long-term Care	294	319	322	327
Community Services	19	19	19	19
Total	\$313	\$338	\$341	\$346

C. Selected State Grants for Capital Projects**Public Schools**

Atholton High School – construction	\$18,286,000
Atholton High School – renovations (exterior site)	1,000,000
Bellows Spring Elementary School – construction	1,163,000
Bollman Bridge Elementary School – construction	7,702,000
Burleigh Manor Elementary School – renovations (boilers)	308,000
Burleigh Manor Middle School – renovations (roof)	917,000
Bushy Park Elementary School – renovations (occupancy sensors)	55,000
Centennial High School – construction	1,421,370
Clarksville Elementary School – renovations (HVAC/electrical)	3,314,000
Dayton Oaks Elementary School – renovations (occupancy sensors)	55,000
Deep Run Elementary School – construction	5,734,000
Ducketts Lane Elementary School – construction	9,700,000
Dunloggin Middle School – renovations (roof)	1,750,000
Elkridge Elementary School – renovations (boilers)	246,000
Elkridge Elementary School – renovations (HVAC/roof)	1,906,000
Elkridge Landing Middle School – renovations (chillers)	286,000
Elkridge Landing Middle School – renovations (roof)	811,000
Ellicott Mills Middle School – renovations (occupancy sensors)	52,000
Folly Quarter Middle School – renovations (occupancy sensors)	52,000
Fulton Elementary School – renovations (chiller)	126,000
Gorman Crossing Elementary School – construction	1,996,000
Hammond High School – construction	364,836
Hammond High School – renovations (exterior site)	1,000,000
Hollifield Station Elementary School – renovations (chiller)	132,000
Laurel Woods Elementary School – construction	2,507,000
Lime Kiln Elementary School – renovations (occupancy sensors)	52,000
Longfellow Elementary School – construction	4,916,000
Manor Woods Elementary School – renovations (roof)	607,000
Mayfield Woods Middle School – renovations (chillers)	286,000
Mount View Middle School – renovations (roof)	792,000
Mt. Hebron High School – construction	806,000
New Middle School #20 – construction	12,950,000
Oakland Mills High School – renovations (roof)	743,000
Patuxent Valley Middle School – construction	2,785,000
Phelps Luck Elementary School – construction	5,514,000
Pointers Run Elementary School – renovations (chiller)	126,000
River Hill High School – renovations (roof)	1,729,000
River Hill High School – renovations (structural)	1,445,000
Rockburn Elementary School – renovations (roof/windows)	886,000
Running Brook Elementary School – construction	1,073,000
Stevens Forest Elementary School – construction	4,211,000

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Thunder Hill Elementary School – construction	4,909,000
Veterans Elementary School – renovations (occupancy sensors)	55,000
Wilde Lake Middle School – construction	234,000
School Security Initiative	1,431,000
	\$106,434,206

Public Libraries

Central Library – renovation	\$488,000
East Colombia Library – renovation	617,400
Elkridge Library – construction	125,000
Miller Library – space conversion	2,492,335
	\$3,722,735

Howard Community College

Campuswide – utilities upgrade	\$1,974,000
Health Sciences Building – construction	12,766,000
Nursing and Science & Technology Buildings – renovation	766,000
Science, Engineering and Technology Building – construction	11,915,000
	\$27,421,000

Community Health Facilities Grant Program

Humanim, Inc.	\$161,000
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Partnership Rental Housing Program

Hilltop	\$4,275,000
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Other Projects

Blandair Regional Park	\$250,000
Carroll Baldwin Hall	150,000
Community Action Council Food Bank	250,000
Domestic Violence Center	200,000
Elkridge Volunteer Fire Company	500,000
Ellicott City Post Office	175,000
Historic Belmont Property – restoration	190,000
Howard County – highway and street improvements	1,000,000
Howard County Day Resource Center	250,000
Howard County General Hospital	707,500
Howard County Head Start Program	200,000
Linwood Center	1,300,000
Middle Patuxent Environmental Area	150,000

Mount Pleasant Farm House	125,000
Roger Carter Recreation Center	365,000
Supported Living Facility	130,000
The Arc of Howard County – Graeoch Home	145,000
The Arc of Howard County – Homewood Road facility renovation	100,000
Vantage House Retirement Community	75,000
	\$6,262,500

D. Capital Projects for State Facilities in the County

Department of Health and Mental Hygiene

Dorsey Run Secure Evaluation and Therapeutic Treatment Center	\$2,150,000
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Maryland State Police

Tactical Services Facility – garage	\$2,227,000
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Department of Natural Resources

Bloede Dam – removal	\$1,269,000
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Kent County**A. Direct Aid and Retirement Payments****1. Direct Aid**

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$4,030	\$3,938	\$3,677	\$3,547	-12.0
Compensatory Education	2,543	2,736	2,655	2,648	4.1
Student Transportation	1,483	1,513	1,509	1,517	2.3
Special Education	733	780	732	761	3.8
Limited English Proficiency Grants	167	206	203	177	5.7
Geographic Cost of Education Index	136	138	137	137	0.5
Adult Education	67	66	81	81	20.1
Aging Schools	54	195	38	38	-29.0
Other Education Aid	680	907	719	720	5.9
<i>Subtotal</i>	<i>\$9,894</i>	<i>\$10,479</i>	<i>\$9,752</i>	<i>\$9,626</i>	<i>-2.7</i>
<u>Other</u>					
Libraries	91	85	82	81	-11.4
Community Colleges	594	602	586	586	-1.4
Health Formula Grant	368	336	383	427	16.0
* Transportation	214	389	687	586	173.3
* Police and Public Safety	155	940	203	207	34.1
* Fire and Rescue Aid	203	205	205	240	17.9
Recreation and Natural Resources	70	80	133	63	-9.6
Disparity Grant	0	0	70	0	0.0
Total Direct Aid	\$11,590	\$13,116	\$12,100	\$11,816	2.0
Aid Per Capita (\$)	576	658	607	592	2.8
Property Tax Equivalent (\$)	0.37	0.43	0.40	0.40	9.1

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Kent County for teachers, librarians, and community college faculty are estimated to be \$8,627,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$229	\$233	\$243	\$234
Family Health and Chronic Disease	504	451	532	464
Developmental Disabilities	1,542	1,387	1,516	1,560
Behavioral Health Services	3,370	3,205	3,267	4,821
Total	\$5,645	\$5,276	\$5,558	\$7,079
<u>Social Services</u>				
Homeless Services	1	1	1	1
Women's Services	13	19	20	20
Adult Services	50	2	61	61
Child Welfare Services	707	695	399	661
Total	\$771	\$717	\$481	\$743
<u>Senior Citizen Services</u>				
Long-term Care	509	350	349	353
Community Services	106	117	117	117
Total	\$615	\$467	\$466	\$470

Note: Senior citizen services funding supports services in Caroline, Kent, and Talbot counties.

C. Selected State Grants for Capital Projects**Public Schools**

Galena Elementary School – renovations (lighting)	\$21,000
Garnett Elementary School – renovations (HVAC/roof)	817,000
Garnett Elementary School – renovations (lighting)	32,000
Kent County High School – renovations (electrical)	104,177
Kent County Middle School – renovations (lighting)	26,000
Millington Elementary School – renovations (lighting)	21,000
Rock Hall Elementary School – renovations (lighting)	23,000
School Security Initiative	95,000
	\$1,139,177

Public Libraries

Chestertown Library – renovation	\$46,000
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Chesapeake College

Center for Allied Health and Athletics	\$27,482,000
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Partnership Rental Housing Program

Cannon Street and Satterfield	\$1,720,000
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Community Parks and Playgrounds

Betterton Memorial Park	\$16,000
Gateway Park	155,000
Remembrance Park	139,000
Rock Hall Civic Center	328,000
	\$638,000

Chesapeake Bay Water Quality Projects

Betterton WWTP – improvements	\$477,000
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Waterway Improvement

Chestertown Marina – bulkhead and pier improvements	\$240,000
Cliffs City Public Landing – pier replacement	49,500
Public boating facilities – improvements	25,000
Skinner’s Neck Public Landing – pier replacement	60,000
	\$374,500

African American Heritage Preservation Grant Program

Asbury United Methodist Church	\$95,000
Charles Sumner Post #25	100,000
Janes United Methodist Church	95,000
	\$290,000

Other Projects

Camp Fairlee Manor	\$125,000
Chester River Hospital Center	900,000
Sultana Education Center	500,000
Washington College – academic building	3,600,000
Washington College – Miller Library	2,500,000
	\$7,625,000

D. Capital Projects for State Facilities in the County**Department of Natural Resources**

Sassafras NRMA – design improvements	\$108,000
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Montgomery County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$290,374	\$302,239	\$305,783	\$310,457	6.9
Compensatory Education	106,595	115,208	121,839	128,619	20.7
Student Transportation	35,211	36,101	36,986	38,091	8.2
Special Education	47,212	50,965	51,266	52,045	10.2
Limited English Proficiency Grants	49,787	55,108	57,776	55,599	11.7
Geographic Cost of Education Index	31,955	32,796	33,637	34,394	7.6
Adult Education	821	814	993	993	21.0
Aging Schools	849	3,069	603	603	-29.0
Other Education Aid	3,436	2,800	3,563	3,566	3.8
<i>Subtotal</i>	<i>\$566,239</i>	<i>\$599,100</i>	<i>\$612,445</i>	<i>\$624,368</i>	<i>10.3</i>
<u>Other</u>					
Libraries	2,720	2,721	2,771	2,813	3.4
Community Colleges	42,313	43,527	44,178	47,428	12.1
Health Formula Grant	3,015	3,015	3,388	3,825	26.8
* Transportation	3,779	4,658	8,371	7,638	102.1
* Police and Public Safety	10,793	9,851	15,555	15,719	45.6
* Fire and Rescue Aid	1,307	1,303	1,299	1,520	16.3
Recreation and Natural Resources	1,241	1,806	4,626	3,387	173.0
Total Direct Aid	\$631,408	\$665,981	\$692,634	\$706,698	11.9
Aid Per Capita (\$)	629	655	681	695	10.6
Property Tax Equivalent (\$)	0.38	0.41	0.42	0.42	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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Montgomery County for teachers, librarians, and community college faculty are estimated to be \$664,905,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$3,269	\$3,238	\$3,490	\$3,322
Family Health and Chronic Disease	1,801	1,787	1,853	1,630
Developmental Disabilities	74,062	57,439	62,769	64,593
Behavioral Health Services	42,558	35,055	42,495	43,027
Total	\$121,690	\$97,519	\$110,607	\$112,572
<u>Social Services</u>				
Homeless Services	281	286	282	278
Women's Services	143	368	360	361
Adult Services	843	554	852	796
Child Welfare Services	7,891	8,053	4,582	7,618
Total	\$9,158	\$9,261	\$6,076	\$9,053
<u>Senior Citizen Services</u>				
Long-term Care	898	1,269	1,278	1,296
Community Services	200	200	200	200
Total	\$1,098	\$1,469	\$1,478	\$1,496

C. Selected State Grants for Capital Projects**Public Schools**

Argyle Middle School – renovations (lighting)	\$25,000
Bannockburn Elementary School – renovations (HVAC)	791,000
Beverly Farms Elementary School – construction	6,628,000
Bradley Hills Elementary School – renovations (HVAC)	735,000
Briggs Chaney Middle School – renovations (roof)	773,000
Broad Acres Elementary School – renovations (HVAC/roof)	989,000
Brooke Grove Elementary School – renovations (roof)	553,000
Brookhaven Elementary School – construction	129,000
Burtonsville Elementary School – renovations (roof)	555,000
Cabin John Middle School – construction	12,621,000
Cannon Road Elementary School – construction	5,535,000
Carderock Springs Elementary School – construction	1,158,420
Clarksburg Elementary School – renovations (roof)	344,000
Cold Spring Elementary School – renovations (lighting)	14,000
Colonel Zadok Magruder High School – renovations (chilled water system)	580,000
Colonel Zadok Magruder High School – renovations (HVAC)	882,000
Damascus Elementary School – renovations (HVAC)	857,000
Damascus Elementary School – renovations (roof)	367,000
Damascus High School – renovations (HVAC)	1,882,000
Dr. Charles R. Drew Elementary School – renovations (roof/lighting)	389,000
DuFief Elementary School – renovations (HVAC)	362,000
DuFief Elementary School – renovations (lighting)	14,000
East Silver Spring Elementary School – construction	422,000
East Silver Spring Elementary School – renovations (HVAC)	617,000
Fairland Elementary School – construction	741,000
Fairland Elementary School – renovations (HVAC)	449,000
Fairland Elementary School – renovations (roof)	412,000
Farmland Elementary School – construction	5,176,000
Fields Road Elementary School – renovations (roof)	399,000
Fox Chapel Elementary School – construction	2,052,000
Garrett Park Elementary School – construction	6,320,098
Germantown Elementary School – renovations (HVAC)	666,000
Glenallan Elementary School – construction	7,091,000
Goshen Elementary School – renovations (HVAC)	873,000
Greencastle Elementary School – renovations (HVAC)	159,000
Harmony Hills Elementary School – construction	475,000
Herbert Hoover Middle School – construction	10,564,000
Jackson Road Elementary School – construction	1,254,000
John F. Kennedy High School – renovations (lighting)	20,000
Judith A. Resnick Elementary School – renovations (roof)	656,000
Kemp Mill Elementary School – renovations (lighting)	35,000

Lake Seneca Elementary School – renovations (HVAC)	661,000
Lois P. Rockwell Elementary School – renovations (roof)	367,000
McKenney Hills Elementary School – construction	5,176,000
Montgomery Blair High School – renovations (lighting)	18,000
Montgomery Knolls Elementary School – construction	1,059,000
Montgomery Knolls Elementary School – renovations (lighting)	29,000
Neelsville Elementary School – renovations (HVAC)	798,000
Neelsville Middle School – renovations (HVAC)	624,000
Oak View Elementary School – renovations (roof)	213,000
Olney Elementary School – renovations (roof)	284,000
Paint Branch High School – construction	31,723,000
Pine Crest Elementary School – renovations (roof)	212,000
Piney Branch Elementary School – renovations (HVAC)	977,000
Poolesville High School – renovations (HVAC)	416,000
Poolesville High School – science facilities	3,081,000
Quince Orchard High School – renovations (HVAC)	1,105,000
Rachel Carson Elementary School – renovations (HVAC)	722,000
Rachel Carson Elementary School – renovations (roof)	470,000
Redland Middle School – construction	3,131,000
Ridgeview Middle School – construction	5,465,000
Robert Frost Middle School – renovations (roof)	524,000
Roberto Clemente Middle School – renovations (roof)	823,000
Rosemary Hills Elementary School – renovations (HVAC)	744,000
S. Christa McAuliffe Elementary School – renovations (HVAC)	1,073,000
Sequoyah Elementary School – renovations (roof)	415,000
Seven Locks Elementary School – construction	5,815,000
Shady Grove Middle School – renovations (HVAC)	1,023,000
Sherwood Elementary School – construction	160,000
Sherwood Elementary School – renovations (HVAC)	973,000
Sherwood Elementary School – renovations (lighting)	46,000
Sherwood High School – renovations (roof)	223,000
Silver Spring International Middle School – renovations (lighting)	63,000
Sligo Middle School – renovations (roof)	652,000
South Lake Elementary School – renovations (HVAC)	686,000
South Lake Elementary School – renovations (roof)	351,000
Springbrook High School – renovations (lighting)	97,000
Stedwick Elementary School – renovations (HVAC)	887,000
Stedwick Elementary School – renovations (roof)	369,000
Stone Mill Elementary School – renovations (HVAC)	199,000
Stone Mill Elementary School – renovations (lighting)	76,000
Strathmore Elementary School – renovations (roof)	332,000
Summit Hall Elementary School – renovations (HVAC)	591,000
Summit Hall Elementary School – renovations (roof)	147,000
Takoma Park Elementary School – construction	1,162,000
Takoma Park Elementary School – renovations (HVAC)	649,000

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Takoma Park Elementary School – renovations (lighting)	47,000
Takoma Park Middle School – renovations (lighting)	29,000
Thomas W. Pyle Middle School – renovations (HVAC)	898,000
Viers Mill Elementary School – renovations (roof)	587,000
Walt Whitman High School – renovations (lighting)	137,000
Walt Whitman High School – renovations (roof)	476,000
Waters Landing Elementary School – renovations (HVAC)	759,000
Watkins Mill Elementary School – renovations (HVAC)	416,000
Watkins Mill High School – renovations (HVAC)	1,176,000
Weller Road Elementary School – construction	3,604,482
Westbrook Elementary School – renovations (HVAC)	416,000
Whetstone Elementary School – construction	176,000
Whetstone Elementary School – renovations (roof)	372,000
White Oak Middle School – renovations (roof)	621,000
Woodfield Elementary School – renovations (HVAC)	724,000
Woodlin Elementary School – renovations (HVAC)	536,000
School Security Initiative	4,186,000
	\$164,336,000

Public Libraries

Gaithersburg Library – addition and renovation	\$445,465
Kensington Park Library – renovation	259,000
Silver Spring Library – construction	1,699,865
Twinbrook Library – renovation	128,000
	\$2,532,330

Montgomery College

Germantown – Bioscience Education Center	\$4,971,000
Germantown – Science and Applied Studies Building renovation	1,856,000
Rockville – Science Center	29,019,000
Rockville – Student Services Center	5,014,000
	\$40,860,000

Community Health Facilities Grant Program

Avery Road Treatment Center	\$310,000
Housing Opportunities Commission	835,000
Housing Unlimited, Inc.	1,850,000
St. Luke's House, Inc.	1,500,000
	\$4,495,000

Partnership Rental Housing Program

Aspen Court	\$3,863,761
Southbridge	1,500,000
	\$5,363,761

Community Parks and Playgrounds

Calvin Park	\$156,000
David Scull Park	154,000
Elgin Park	155,000
Griffith Park	66,000
Kensington Tennis Court	83,000
Lincoln Park	56,000
Poolesville Tot Lot	70,000
	\$740,000

Chesapeake Bay Water Quality Projects

Blue Plains WWTP – nutrient removal	\$6,760,000
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Chesapeake Bay Restoration Fund

Blue Plains WWTP – enhanced nutrient removal	\$181,000,000
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Waterway Improvement

Lake Needwood – public dock improvements	\$38,000
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African American Heritage Preservation Grant Program

Loving and Charity Hall	\$50,000
Sandy Spring Odd Fellows Lodge	350,000
Sandy Spring Slave Museum and African Art Gallery	88,000
	\$488,000

Other Projects

Adventist Rehabilitation Hospital of Maryland	\$200,000
American Film Institute Silver Theatre and Cultural Center	375,000
Ann L. Bronfman Center	120,000
Black Box Theater	100,000
Bohrer Park – miniature golf course	150,000
Bohrer Park – water park renovation	205,000
Cardinal McCarrick Center	125,000
Casey Community Center	130,000
Charles E. Smith Life Communities	1,700,000

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Discovery Sports Center	30,000
Easter Seals Inter-Generational Center	300,000
Holy Cross Hospital	1,800,000
Homecrest House	219,000
Identity House	130,000
Imagination Stage	45,000
Ivymount School – Annex Building	200,000
Jewish Community Center of Greater Washington	1,215,000
Jewish Foundation for Group Homes, Inc.	150,000
Jewish Social Service Agency	465,000
Ken-Gar Community Center	100,000
Kids International Discovery Museum	50,000
Laytonsville District Volunteer Fire Station	150,000
Lower Montgomery County Bikesharing System	250,000
MacDonald Knolls Center	200,000
Maryland Youth Ballet	100,000
MdBio Foundation, Inc. – STEM education equipment	200,000
MedStar Montgomery Medical Center	300,000
Melvin J. Berman Hebrew Academy	155,000
Mental Health Association – HVAC replacement	75,000
Montgomery Village – Battleridge Place stream valley restoration	20,000
Montgomery Village – Glenbrooke stormwater management pond renovation	30,000
Montgomery Village – Lewisberry Corridor lighting improvement	30,000
Montgomery Village – pavilion	30,000
Montgomery Village – South Valley Park	125,000
Muslim Community Center	300,000
National Center for Children and Families – Youth Activities Center	250,000
National Cybersecurity Center of Excellence	2,000,000
Noyes Children’s Library	50,000
Olney Boys and Girls Club Community Park	225,000
Olney Police Satellite Station	10,000
Olney Theatre	375,000
Orthodox Congregation of Silver Spring Preschool	48,000
Poole’s Store	50,000
Potomac Community Recreation Center	100,000
Potomac Community Resources, Inc.	325,000
Quebec Terrace – lighting	120,000
Residential Continuum, Inc. – group home renovations	100,000
Rockville – Swim and Fitness Center	220,000
Rockville Science Center	75,000
Sandy Spring Museum	75,000
Sandy Spring Volunteer Fire Department	150,000
Seneca Park North	18,000
Seneca Store	50,000
Shady Grove Adventist Hospital	500,000

Silver Spring Learning Center	60,000
Silver Spring Library – Pyramid Atlantic Art Center Space	175,000
Silver Spring Volunteer Fire Department	100,000
St. Luke's House and Threshold Services United, Inc.	150,000
Takoma Park Presbyterian Church – Takoma Park Silver Spring Community	250,000
The Treatment and Learning Centers, Inc. – Katherine Thomas School	275,000
The Writer's Center	550,000
University Gardens Senior Apartments	140,000
VisArts	25,000
Warner Manor	200,000
Washington Adventist Hospital	480,000
West Fairland Local Park	125,000
Woodlawn Barn Visitor's Center	300,000
	\$17,345,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

C&O Canal National Park – boat ramp improvements	\$99,000
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University System of Maryland

Shady Grove – Biomedical Sciences and Engineering Education Facility	\$9,300,000
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Prince George's County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$475,463	\$485,887	\$499,623	\$525,967	10.6
Compensatory Education	199,370	221,064	235,526	254,495	27.6
Student Transportation	36,557	36,853	36,966	37,707	3.1
Special Education	57,935	58,748	60,046	61,633	6.4
Limited English Proficiency Grants	56,217	61,517	68,564	74,469	32.5
Guaranteed Tax Base	0	0	0	3,348	n/a
Geographic Cost of Education Index	38,495	38,293	38,610	39,277	2.0
Adult Education	626	620	757	757	20.9
Aging Schools	1,704	6,159	1,209	1,209	-29.0
Other Education Aid	5,334	4,628	2,306	2,306	-56.8
Subtotal	\$871,702	\$913,769	\$943,608	\$1,001,170	14.9
<u>Other</u>					
Libraries	5,606	6,289	6,524	6,759	20.6
Community Colleges	23,522	23,644	25,992	27,666	17.6
Health Formula Grant	5,012	5,007	5,599	6,297	25.6
* Transportation	4,320	4,774	8,826	8,314	92.5
* Police and Public Safety	18,532	16,734	18,918	19,699	6.3
* Fire and Rescue Aid	1,141	1,137	1,130	1,322	15.8
Recreation and Natural Resources	1,046	1,532	3,914	2,868	174.3
Disparity Grant	20,006	21,695	21,695	27,503	37.5
Teachers Retirement Supplemental Grant	0	9,629	9,629	9,629	n/a
Video Lottery Terminal Impact Aid	1,000	1,000	1,000	1,054	5.4
* Other Direct Aid	0	0	10	10	n/a
Total Direct Aid	\$951,887	\$1,005,211	\$1,046,844	\$1,112,291	16.9
Aid Per Capita (\$)	1,080	1,129	1,176	1,250	15.7
Property Tax Equivalent (\$)	1.11	1.27	1.37	1.45	30.9

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Prince George's County for teachers, librarians, and community college faculty are estimated to be \$448,118,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$3,425	\$3,418	\$3,674	\$3,444
Family Health and Chronic Disease	3,636	2,514	2,700	2,760
Developmental Disabilities	63,617	54,752	59,833	61,572
Behavioral Health Services	43,971	42,985	44,167	45,288
Total	\$114,649	\$103,669	\$110,374	\$113,064
<u>Social Services</u>				
Homeless Services	644	634	575	585
Women's Services	508	396	348	348
Adult Services	519	136	717	646
Child Welfare Services	11,267	10,815	12,260	11,121
Total	\$12,938	\$11,981	\$13,900	\$12,700
<u>Senior Citizen Services</u>				
Long-term Care	820	1,030	1,031	1,046
Community Services	196	196	196	196
Total	\$1,016	\$1,226	\$1,227	\$1,242

C. Selected State Grants for Capital Projects**Public Schools**

Allenwood Elementary School – construction	\$1,735,000
Allenwood Elementary School – renovations (air conditioning)	535,000
Annapolis Road Academy – renovations (unit ventilators)	476,000
Apple Grove Elementary School – renovations (HVAC)	542,000
Arrowhead Elementary School – renovations (piping)	367,000
Avalon Elementary School – construction	5,658,000
Baden Elementary School – renovations (doors)	139,000
Barnaby Manor Elementary School – renovations (roof)	202,000
Beacon Heights Elementary School – renovations (boilers)	306,000
Beltsville Academy – renovations (piping)	1,712,000
Benjamin Tasker Middle School – renovations (roof)	1,238,000
Bladensburg Elementary School – renovations (chillers)	247,897
Bond Mill Elementary School – construction	600,000
Bond Mill Elementary School – renovations (boilers)	473,000
Bond Mill Elementary School – renovations (ventilators)	423,000
Bowie High School – construction	158,000
Bowie High School – renovations (air conditioning/boilers)	3,435,000
Bowie High School – renovations (fire safety/air conditioning)	831,000
Bradbury Heights Elementary School – renovations (chillers)	159,440
Buck Lodge Middle School – renovations (chillers)	426,000
Buck Lodge Middle School – renovations (roof/chillers)	1,741,000
C. Elizabeth Rieg Special Education School – renovations (roof)	633,000
Carole Highlands Elementary School – renovations (chiller)	316,000
Catherine T. Reed Elementary School – construction	610,000
Catherine T. Reed Elementary School – renovations (HVAC)	611,000
Central High School – construction	525,000
Chapel Forge Early Childhood Center – renovations (boilers)	336,000
Charles Carroll Middle School – renovations (roof)	1,582,000
Columbia Park Elementary School – renovations (piping)	440,000
Columbia Park Elementary School – renovations (unit ventilators)	459,000
Cool Spring Elementary School – renovations (chiller)	317,000
Crossland High School – construction	3,699,000
Crossland High School – renovations (ceiling/lighting)	489,000
Crossland High School – renovations (mechanical)	1,223,000
Crossland High School – science facilities	1,061,000
Deerfield Run Elementary School – construction	806,000
Dodge Park Elementary School – construction	1,526,000
Drew Freeman Middle School – renovations (boiler)	421,000
Drew Freeman Middle School – renovations (chiller)	590,000
Duval High School – construction	2,803,000
Duval High School – renovations (air conditioning)	129,000

Duval High School – renovations (structural)	558,000
Edgar Allen Poe Academy – renovations (piping)	367,000
Eleanor Roosevelt High School – construction	392,000
Eleanor Roosevelt High School – renovations (mechanical)	1,529,000
Eugene Burroughs Middle School – construction	6,150,000
Fairmont Heights High School – construction	10,985,000
Flintstone Elementary School – renovations (unit ventilators)	183,000
Forestville High School – construction	1,014,000
Forestville High School – renovations (roof)	1,972,000
Fort Foote Elementary School – renovations (piping)	428,000
Frances R. Fuchs Special Education School – renovations (boilers)	406,000
Francis T. Evans Elementary School – construction	1,406,000
Frederick Douglass High School – construction	1,004,000
Frederick Douglass High School – renovations (HVAC)	588,000
Friendly High School – construction	1,086,000
Friendly High School – renovations (air handling unit)	2,194,350
Gaywood Elementary School – renovations (piping)	367,000
Gladys Noon Spellman Elementary School – renovations (chillers)	235,335
Glassmanor Elementary School – renovations (roof)	509,000
Glenarden Woods Elementary School – construction	8,148,000
Glenn Dale Elementary School – renovations (piping)	330,000
Gwynn Park High School – construction	1,525,000
Gwynn Park High School – renovations (chiller)	491,000
Gwynn Park High School – renovations (roof)	1,229,000
H.W. Wheatley Special Education School – renovations (doors)	193,000
Heather Hills Elementary School – renovations (boilers)	330,000
Henry G. Ferguson Elementary School – construction	6,727,000
High Point High School – construction	184,000
High Point High School – renovations (air conditioning)	291,000
High Point High School – renovations (boilers/fire safety)	628,000
High Point High School – renovations (unit ventilators)	924,000
Hollywood Elementary School – construction	1,206,000
Hyattsville Elementary School – construction	8,440,000
Indian Queen Elementary School – construction	1,908,000
Isaac Gourdine Middle School – renovations (ventilators)	708,000
J. Frank Dent Elementary School – construction	1,054,000
James H. Harrison Elementary School – renovations (doors)	193,000
James H. Harrison Elementary School – renovations (roof)	845,000
James R. Randall Elementary School – renovations (piping)	330,000
John Hanson Montessori Elementary School – renovations (windows/doors)	139,000
Kenilworth Elementary School – renovations (piping)	440,000
Kenmoor Middle School – renovations (ventilators)	708,000
Kettering Elementary School – construction	1,094,000
Kettering Middle School – renovations (fire safety/ceilings)	1,138,000
Largo High School – construction	2,259,000

Largo High School – renovations (gym air conditioning)	194,000
Largo High School – renovations (roof)	1,787,000
Laurel High School – construction	595,000
Laurel High School – renovations (fire safety)	153,000
Margaret Brent Special Center – renovations (chiller)	320,000
Melwood Elementary School – construction	1,537,000
Melwood Elementary School – renovations (air conditioning)	588,000
Montpelier Elementary School – renovations (chiller)	297,000
Nicholas Orem Middle School – renovations (piping)	550,000
Nicholas Orem Middle School – renovations (roof)	982,000
North Forestville Elementary School – renovations (piping)	440,000
Oxon Hill High School – construction	11,159,000
Paint Branch Elementary School – construction	1,545,000
Paint Branch Elementary School – renovations (doors)	193,000
Pointer Ridge Elementary School – renovations (boilers)	407,000
Pointer Ridge Elementary School – renovations (roof)	698,000
Potomac High School – construction	1,470,000
Potomac High School – renovations (gym air conditioning)	387,000
Potomac High School – science facilities	291,000
Potomac Landing Elementary School – construction	1,113,000
Princeton Elementary School – renovations (piping)	275,000
Rockledge Elementary School – renovations (boilers)	331,000
Rockledge Elementary School – renovations (doors/boilers)	269,000
Rogers Heights Elementary School – renovations (unit ventilators)	440,000
Rosa L. Parks Elementary School – construction	757,366
Rose Valley Elementary School – renovations (doors)	193,000
Samuel Chase Elementary School – renovations (roof)	637,000
Samuel Ogle Elementary School – renovations (unit ventilators)	1,698,000
Samuel Ogle Middle School – renovations (ventilators)	708,000
Seabrook Elementary School – renovations (piping)	275,000
Springhill Lake Elementary School – renovations (piping)	440,000
Suitland High School – construction	2,428,000
Surrattsville High School – construction	838,000
Tall Oaks Vocational High School – renovations (roof)	548,900
Tall Oaks Vocational High School – renovations (piping)	550,000
Tayac Elementary School – renovations (roof)	600,000
Templeton Elementary School – renovations (piping)	550,000
Thomas Johnson Middle School – renovations (fire safety)	462,000
Thomas Pullen Elementary/Middle School – renovations (piping)	550,000
Thomas Stone Elementary School – renovations (piping)	440,000
Thurgood Marshall Middle School – renovations (piping/air conditioning)	679,000
Thurgood Marshall Middle School – renovations (ventilators)	708,000
Tulip Grove Elementary School – construction	1,189,000
University Park Elementary School – construction	1,897,000
Walden Woods Elementary School – construction	967,000

William Schmidt Environmental Center – renovations (piping/air conditioning)	588,000
William Wirt Middle School – renovations (piping)	550,000
School Security Initiative	3,360,000
	\$160,450,288

Public Libraries

Beltsville Library – renovation	\$489,000
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Prince George's Community College

Campus Fire Alarm System – upgrade	\$2,062,000
Campuswide – circulation and roadway modifications	4,447,000
Center for Health Studies	912,000
Facilities Management Building – renovation and addition	5,339,000
Lanham Hall – renovation and addition	1,340,000
Queen Anne Academic Center – renovation and addition	3,029,000
	\$17,129,000

Federally Qualified Health Centers Grant Program

CIVISTA Health Foundation	\$450,000
Greater Baden Medical Services – Walker Mill Health Center	918,000
	\$1,368,000

Community Parks and Playgrounds

60th Avenue Community Park	\$141,000
7th Street Community Park	28,000
Bartlett Park	90,000
Belle Point Neighborhood Park	98,000
Bladensburg Tot Lot	121,000
Brentwood Park	45,000
Cottage City Park and Playground	92,000
Cypress Street Field	150,000
District Heights Athletic Fields	147,000
Foxmo Tot Lot	28,000
Frenchman's Creek Playground	79,000
Greenbelt Playground	56,000
Greenspring Park	82,000
Henry Rinck Park	50,000
Hyatt Park	120,000
Laurel Hill Playground	86,000
Linear Park	44,000
Martin Luther King Community Park	214,000

Aid to Local Government – Prince George’s County

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Monroe Park	40,000
New Carrollton Community Dog Park	23,000
North Brentwood Neighborhood Playground	91,000
Pop’s Park	91,000
Riverside Park Community Playground	195,000
Seat Pleasant Fit and Fun Park	53,000
	\$2,164,000

Chesapeake Bay Water Quality Projects

Blue Plains WWTP – nutrient removal	\$6,760,000
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Chesapeake Bay Restoration Fund

Blue Plains WWTP – enhanced nutrient removal	\$181,000,000
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Waterway Improvement

Laurel Volunteer Rescue Squad – purchase water rescue equipment	\$5,000
Prince George’s Volunteer Fire Rescue Marine Unit – purchase fire/rescue boat	25,000
Prince George’s Volunteer Fire Rescue Marine Unit – water rescue equipment	10,000
	\$40,000

African American Heritage Preservation Grant Program

Mount Nebo A.M.E. Church	\$84,000
Wilmers Park Dance Hall	100,000
	\$184,000

Other Projects

African American Museum and Cultural Center	\$75,000
Alice Ferguson Foundation, Inc. – Potomac Watershed Study Center	5,800,000
Art Works Now	50,000
Arthur & Mary E. Ridgley, Sr. Museum	150,000
Battle of Bladensburg Visitor Center and Monument	125,000
Berkshire Neighborhood Park	200,000
Berwyn Heights – Town Administration Building and Senior Center	80,000
Bethel Recreation Center	100,000
Bowie – Whitmarsh Turf Field	80,000
Bowie Boys and Girls Club	100,000
Bowie Gymnasium	130,000
Bowie Lions Club	25,000
Brentwood Town Center	150,000
Capitol Heights – public works facility	50,000

Capitol Heights and Seat Pleasant Boys and Girls Club	100,000
CASA – Riverdale Welcome Center	150,000
Central High School – infrastructure improvements	500,000
Chesapeake Math and IT Academy, Inc.	250,000
Cheverly American Legion Post 108	40,000
Cheverly Community Church – kitchen and social hall	150,000
Community Safety and Surveillance Systems	120,000
Crossland High School – press box at football stadium	30,000
Dinosaur Park	50,000
District Heights – Family and Youth Services Bureau	250,000
District Heights – senior day facility	250,000
Doctors Hospital	88,000
Eagle Harbor – artesian well restoration	50,000
Educare Resource Center	175,000
Elizabeth Seton High School – sports facilities	100,000
Elizabeth Seton High School – window upgrades	50,000
Fairmount Heights – Municipal Center	100,000
Family Crisis Center – security system	70,000
Forest Heights – Town Hall	50,000
Forestville Military Academy – track renovation	50,000
Fort Foote Elementary School – marquee project	8,000
Gateway Arts Center at Brentwood	20,000
Glassmanor Recreational Center	125,000
Glenarden Veterans Memorial	225,000
Green Branch Athletic Complex	5,000,000
Greenbelt Arts Center	25,000
Hamilton Street Parking	250,000
Harbor Light Community Development Center	40,000
Hillel Center for Social Justice	1,000,000
Holy Trinity Episcopal Day School	50,000
Joe’s Movement Emporium	50,000
Knights of St. John Hall	60,000
Knights of St. John Woodville School Building	50,000
Labor of Love Learning Center	200,000
Lake Arbor Foundation, Inc.	250,000
Largo High School – track renovation	225,000
Laurel – park path system improvements	150,000
Laurel Armory Anderson Murphy Community Center	450,000
Laurel Boys and Girls Club	200,000
Laurel Police Department – community space facility	100,000
Maryland-National Capital Park and Planning Commission – field lights	300,000
Mount Rainier Civic Center	75,000
My Sister’s Keeper Group Homes	150,000
National Children’s Museum	3,000,000
National Philippine Multi-Cultural Center	100,000

Aid to Local Government – Prince George’s County**A-161**

New Carrollton – playground and open space improvements	100,000
New Horizons Disability Job Training and Recycling Center	350,000
New Revival Center of Renewal	150,000
North Brentwood – 4510 41st Avenue and 4516 41st Avenue redevelopment	125,000
Olde Mill Community and Teaching Center	300,000
Palmer Park Boys and Girls Club	50,000
Peppermill Village Community Center	150,000
Potomac High School – stadium and track construction	125,000
Potomac River Heritage Visitors Center – Experience Salubria project	80,000
Pregnancy Aid Center	100,000
Prince George’s Hospital System	59,000,000
Riverdale Baptist School – Sportsplex	350,000
Riverdale Park – Town Hall expansion	275,000
Riverdale Park – Youth and Community Center	533,000
Southern Area Indoor Aquatic Center	100,000
Southern Friendship Health and Wellness Campus	113,000
St. Ann’s Center for Children, Youth and Families	830,000
Suitland – redevelopment project	500,000
Vesta Glenarden Facility	100,000
	\$85,172,000

D. Capital Projects for State Facilities in the County**Department of Juvenile Services**

Cheltenham Youth Facility – new detention center	\$52,883,000
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Maryland Environmental Service

Cheltenham Youth Facility – water/wastewater facilities improvements	\$600,000
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University System of Maryland

Bowie State – Bulldog Football Stadium field lights and field house renovation	\$1,200,000
Bowie State – campuswide site improvements	3,923,000
Bowie State – Leonidas James Physical Education Complex	1,500,000
Bowie State – Natural Sciences Center	30,942,000
Bowie State – track and field improvements	500,000
College Park – athletic fields	1,000,000
College Park – Bioengineering Building	12,500,000
College Park – campuswide infrastructure improvements	35,000,000
College Park – Edward St. John Learning and Teaching Center	23,730,000
College Park – H.J. Patterson Hall renovations	12,564,000

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Major Issues Review 2011-2014

College Park – Physical Sciences Complex	64,950,000
College Park – remote library storage facility	6,542,000
	\$194,351,000

Queen Anne’s County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$20,700	\$20,098	\$20,807	\$21,258	2.7
Compensatory Education	4,255	4,819	4,944	5,052	18.7
Student Transportation	3,175	3,213	3,205	3,240	2.1
Special Education	2,235	2,215	2,279	2,270	1.6
Limited English Proficiency Grants	345	362	413	446	29.4
Geographic Cost of Education Index	551	558	564	564	2.2
Adult Education	187	184	225	225	20.1
Aging Schools	71	255	50	50	-29.0
Other Education Aid	743	2,734	804	804	8.2
<i>Subtotal</i>	<i>\$32,262</i>	<i>\$34,438</i>	<i>\$33,291</i>	<i>\$33,909</i>	<i>5.1</i>
<u>Other</u>					
Libraries	139	134	135	138	-0.9
Community Colleges	1,652	1,674	1,827	1,891	14.4
Health Formula Grant	444	418	465	521	17.4
* Transportation	432	605	1,006	793	83.7
* Police and Public Safety	732	299	425	429	-41.4
* Fire and Rescue Aid	200	200	200	234	17.0
Recreation and Natural Resources	52	74	188	137	164.2
Total Direct Aid	\$35,912	\$37,843	\$37,537	\$38,051	6.0
Aid Per Capita (\$)	740	780	774	784	6.0
Property Tax Equivalent (\$)	0.42	0.47	0.49	0.50	19.2

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Queen Anne's County for teachers, librarians, and community college faculty are estimated to be \$25,657,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$215	\$229	\$302	\$290
Family Health and Chronic Disease	436	431	452	454
Developmental Disabilities	3,654	2,023	2,211	2,275
Behavioral Health Services	2,404	2,159	2,237	2,321
Total	\$6,709	\$4,842	\$5,202	\$5,340
<u>Social Services</u>				
Homeless Services	11	8	8	11
Women's Services	13	19	20	20
Adult Services	38	3	48	48
Child Welfare Services	973	950	544	884
Total	\$1,035	\$980	\$620	\$963
<u>Senior Citizen Services</u>				
Long-term Care	114	114	113	115
Community Services	42	36	36	36
Total	\$156	\$150	\$149	\$151

C. Selected State Grants for Capital Projects**Public Schools**

Bayside Elementary School – renovations (lighting)	\$80,000
Centreville Middle School – renovations (electrical)	168,121
Centreville Middle School – renovations (lighting)	90,000
Centreville Middle School – renovations (roof)	1,102,000
Church Hill Elementary School – renovations (lighting)	68,000
Grasonville Elementary School – renovations (chiller/lighting)	159,000
Kennard Elementary School – construction	1,274,000
Kent Island High School – renovations (lighting)	252,000
Stevensville Middle School – construction	8,148,000
Sudlersville Middle School – construction	3,921,000
School Security Initiative	233,000
	\$15,495,121

Chesapeake College

Center for Allied Health and Athletics	\$27,482,000
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Shelter and Transitional Facilities

Our Haven Shelter	\$300,000
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Partnership Rental Housing Program

Gravel Run	\$1,550,000
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Community Parks and Playgrounds

Sudlersville Elementary School Playground	\$78,000
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Waterway Improvement

Grasonville Volunteer Fire Department – purchase fire/rescue boat and equipment	\$10,000
Public boating facilities – improvements	75,000
Queenstown – public boating facilities improvements	10,000
	\$95,000

African American Heritage Preservation Grant Program

Kennard High School	\$280,000
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Other Projects

Chesterwye Center – Jessie’s House	\$125,000
Kennard High School – restoration	300,000
Wye River Upper School	1,200,000
	\$1,625,000

D. Capital Projects for State Facilities in the County**Department of Natural Resources**

Matapeake Marine Terminal – entrance channel dredging	\$150,000
Matapeake Marine Terminal – replace bulkhead and install floating dock	1,200,000
	\$1,350,000

St. Mary's County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$64,841	\$66,339	\$65,990	\$67,902	4.7
Compensatory Education	14,175	15,024	15,563	16,217	14.4
Student Transportation	6,410	6,538	6,555	6,677	4.2
Special Education	5,382	4,876	4,593	4,607	-14.4
Limited English Proficiency Grants	530	522	607	697	31.6
Geographic Cost of Education Index	220	226	228	232	5.3
Adult Education	204	201	245	245	20.3
Aging Schools	71	255	50	50	-29.0
Other Education Aid	740	344	633	633	-14.4
<i>Subtotal</i>	<i>\$92,571</i>	<i>\$94,325</i>	<i>\$94,465</i>	<i>\$97,259</i>	<i>5.1</i>
<u>Other</u>					
Libraries	588	590	601	612	4.1
Community Colleges	2,481	2,506	2,673	2,907	17.2
Health Formula Grant	837	809	900	1,009	20.5
* Transportation	433	938	1,361	1,122	159.3
* Police and Public Safety	716	1,352	919	925	29.1
* Fire and Rescue Aid	200	200	200	234	17.0
Recreation and Natural Resources	92	135	347	254	174.5
Total Direct Aid	\$97,919	\$100,856	\$101,465	\$104,322	6.5
Aid Per Capita (\$)	898	920	925	952	5.9
Property Tax Equivalent (\$)	0.78	0.83	0.84	0.87	11.9

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for St. Mary's County for teachers, librarians, and community college faculty are estimated to be \$57,466,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$439	\$421	\$451	\$425
Family Health and Chronic Disease	516	480	527	517
Developmental Disabilities	7,851	2,605	2,847	2,929
Behavioral Health Services	7,340	7,080	7,499	7,623
Total	\$16,146	\$10,586	\$11,324	\$11,494
<u>Social Services</u>				
Homeless Services	54	51	51	54
Women's Services	185	198	200	201
Adult Services	38	13	104	87
Child Welfare Services	2,465	2,406	1,341	1,914
Total	\$2,742	\$2,668	\$1,696	\$2,256
<u>Senior Citizen Services</u>				
Long-term Care	147	141	141	143
Community Services	58	58	58	58
Total	\$205	\$199	\$199	\$201

C. Selected State Grants for Capital Projects**Public Schools**

Benjamin Banneker Elementary School – renovations (lighting)	\$79,000
Captain Walter Francis Duke Elementary School – construction	12,758,000
Chopticon High School – renovations (lighting)	167,792
Dr. James A Forrest Career & Technology Center – renovations (lighting)	59,000
Esperanza Middle School – renovations (lighting)	24,988
Evergreen Elementary School – renovations (lighting)	37,000
George Washington Carver Elementary School – renovations (lighting)	41,000
Great Mills High School – renovations (lighting)	153,316
Green Holly Elementary School – renovations (lighting)	43,000
Greenview Knolls Elementary School – renovations (HVAC)	2,314,000
Hollywood Elementary School – renovations (lighting)	33,000
Leonardtwn Elementary School – renovations (lighting)	58,000
Leonardtwn High School – renovations (lighting)	141,887
Leonardtwn Middle School – construction	1,230,814
Leonardtwn Middle School – renovations (lighting)	28,000
Lettie Marshall Dent Elementary School – renovations (lighting)	22,988
Lexington Park Elementary School – renovations (lighting)	31,000
Margaret Brent Middle School – renovations (lighting)	59,988
Mechanicsville Elementary School – renovations (lighting)	988
Oakville Elementary School – renovations (HVAC)	1,833,000
Park Hall Elementary School – renovations (lighting)	24,000
Piney Point Elementary School – renovations (lighting)	27,000
Ridge Elementary School – renovations (lighting)	32,000
Spring Ridge Middle School – construction	5,827,000
Spring Ridge Middle School – relocatable classrooms	361,000
Spring Ridge Middle School – renovations (lighting)	31,988
Town Creek Elementary School – renovations (lighting)	24,000
School Security Initiative	402,000
	\$25,845,749

College of Southern Maryland

Campuswide – technology infrastructure upgrades	\$1,465,000
Hughesville – Center for Regional Programs	7,741,000
La Plata – Continuing Education Building renovation and expansion	12,315,000
Prince Frederick – campus development	4,022,000
	\$25,543,000

Federally Qualified Health Centers Grant Program

Greater Baden Health Services – MedStar St. Mary’s Hospital	\$78,000
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Partnership Rental Housing Program

Greenview Apartments	\$1,703,052
Patuxent Woods	1,450,000
Spring Valley Apartments	859,200
	\$4,012,252

Community Parks and Playgrounds

Port of Leonardtown Public Park	\$163,000
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Chesapeake Bay Restoration Fund

Leonardtown WWTP – enhanced nutrient removal	\$6,441,000
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Waterway Improvement

Piney Point Landing – improvements	\$99,000
Public boating facilities – improvements	149,000
Ridge Volunteer Fire Department – purchase marine fire/rescue equipment	4,000
Wicomico Shores – boating facility restroom	99,000
	\$351,000

African American Heritage Preservation Grant Program

Brome Plantation	\$20,000
Sotterley Plantation	100,000
	\$120,000

Other Projects

Bay District Volunteer Fire Department	\$100,000
Cedar Lane Senior Living Community	100,000
Firemen’s Heritage Museum	105,000
Innovative Center for Autonomous Systems Development	250,000
Lexington Park Rescue Squad Building	125,000
Second District Volunteer Fire Department	75,000
Sotterley Plantation – post-hurricane restoration	50,000
St. Peter Claver Catholic Church Museum	45,000
	\$850,000

D. Capital Projects for State Facilities in the County**General Government**

St. Mary’s County District Court and Multi-Service Center – land acquisition	\$300,000
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Department of Natural Resources

Piney Point Natural Resources Police Facility – pier improvements	\$500,000
Point Lookout State Park – charge collection system improvements	723,000
Point Lookout State Park – lighthouse restoration	398,000
Point Lookout State Park – parking lot improvements	950,000
Point Lookout State Park – water system infrastructure improvements	127,000
St. Clement’s Island – shore erosion control	369,000
	\$3,067,000

Maryland Environmental Service

Charlotte Hall Veterans Home – wastewater treatment plant improvements	\$2,890,000
Southern Pre-Release Unit – wastewater treatment plant improvements	3,000,000
	\$5,890,000

St. Mary’s College

Anne Arundel Hall – reconstruction	\$22,740,000
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University System of Maryland

Southern Maryland Regional Higher Education Center	\$3,435,000
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Somerset County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$12,042	\$11,996	\$13,014	\$13,252	10.0
Compensatory Education	7,236	7,043	8,683	8,907	23.1
Student Transportation	1,757	1,766	1,792	1,823	3.8
Special Education	1,403	1,937	2,108	2,149	53.2
Limited English Proficiency Grants	413	352	500	465	12.6
Guaranteed Tax Base	538	488	1,046	1,144	112.4
Adult Education	150	152	185	185	23.8
Aging Schools	54	195	38	38	-29.0
Other Education Aid	551	1,008	611	611	11.0
<i>Subtotal</i>	<i>\$24,145</i>	<i>\$24,937</i>	<i>\$27,978</i>	<i>\$28,575</i>	<i>18.4</i>
<u>Other</u>					
Libraries	258	263	270	268	3.8
Community Colleges	717	726	717	739	3.0
Health Formula Grant	460	429	479	535	16.2
* Transportation	391	432	799	664	70.0
* Police and Public Safety	212	190	244	247	16.8
* Fire and Rescue Aid	209	209	208	244	16.7
Recreation and Natural Resources	24	35	84	60	146.6
Disparity Grant	4,908	4,908	4,908	4,908	0.0
Teachers Retirement Supplemental Grant	0	382	382	382	n/a
Total Direct Aid	\$31,324	\$32,512	\$36,071	\$36,622	16.9
Aid Per Capita (\$)	1,195	1,237	1,373	1,394	16.6
Property Tax Equivalent (\$)	1.86	2.19	2.43	2.57	38.2

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Somerset County for teachers, librarians, and community college faculty are estimated to be \$11,328,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$254	\$267	\$268	\$253
Family Health and Chronic Disease	563	607	619	708
Developmental Disabilities	1,977	6,024	6,583	6,774
Behavioral Health Services	3,694	3,652	3,593	3,717
Total	\$6,488	\$10,550	\$11,063	\$11,452
<u>Social Services</u>				
Homeless Services	6	5	5	6
Women's Services	40	91	91	92
Adult Services	57	4	85	78
Child Welfare Services	1,366	1,318	842	1,398
Total	\$1,469	\$1,418	\$1,023	\$1,574
<u>Senior Citizen Services</u>				
Long-term Care	567	522	523	530
Community Services	279	277	277	277
Total	\$846	\$799	\$800	\$807

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**

Crisfield High School – renovations (lighting)	\$121,000
Greenwood Elementary School – renovations (HVAC/roof)	6,443,000
J.M. Tawes Technology Center – renovations (lighting)	100,000
Marion Sarah Peyton Adult & Alternative Learning Center – construction	85,678
Marion Sarah Peyton Adult & Alternative Learning Center – renovations (lighting)	68,000
Washington High School – construction	3,257,283
School Security Initiative	120,000
	\$10,194,961

Public Libraries

Crisfield Library – construction	\$4,805,000
Princess Anne Library – renovation	103,000
	\$4,908,000

Senior Centers Grant Program

Somerset County Senior Activity Center	\$600,000
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Community Parks and Playgrounds

Beckford Avenue Area Park	\$150,000
Manokin Park	168,000
	\$318,000

Chesapeake Bay Water Quality Projects

Tylerton WWTP – plant upgrade	\$322,000
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Waterway Improvement

Crisfield – City Depot dock improvements	\$149,000
Crisfield – public boating pier	99,000
Public boating facilities – improvements	149,000
Wenona – public boating facilities improvements	45,000
	\$442,000

African American Heritage Preservation Grant Program

St. James Methodist Episcopal Church	\$175,000
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Other Projects

Teackle Mansion and the Sarah Martin Done House	\$120,000
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D. Capital Projects for State Facilities in the County

Department of Natural Resources

Janes Island State Park – cabin renovations and replacement	\$800,000
Somers Cove Marina – maintenance and upgrades	200,000
Somers Cove Marina – pier renovations and fire protection improvements	200,000
Wellington WMA – building renovation	2,162,000
	\$3,362,000

Maryland Environmental Service

Eastern Correctional Institution – wastewater treatment plant improvements	\$1,514,000
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University System of Maryland

Eastern Shore – Engineering and Aviation Science Building	\$87,050,000
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Talbot County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$4,275	\$4,334	\$4,381	\$4,423	3.5
Compensatory Education	3,868	4,239	4,332	4,663	20.6
Student Transportation	1,491	1,527	1,526	1,549	3.9
Special Education	840	854	869	883	5.2
Limited English Proficiency Grants	512	544	660	725	41.8
Adult Education	163	160	196	196	20.1
Aging Schools	54	195	38	38	-29.0
Other Education Aid	541	708	615	615	13.7
<i>Subtotal</i>	<i>\$11,743</i>	<i>\$12,561</i>	<i>\$12,617</i>	<i>\$13,093</i>	<i>11.5</i>
<u>Other</u>					
Libraries	102	106	106	107	5.1
Community Colleges	1,440	1,459	1,621	1,759	22.2
Health Formula Grant	352	329	365	409	16.3
* Transportation	426	586	1,196	1,069	151.0
* Police and Public Safety	286	422	428	426	48.9
* Fire and Rescue Aid	216	216	257	301	39.6
Recreation and Natural Resources	54	78	197	144	167.4
Total Direct Aid	\$14,617	\$15,756	\$16,789	\$17,307	18.4
Aid Per Capita (\$)	384	415	443	456	18.7
Property Tax Equivalent (\$)	0.15	0.17	0.19	0.20	35.7

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Talbot County for teachers, librarians, and community college faculty are estimated to be \$15,567,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$767	\$284	\$282	\$267
Family Health and Chronic Disease	435	447	473	462
Developmental Disabilities	2,763	2,143	2,341	2,410
Behavioral Health Services	2,672	2,624	2,600	2,683
Total	\$6,637	\$5,498	\$5,696	\$5,822
<u>Social Services</u>				
Homeless Services	28	26	26	28
Women's Services	13	19	20	20
Adult Services	41	7	52	46
Child Welfare Services	1,381	1,283	749	1,169
Total	\$1,463	\$1,335	\$847	\$1,263
<u>Senior Citizen Services</u>				
Long-term Care	509	350	349	353
Community Services	108	121	121	121
Total	\$617	\$471	\$470	\$474

Note: Senior citizen services funding supports services in Caroline, Kent, and Talbot counties.

C. Selected State Grants for Capital Projects**Public Schools**

Chapel District Elementary School – renovations (chiller)	\$157,000
Easton High School – renovations (chillers)	127,989
Easton High School – renovations (HVAC)	384,000
School Security Initiative	128,000
	\$796,989

Chesapeake College

Center for Allied Health and Athletics	\$27,482,000
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Partnership Rental Housing Program

Westport Commons	\$1,499,000
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Community Parks and Playgrounds

Play Ball Dog Park	\$38,000
Trappe Veterans Memorial Park	20,000
	\$58,000

Chesapeake Bay Water Quality Projects

Talbot County – sewer system infrastructure improvements	\$550,000
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Water Supply Financial Assistance Program

St. Michaels – arsenic removal system	\$1,357,000
Talbot County – water system infrastructure improvements	450,000
	\$1,807,000

Waterway Improvement

Oxford – public boating facilities improvements	\$50,000
Public boating facilities – improvements	75,000
St. Michaels – public boating facilities improvements	149,000
St. Michaels – purchase marine fire/rescue equipment	10,000
West Chew Avenue – boating facility improvements	50,000
	\$334,000

African American Heritage Preservation Grant Program

Asbury Methodist Episcopal Church	\$114,000
Bethel AME Church	18,000
	\$132,000

Other Projects

Chesapeake Bay Maritime Museum – bulkhead replacement	\$30,000
Eastern Shore Conservation Center	1,000,000
Eastern Shore Food Hub	500,000
Easton Head Start Center	475,000
Oxford Community Center	100,000
Oyster House	100,000
Shore Health System	540,000
Talbot Hospice	30,000
	\$2,775,000

Washington County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$93,102	\$94,719	\$96,935	\$99,265	6.6
Compensatory Education	36,799	39,506	40,281	41,907	13.9
Student Transportation	6,702	6,780	6,817	6,933	3.5
Special Education	8,352	7,897	7,772	7,929	-5.1
Limited English Proficiency Grants	1,934	1,706	1,674	1,773	-8.3
Guaranteed Tax Base	4,421	4,701	4,939	5,579	26.2
Adult Education	137	137	167	167	22.0
Aging Schools	190	687	135	135	-29.0
Other Education Aid	1,537	1,636	1,393	1,393	-9.4
<i>Subtotal</i>	<i>\$153,173</i>	<i>\$157,767</i>	<i>\$160,113</i>	<i>\$165,081</i>	<i>7.8</i>
<u>Other</u>					
Libraries	1,146	1,158	1,155	1,172	2.3
Community Colleges	8,042	8,065	8,431	9,005	12.0
Health Formula Grant	1,453	1,381	1,536	1,720	18.4
* Transportation	1,230	1,344	2,977	2,702	119.8
* Police and Public Safety	1,011	1,049	1,487	1,467	45.1
* Fire and Rescue Aid	232	231	228	267	15.3
Recreation and Natural Resources	146	214	541	395	169.6
Disparity Grant	0	0	1,546	1,978	n/a
Total Direct Aid	\$166,432	\$171,209	\$178,013	\$183,786	10.4
Aid Per Capita (\$)	1,116	1,145	1,190	1,229	10.1
Property Tax Equivalent (\$)	1.25	1.34	1.43	1.50	19.5

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Washington County for teachers, librarians, and community college faculty are estimated to be \$77,184,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$939	\$1,003	\$1,018	\$961
Family Health and Chronic Disease	610	579	616	642
Developmental Disabilities	11,122	18,430	20,140	20,725
Behavioral Health Services	13,645	13,666	13,837	14,237
Total	\$26,316	\$33,678	\$35,611	\$36,565
<u>Social Services</u>				
Homeless Services	168	159	155	165
Women's Services	208	227	201	202
Adult Services	280	48	341	311
Child Welfare Services	4,882	4,792	4,718	4,271
Total	\$5,538	\$5,226	\$5,415	\$4,949
<u>Senior Citizen Services</u>				
Long-term Care	371	278	277	281
Community Services	109	99	99	99
Total	\$480	\$377	\$376	\$380

C. Selected State Grants for Capital Projects**Public Schools**

Antietam Academy – construction	\$3,261,000
Barbara Ingram School for the Arts – construction	1,268,000
Bester Elementary School – construction	8,444,000
Boonsboro High School – renovations (boiler)	195,000
Boonsboro High School – renovations (windows/doors)	491,000
Boonsboro Middle School – renovations (windows/doors)	164,000
Clear Spring Middle School – renovations (roof)	742,000
E. Russell Hicks Middle School – renovations (electrical)	277,000
E. Russell Hicks Middle School – renovations (HVAC/windows/doors)	2,208,000
Funkstown Elementary School – renovations (HVAC/ceiling/lighting)	708,000
Hancock Middle/High School – renovations (windows/doors)	495,000
Marshall Street Elementary School – renovations (boiler)	204,000
Pleasant Valley Elementary School – renovations (boiler)	247,000
Ruth Ann Monroe Primary School – construction	6,717,000
Sharpsburg Elementary School – renovations (boiler)	171,225
Smithburg High School – renovations (windows)	363,000
Washington County Technical High School – renovations (HVAC)	980,000
West City Elementary School – construction	6,109,000
School Security Initiative	605,000
	\$33,649,225

Public Libraries

Hancock Library – construction	\$1,708,000
Washington County Free Library – renovation and expansion	890,935
	\$2,598,935

Hagerstown College

Arts and Sciences Complex	\$4,744,000
Athletic Recreation and Community Center – roof replacement	666,000
Central Plant – expansion	99,000
Performing and Visual Arts Education Center	213,000
Student Center – expansion	4,882,000
	\$10,604,000

Federally Qualified Health Centers Grant Program

Walnut Street Community Health Center, Inc.	\$660,000
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Senior Centers Grant Program

Washington County Senior Activity Center	\$800,000
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Shelter and Transitional Facilities

Way Station Homeless Vets	\$1,400,000
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Community Parks and Playgrounds

Billy Doub Playground	\$40,000
Hagerstown – citywide park improvements	26,000
L. Beard Miller Swimming Pool	35,000
Potterfield Pool	30,000
Veterans Park	33,000
	\$164,000

Chesapeake Bay Water Quality Projects

Winebrenner WWTP – nutrient removal	\$1,600,000
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Chesapeake Bay Restoration Fund

Winebrenner WWTP – enhanced nutrient removal	\$6,900,000
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Water Supply Financial Assistance Program

R.C. Wilson Water Plant – improvements	\$1,500,000
Sharpsburg Water Treatment Plant – improvements	366,000
Williamsport – water tank improvements	160,000
	\$2,026,000

Hazardous Substance Cleanup Program

Fairchild Republic – reactive monitoring wells	\$200,000
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African American Heritage Preservation Grant Program

Tolson’s Chapel	\$53,000
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Other Projects

Antietam Fire Company	\$85,000
Brook Lane Health Services, Inc.	1,100,000
C&O Canal National Park – Lockhouse 44/Lock 44/Western MD Railroad Lift	275,000

Doey's House	250,000
Korean War Veterans Association Antietam Chapter – Korean War Veterans Monument	40,000
Meritus Medical Center	500,000
The Maryland Theatre	125,000
	\$2,375,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

C&O Canal National Park – boat ramp improvements	\$124,000
Western Region – public boating facilities improvements	50,000
	\$174,000

Department of Public Safety and Correctional Services

Correctional Training Center – replace windows and heating systems	\$14,814,000
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Maryland Environmental Service

Maryland Correctional Institution – wastewater treatment plant improvements	\$2,000,000
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Military

Hagerstown Readiness Center	\$120,000
Hagerstown Readiness Center (federal funds)	1,950,000
	\$2,070,000

Department of Education

Western Maryland Regional Library	\$2,500,000
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Wicomico County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$63,986	\$65,502	\$67,292	\$68,579	7.2
Compensatory Education	31,941	36,292	37,323	38,615	20.9
Student Transportation	4,940	5,021	5,040	5,084	2.9
Special Education	6,272	6,716	6,869	7,008	11.7
Limited English Proficiency Grants	2,215	2,722	3,093	3,407	53.8
Guaranteed Tax Base	4,299	2,424	3,670	4,579	6.5
Aging Schools	150	543	107	107	-29.0
Other Education Aid	1,179	1,318	891	891	-24.4
<i>Subtotal</i>	<i>\$114,982</i>	<i>\$120,539</i>	<i>\$124,285</i>	<i>\$128,271</i>	<i>11.6</i>
<u>Other</u>					
Libraries	834	897	911	943	13.1
Community Colleges	4,803	4,862	4,966	5,070	5.6
Health Formula Grant	1,008	947	1,053	1,179	17.1
* Transportation	944	1,053	2,374	2,145	127.3
* Police and Public Safety	1,022	705	1,087	1,125	10.0
* Fire and Rescue Aid	232	232	239	280	20.7
Recreation and Natural Resources	102	147	365	264	159.2
Disparity Grant	2,197	2,197	6,654	8,241	275.1
Teachers Retirement Supplemental Grant	0	1,568	1,568	1,568	n/a
Total Direct Aid	\$126,122	\$133,146	\$143,501	\$149,084	18.2
Aid Per Capita (\$)	1,255	1,320	1,422	1,478	17.8
Property Tax Equivalent (\$)	1.77	2.00	2.27	2.42	36.6

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Wicomico County for teachers, librarians, and community college faculty are estimated to be \$52,527,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$789	\$851	\$915	\$865
Family Health and Chronic Disease	822	869	869	909
Developmental Disabilities	7,182	14,067	15,373	15,820
Behavioral Health Services	11,474	10,518	11,030	11,385
Total	\$20,267	\$26,305	\$28,187	\$28,979
<u>Social Services</u>				
Homeless Services	26	25	25	26
Women's Services	40	91	91	92
Adult Services	19	17	30	27
Child Welfare Services	2,690	2,723	1,548	2,581
Total	\$2,775	\$2,856	\$1,694	\$2,726
<u>Senior Citizen Services</u>				
Long-term Care	567	522	523	530
Community Services	330	322	322	322
Total	\$897	\$844	\$845	\$852

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**

Beaver Run Elementary School – renovations (HVAC)	\$325,000
Bennett Middle School – construction	30,521,000
Charles H. Chipman Elementary School – renovations (roof)	765,000
Delmar Elementary School – renovations (roof/lighting)	241,000
East Salisbury Elementary School – renovations (HVAC)	395,000
Fruitland Intermediate School – renovations (lighting)	46,000
Fruitland Intermediate School – renovations (roof)	579,000
Fruitland Primary School – renovations (HVAC)	302,000
Fruitland Primary School – renovations (lighting)	35,000
Mardela Middle/High School – renovations (lighting)	51,000
Mardela Middle/High School – renovations (roof)	469,000
Parkside High School – renovations (auditorium sound/lights)	253,000
Parkside High School – renovations (lighting)	71,000
Pinehurst Elementary School – renovations (lighting)	28,000
Pittsville Elementary/Middle School – renovations (electrical)	267,221
Pittsville Elementary/Middle School – renovations (HVAC/windows/doors)	1,659,000
Pittsville Elementary/Middle School – renovations (lighting/ceilings)	104,000
Pittsville Elementary/Middle School – renovations (windows/doors)	462,000
Wicomico High School – renovations (lighting)	62,000
Wicomico Middle School – renovations (lighting)	43,000
School Security Initiative	394,000
	\$37,072,221

Public Libraries

Eastside Library/Eastern Shore Regional Library – construction	\$659,000
Salisbury Library – elevator replacement	52,000
	\$711,000

Wor-Wic Tech Community College

Academic and Administrative Building/Maner Technology Center – renovation	\$1,813,000
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Local Jail Loan

County Detention Center – fire alarm system upgrade	\$50,000
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Partnership Rental Housing Program

County Housing Authority	\$855,000
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Community Parks and Playgrounds

Fruitland Playground	\$78,000
Mason-Dixon Sport Complex	48,000
Northside Park	119,000
Salisbury Skatepark	262,000
	\$507,000

Chesapeake Bay Water Quality Projects

Crown Sports Center – sewer extension	\$105,000
Salisbury WWTP – nutrient removal	15,942,000
	\$16,047,000

Chesapeake Bay Restoration Fund

Fruitland WWTP – enhanced nutrient removal	\$3,100,000
Salisbury WWTP – enhanced nutrient removal	11,700,000
	\$14,800,000

Water Supply Financial Assistance Program

Fruitland – water tower rehabilitation	\$3,174,000
Sharptown Water Treatment Facility – upgrade	319,000
	\$3,493,000

Waterway Improvement

Nanticoke Harbor – improvements	\$100,000
Public boating facilities – improvements	99,000
	\$199,000

Hazardous Substance Cleanup Program

Doe Run – contamination clean-up	\$50,000
Salisbury – Morris Mill trichloroethylene containment	50,000
	\$100,000

African American Heritage Preservation Grant Program

Charles H. Chipman Center	\$172,000
San Domingo Rosenwald School	115,000
Wetipquin Community Center	29,000
	\$316,000

Other Projects

Henry Parker Athletic Complex	\$1,000,000
Salisbury Zoological Park – Animal Health Clinic	200,000
Tri-County Multi-Purpose Center	300,000
Wicomico Youth and Civic Center	1,000,000
Willards Lions Club	50,000
YMCA of the Chesapeake	550,000
	\$3,100,000

D. Capital Projects for State Facilities in the County**Department of Health and Mental Hygiene**

Deer's Head Hospital Center – new kidney dialysis unit	\$6,437,000
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Department of Juvenile Services

Lower Shore Treatment Center	\$1,600,000
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University System of Maryland

Salisbury University – Academic Commons/Library	\$53,472,000
Salisbury University – Delmarva Public Radio	900,000
Salisbury University – gymnasium repairs and renovation	1,500,000
	\$55,872,000

Worcester County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>% Diff.</u>
	(\$ in Thousands)				
<u>Primary & Secondary Education</u>					
Foundation Aid	\$6,343	\$6,329	\$6,395	\$6,430	1.4
Compensatory Education	6,782	7,030	7,228	7,301	7.6
Student Transportation	2,849	2,883	2,886	2,921	2.5
Special Education	1,523	1,626	1,736	1,721	13.0
Limited English Proficiency Grants	366	370	408	372	1.7
Adult Education	121	123	151	151	24.8
Aging Schools	54	195	38	38	-29.0
Other Education Aid	584	564	657	657	12.4
<i>Subtotal</i>	<i>\$18,622</i>	<i>\$19,121</i>	<i>\$19,499</i>	<i>\$19,591</i>	<i>5.2</i>
<u>Other</u>					
Libraries	138	144	144	144	5.0
Community Colleges	1,919	1,940	1,981	2,105	9.7
Health Formula Grant	379	313	393	442	16.5
* Transportation	840	885	1,825	1,618	92.7
* Police and Public Safety	487	482	653	683	40.3
* Fire and Rescue Aid	261	260	257	301	15.2
Recreation and Natural Resources	102	144	358	256	151.8
Video Lottery Terminal Impact Aid	2,165	2,129	2,339	2,742	26.6
Total Direct Aid	\$24,912	\$25,418	\$27,449	\$27,882	11.9
Aid Per Capita (\$)	483	492	532	540	11.8
Property Tax Equivalent (\$)	0.14	0.16	0.18	0.19	37.1

* 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 a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2012 through 2015 State payments for Worcester County for teachers, librarians, and community college faculty are estimated to be \$30,144,000.

B. Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene and the Governor's Office of Crime Control and Prevention fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that for many programs the amounts shown for fiscal 2015 are based on the county's share of prior year funding (fiscal 2014) and may change. Behavioral health services include substance abuse and mental health services. See the discussion at the beginning of this section for more detail on the types of services funded by the State.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
	(\$ in Thousands)			
<u>Health Services</u>				
Medical Care Services	\$385	\$401	\$389	\$371
Family Health and Chronic Disease	688	655	681	653
Developmental Disabilities	3,745	1,273	1,391	1,432
Behavioral Health Services	5,173	5,183	5,239	5,249
Total	\$9,991	\$7,512	\$7,700	\$7,705
<u>Social Services</u>				
Homeless Services	26	20	20	26
Women's Services	64	116	116	116
Adult Services	43	2	60	55
Child Welfare Services	1,314	1,369	867	1,449
Total	\$1,447	\$1,507	\$1,063	\$1,646
<u>Senior Citizen Services</u>				
Long-term Care	567	522	523	530
Community Services	284	281	281	281
Total	\$851	\$803	\$804	\$811

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**

Berlin Intermediate School – renovations (HVAC)	\$38,845
Buckingham Elementary School – renovations (lighting)	23,062
Pocomoke Middle School – renovations (HVAC)	38,845
Snow Hill High School – construction	4,667,000
Snow Hill Middle School – renovations (HVAC)	38,845
Snow Hill Middle School – renovations (lighting)	166,000
Stephen Decatur High School – renovations (electrical)	24,938
School Security Initiative	215,000
	\$5,212,535

Wor–Wic Tech Community College

Academic and Administrative Building/Maner Technology Center – renovation	\$1,813,000
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Community Health Facilities Grant Program

Joan W. Jenkins Foundation, Inc.	\$288,000
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Community Parks and Playgrounds

Henry Park	\$66,000
Ocean City Skate Park	30,000
	\$96,000

Chesapeake Bay Water Quality Projects

Snow Hill WWTP – nutrient removal	\$140,000
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Waterway Improvement

64th Street – public boating facility channel dredging and parking lot	\$815,000
Gum Point Boat Ramp – ADA site improvements	99,000
Shell Mill Road – boat ramp improvements	99,000
South Point – relocate boat ramp	99,000
	\$1,112,000

Other Projects

Coastal Hospice at the Ocean Residence Project	\$500,000
Diakonia, Inc.	350,000
Ocean City Center for the Arts	250,000
Ocean City Convention Center Performing Arts Venue	5,700,000
	\$6,800,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Ocean City – beach replenishment	\$3,000,000
Pocomoke River State Park – fuel pier improvements	175,000
	\$3,175,000

Part B

Taxes

Property Tax

Homestead Property Tax Credit

The Homestead Property Tax Credit Program (assessment caps) provides tax credits against State, county, and municipal real property taxes for owner-occupied residential properties for the amount of real property taxes resulting from an annual assessment increase that exceeds a certain percentage or “cap” in any given year. The State requires the cap on assessment increases to be set at 10% for State property tax purposes; however, local governments have the authority to set their caps between 0 and 10%.

The increase in the number of properties receiving the Homestead Property Tax Credit in the early 2000s and the difficulties in verifying eligibility prompted concerns over potential abuses or fraud. This concern led to the enactment of Chapters 564 and 565 of 2007, which required homeowners to file an application with the State Department of Assessments and Taxation (SDAT) by December 31, 2012, to qualify for the Homestead Property Tax Credit.

Homestead Property Tax Credit Reform Act

Chapter 701 of 2012 provided that a person who had been granted a Homestead Property Tax Credit and was subsequently found to not qualify for the credit must be assessed all State, county, and municipal property taxes otherwise due for each taxable year the person did not qualify to receive the tax credit. A person who willfully misrepresented facts and had been granted a Homestead Property Tax Credit based on this willful action is subject to a 25% penalty. The amount of the penalty must be separately itemized on the person’s property tax bill and constitutes a lien on the property until paid in full or the property has been sold in foreclosure.

Application Deadline Extension

During the 2013 session, there was some concern that, for a variety of reasons, there were still homeowners who had not filed an application for the Homestead Property Tax Credit by the December 31, 2012 deadline and would, therefore, lose the property tax credit, even though they met the other eligibility criteria. As a result, *Chapters 25 and 26 of 2013* extended, from December 31, 2012, to December 30, 2013, the date by which homeowners must have filed the application for the Homestead Property Tax Credit. *Chapters 25 and 26* also altered the date by which an application for the Homestead Property Tax Credit must be filed for a newly purchased home by requiring the application to be filed by May 1 preceding the first taxable year for which the property tax credit is allowed.

Definition of Legal Interest

Chapters 526 and 527 of 2014 altered the definition of “legal interest” for purposes of the Homestead Property Tax Credit to include an interest in a dwelling as a settlor, grantor, or beneficiary of a trust if the settlor, grantor, or beneficiary of the trust does not pay rent or other remuneration to reside in the dwelling and legal title to the dwelling is held in the name of the trust or in the names of the trustees for the trust.

Property Tax Administration

Property Valuation Cost Reimbursement

While SDAT supervises the assessment of all property in the State, counties and municipalities are the primary beneficiaries of property taxes in Maryland. The Budget Reconciliation and Financing Act (BRFA) of 2011, *Chapter 397*, required the counties and Baltimore City to reimburse SDAT for (1) 90% of the costs of real property valuation; (2) 90% of the costs of business personal property valuation; and (3) 90% of costs incurred by SDAT with regards to information technology in fiscal 2012 and 2013. Beginning in fiscal 2014, the counties and Baltimore City were required to reimburse SDAT for 50% of these costs. The BRFA of 2011 specified how costs must be allocated among the counties and Baltimore City and how payments must be remitted.

Semi-annual Payment Schedule for Business Property

Property taxes for owner-occupied residential property are due under a semi-annual schedule. The first installment is due on July 1 and may be paid without interest on or before September 30. The second installment is due on December 1 and may be paid without interest on or before December 31. Chapter 680 of 2010 required county and municipal governments to establish a semi-annual payment schedule for State, county, municipal, and special taxing district property taxes for small business property with a property tax bill of \$50,000 or less.

Chapter 593 of 2011 expanded the requirement that local governments allow certain businesses to elect to pay property taxes on a semi-annual basis so that, beginning July 1, 2012, a business may make this election if total property taxes do not exceed \$100,000.

Residential Real Property Valuation Database

Chapter 361 of 2013 required SDAT to maintain a database, available to the public on the department's website and searchable by individual property that relates to the valuation of single-family residential real property. The database must include for each property (1) the square footage of the enclosed improvements above ground; (2) the square footage of the completed improvements below ground; (3) the number of bathrooms; (4) the number of garages; and (5) the date of the initial assessment of the most recently completed improvements assessed after July 1, 2000.

Property Tax Exemptions

Community Open Space Management Entities

Chapter 618 of 2014 authorized a county or municipality to provide an exemption against local property taxes for property owned by a community open space management entity. A community open space management entity is a nonprofit organization that has a cooperative agreement with the Maryland Environmental Trust and the purposes of which are primarily to (1) preserve community-managed open spaces in fully developed areas; (2) acquire, sell, lease, transfer, manage, establish, or hold easements to parcels of land for use as community-managed open space in fully developed areas; and (3) encourage, support, and facilitate the participation of communities in the beautification, maintenance, and preservation of community-managed open spaces in fully developed areas.

Formerly Exempt Property

SDAT has advised that prior to July 1, 2014, for practical purposes, when a property lost its tax-exempt status, property taxes were not typically paid until the beginning of the next taxable year. *Chapter 433 of 2014* required that, beginning July 1, 2014, when a tax-exempt property used by a charitable, educational, or religious group or organization is sold and is no longer entitled to a property tax exemption, the property tax is payable for the remainder of the taxable year from the date of transfer.

Statewide Local Option Property Tax Credits

Habitat for Humanity

Chapters 328 and 329 of 2010 authorized local governments to grant a property tax credit against the county or municipal property tax for real property owned by Habitat for Humanity with the intention of relinquishing ownership in the immediate future and used exclusively for the purpose of rehabilitation and transfer to a private owner. *Chapter 130 of 2011* expanded the property tax credit to include undeveloped land to be relinquished in the near future.

Neighborhood Conservation Areas

Chapter 141 of 2012 authorized local governments to grant a property tax credit for owner-occupied residential real property purchased between July 1, 2012, and June 30, 2018, and located in a neighborhood conservation area established or renewed by application to the Department of Housing and Community Development (DHCD) based on specified criteria adopted by DHCD. DHCD was required to adopt regulations that established application procedures for the designation of a neighborhood conservation area based on (1) the concentration of foreclosure activity; (2) the concentration of blighted or vacant properties; and (3) the location within a priority funding area, with preference given to specified sustainable communities.

High-performance Buildings

Chapter 519 of 2004 authorized a county or municipality to provide a property tax credit for high-performance buildings. A high-performance building was defined as a building that (1) achieves at least a silver rating according to the U.S. Green Building Council's Leadership in Energy and Environmental Design Green Building Rating System as adopted by the Maryland Green Building Council; (2) achieves at least a comparable rating according to any other appropriate rating system; or (3) meets comparable green building guidelines or standards approved by the State.

Chapter 356 of 2012 expanded the definition of high-performance building for purposes of the property tax credit to include a residential building that achieves at least a silver rating according to the International Code Council's 700 National Green Building Standards.

Historically and Architecturally Valuable Property

Chapters 189 and 190 of 2013 expanded the property tax credit for historically and architecturally valuable property by increasing the amount, from up to 10% to up to 25%, of the properly documented expenses incurred by a private owner taxpayer for restoration and preservation expenses for specified historic and architecturally valuable property that can be claimed as a tax credit.

Urban Agricultural Property

Chapter 721 of 2010 authorized local governments to grant a five-year property tax credit for urban agricultural property, which was originally defined as real property that is at least one-eighth of an acre and not more than two acres in size, located in a priority funding area, and used exclusively for urban agricultural purposes. *Chapter 660 of 2013* increased the maximum size of property that is eligible for the property tax credit from two to five acres. *Chapter 390 of 2014* expanded eligibility for the property tax credit by removing the requirement that a property must be used *exclusively* for urban agricultural purposes in order to receive the credit.

Adaptive Reuse of Commercial Structures

Chapter 538 of 2014 authorized county and municipal governments to grant a property tax credit against the county or municipal property tax imposed on an existing commercial structure in which a qualifying investment is made to bring the structure into compliance with current safety or accessibility building codes. The property tax credit may not exceed 50% of the amount of the qualifying investment in a structure and may be granted for up to a 10-year period in an equal amount each year.

Historic or Heritage Properties

Chapters 193 and 194 of 2014 altered the calculation, in Baltimore City only, of the local property tax credit for restorations and rehabilitations of historic or heritage properties. For purposes of calculating the property tax credit for properties receiving the credit on or after October 1, 2014, the full cash value of the property must be determined by an appraisal of the property before commencement and after completion of eligible improvements by a licensed professional appraiser selected by the Mayor and City Council of Baltimore City.

Economic Development

Regional Institution Strategic Enterprise Zone Program

Chapter 530 and 531 of 2014 established the Regional Institution Strategic Enterprise (RISE) Zone Program, to be administered by the Department of Business and Economic Development (DBED). The purpose of the RISE Zone Program is to access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located. A qualified institution must apply with a county, municipality, or the economic development agency of a county or municipality to DBED for designation of an area as a RISE zone. A business entity that locates in a RISE zone is entitled to a property tax credit, an income tax credit, and priority consideration for assistance from the State's economic development and financial assistance programs.

A local government must grant a property tax credit against local real property taxes imposed on the eligible assessment of qualified property owned by a business entity in a RISE zone. The amount of the property tax credit is based on a specified percentage of assessment increases resulting from the value of real property improvements, which is calculated by SDAT. The credit is applied to the tax imposed on 50% of the eligible assessment during the first year and 10% in the second through fifth year. For qualified property within an enterprise zone, a business may receive an 80% credit for the five-year period, and for qualified property within a focus area of an enterprise zone, a business may receive a 100% credit for the five-year period.

For an additional discussion of *Chapters 530 and 531*, see the subpart "Economic Development" of Part H – Business and Economic Issues of this *Major Issues Review*.

Personal Property Tax

Tax Rate

The State has not imposed personal property taxes since fiscal 1984, and all personal property is exempt from the State property tax. However, counties, municipalities, and special taxing districts are authorized to tax personal property. Prior to July 1, 2013, State law required the county personal property tax rate to be set at 2.5 times the county real property tax rate. *Chapter 405 of 2013* decoupled the personal property tax rate from the real property tax rate by authorizing county governments to set a personal property tax rate at no more than 2.5 times the county real property tax rate.

Liens for Unpaid Tax

A political subdivision may impose a lien against personal property consisting of unpaid tax on personal property. *Chapter 370 of 2013* specified that a secured party with a security interest in personal property of a business may elect to satisfy a tax lien on the secured property by (1) providing a notice to each county and municipality owed taxes, as specified, and (2) paying the required pro-rata portion of the personal property taxes due and owing, including a pro rata share of accrued penalty and interest under specified conditions. *Chapter 370* allowed a county or municipality to dispute the amount of the pro-rata portion of taxes owed and establishes priority for payments when multiple jurisdictions have liens on personal property.

Tax Sales

Right of Redemption – Notice

Chapter 188 of 2012 prohibited a holder of a certificate of tax sale from filing a complaint to foreclose the right of redemption until at least 30 days after sending the second of two required notices. *Chapter 188* also conformed the method by which the first of the two required notices must be sent to the method for the second notice. The required notice must state that a tax-delinquent owner may be required to reimburse the certificate holder for the postage and certified mailing costs incurred for the notices in order to redeem a property.

Reimbursement for Attorney's Fees

Chapter 599 of 2014 specified that a plaintiff or holder of a certificate of sale in a foreclosure action may be reimbursed up to \$1,200 for reasonable attorney's fees and up to \$1,200 for expenses and costs incurred for opening an estate for purposes of service of process and notice.

Income Tax

State and Local Revenue and Financing Act

Chapter 2 of the First Special Session of 2012 increased the State individual income tax rates by 0.25% and altered the income tax brackets to which the rates applied. In addition, *Chapter 2* reduced or eliminated the amount certain taxpayers may claim as a personal exemption. **Exhibit B-1** shows the State income tax rates and brackets established by *Chapter 2*. **Exhibit B-2** shows the personal exemption amounts established by the Act. *Chapter 2* also included a provision requiring a fiduciary of certain trusts (electing small business trusts) to include the income derived from certain stock holdings for the purpose of calculating federal adjusted gross income beginning in tax year 2013 and repealed the corporate income tax credit for 60% of the amount of State and local property taxes paid on certain telecommunications property. At the time of enactment, the various income tax provisions of the Act were estimated to generate \$256.9 million in general fund revenues for fiscal 2013 and \$203.8 million for fiscal 2014.

Exhibit B-1 State Individual Income Tax Rates, as Enacted by Chapter 2 of the 2012 First Special Session

Single, Dependent Filer, Married Filing Separate		Joint Returns, Head of Household, or Surviving Spouse	
<u>Rate</u>	<u>Maryland Taxable Income</u>	<u>Rate</u>	<u>Maryland Taxable Income</u>
2.00%	\$1-\$1,000	2.00%	\$1-\$1,000
3.00%	\$1,001-\$2,000	3.00%	\$1,001-\$2,000
4.00%	\$2,001-\$3,000	4.00%	\$2,001-\$3,000
4.75%	\$3,001-\$100,000	4.75%	\$3,001-\$150,000
5.00%	\$100,001-\$125,000	5.00%	\$150,001-\$175,000
5.25%	\$125,001-\$150,000	5.25%	\$175,001-\$225,000
5.50%	\$150,001-\$250,000	5.50%	\$225,001-\$300,000
5.75%	Excess of \$250,000	5.75%	Excess of \$300,000

Source: Department of Legislative Services

Exhibit B-2
State Individual Income Tax Personal Exemptions, as Enacted by
Chapter 2 of the 2012 First Special Session

Single Taxpayers		Joint Taxpayers	
<u>FAGI</u>	<u>Amount Per Exemption</u>	<u>FAGI</u>	<u>Amount Per Exemption</u>
\$100,000 or less	\$3,200	\$150,000 or less	\$3,200
\$100,001-\$125,000	\$1,600	\$150,001-\$175,000	\$1,600
\$125,001-\$150,000	\$800	\$175,001-\$200,000	\$800
Over \$150,000	\$0	Over \$200,000	\$0

FAGI: Federal Adjusted Gross Income
Source: Department of Legislative Services

Same-sex Marriage

The Civil Marriage Protection Act of 2012 (*Chapter 2*) altered the definition of a valid marriage in the State by repealing the reference to a man and a woman and specified instead that a marriage between two individuals who are not otherwise prohibited from marrying is valid in Maryland, thereby legalizing same-sex marriage in Maryland. The Act was ratified by voter referendum at the November 2012 general election.

Chapters 517 and 518 of 2013 created a subtraction modification under the State income tax for individuals who pay health insurance costs on behalf of another individual if the taxpayer and the individual are recognized by the State as lawfully married. The amount of the subtraction modification equals 100% of eligible costs incurred by the individual, not to exceed the amount that is paid to provide coverage for the spouse and that is subject to federal income tax. For a discussion of the estate tax provisions of these Acts, see the subpart “Miscellaneous Taxes” of this Part B.

Tax Credit Evaluation Act

Chapters 568 and 569 of 2012 established a legislative process for evaluating certain tax credits. The evaluation process is conducted by a legislative evaluation committee and must be done in consultation with the Comptroller’s Office, Department of Budget and Management (DBM), the Department of Legislative Services (DLS), and the agency that administers the credit being evaluated. The following credits must be reviewed by the date indicated:

- July 1, 2014: enterprise zone and One Maryland economic development credits;
- July 1, 2015: earned income and film production activity credits;
- July 1, 2016: sustainable communities and research and development credits; and

- July 1, 2017: businesses that create new jobs, biotechnology investment, and wineries/vineyard credits.

By June 30 of the year prior to a tax credit's evaluation date, the evaluation committee is required to meet with the Comptroller's Office, DBM, DLS, and the agency that administers the credit to prepare a plan for evaluation. By October 31 of the same year, DLS is required to publish a report evaluating the tax credit. By December 14 of the same year, the evaluation committee must hold a public hearing on the evaluation report. By the twentieth day of the legislative session before the evaluation date of a tax credit, the committee is required to submit a report to the General Assembly that states whether or not the tax credit should be continued, with or without changes, or terminated.

Film Production Activity Tax Credit

Chapter 516 of 2011 converted the existing film production rebate program into a new film production activity tax credit. Subject to the issuance of tax credit certificates by the Department of Business and Economic Development (DBED), a qualified film production entity may claim a credit against the income tax in an amount equal to 25% of the qualified direct costs of a film production activity, or 27% of the direct qualified costs if the production activity is for a television series. The Act authorized DBED to award a maximum of \$7.5 million in tax credit certificates for each fiscal year through fiscal 2014. *Chapter 28 of 2013* increased from \$7.5 million to \$25 million the total amount of tax credits DBED may award in fiscal 2014 to qualified film production entities. *Chapter 28* also extended the termination date of the credit by two years from July 1, 2014, to July 1, 2016.

As passed by the Senate, *Senate Bill 1051 of 2014 (failed)* would have increased from \$7.5 million to \$18.5 million the total amount of tax credits that DBED could award in fiscal 2015 to qualified film production entities. As passed by the House, *Senate Bill 1051* would have increased to \$11.0 million the total amount of tax credits DBED could award in fiscal 2015 and also authorized DBED to revoke tax credit certificates under certain circumstances. A conference committee was appointed to reconcile the differences in the bill, but no agreement could be reached.

The Budget Reconciliation and Financing Act of 2014, (*Chapter 464*), authorized the use of \$2.5 million from the Special Fund for Preservation of Cultural Arts in Maryland and \$5.0 million from the Economic Development Opportunities Program Account (Sunny Day Fund) for grants to supplement tax credits awarded under the film production activity tax credit program.

Regional Institution Strategic Enterprise Zone Program

Chapters 530 and 531 of 2014 established the Regional Institution Strategic Enterprise (RISE) Zone Program, to be administered by DBED. The purpose of the RISE Zone Program is to access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located. A

qualified institution must apply with a county, municipal corporation, or the economic development agency of a county or municipal corporation to DBED for designation of an area as a RISE zone.

A business entity that locates in a RISE zone is entitled to a property tax credit, an income tax credit, and priority consideration for assistance from the State's economic development and financial assistance programs. There are two types of income tax credits for eligible firms located within a RISE zone: a general income tax credit and a larger income tax credit for hiring economically disadvantaged employees. The general income tax credit is a one-time \$1,000 credit per new employee filling a newly created position, or \$1,500 for each qualified new employee in a focus area. For economically disadvantaged employees, the credit increases to a total of \$6,000 per new employee, or \$9,000 per new employee in a focus area. For a further discussion of *Chapters 530 and 531*, see the subpart "Economic Development" within Part H – Business and Economic Issues of this *Major Issues Review*.

Sustainable Communities

Chapter 601 of 2014 extended the termination date of the Sustainable Communities Tax Credit Program through fiscal 2017. The Governor is required to include an appropriation to the commercial program in fiscal 2015 through 2017, and the Maryland Historical Trust (MHT) may award residential tax credits through fiscal 2017. The Act established credit eligibility for small commercial projects that meet certain requirements, and MHT is authorized to award up to \$4.0 million in credits to small commercial projects. *Chapter 601* also clarified the authority of MHT to revoke certain expired tax credits and altered other program eligibility requirements and procedures.

Earned Income Tax Credit

Chapter 352 of 2011 required the Comptroller annually to calculate and publish the maximum income eligibility at which an individual may be eligible for the State earned income tax credit (EITC) and to mail this information to all employers in the State. Employers are required to provide written or electronic notice to an employee who may be eligible for the State EITC a statement that the employee may be eligible for the federal and State earned income tax credits.

Chapter 389 of 2014 expanded the State refundable EITC program. The value of the refund for qualified individuals increased from 25% to 28% of the federal EITC, minus any pre-credit State income tax liability. The refundable credit remains at 25% for tax year 2014, with the increase phased in over four years beginning with tax year 2015.

Other Tax Credit Legislation

New Credits

In addition to passing the film production activity and RISE tax credits, the General Assembly passed several other new tax credits during the 2011-2014 legislative term, as discussed below.

Security Clearances Tax Credit: Chapter 478 of 2012 created a tax credit against the State income tax for certain qualified costs incurred by a business to (1) obtain security clearances for its employees located in the State and (2) construct or renovate a sensitive compartmented information facility located in the State. DBED is required to administer the tax credit and is authorized to award a maximum of \$2.0 million in credits each year. The credit may be claimed in tax years 2013 through 2016.

The amount of the credit for security clearance administrative expenses was equal to 100% of eligible expenses, not to exceed \$100,000. The amount of the credit for sensitive compartmented information facility expenses was equal to 50% of eligible expenses, not to exceed \$100,000 for a single qualifying facility or \$250,000 for multiple qualifying facilities. ***Chapter 482 of 2013*** expanded the security clearances tax credit by (1) doubling the maximum value of the credit and (2) specifying that certain rental payments incurred by a small business that performs security-based contracting can qualify for the credit.

Cybersecurity Investment Incentive Tax Credit: Chapter 390 of 2013 created a tax credit against the State income tax for qualified investments in Maryland cybersecurity companies. The refundable credit is equal to 33% of the qualified investment, not to exceed \$250,000, and is to be claimed by the cybersecurity company. The amount of credits that DBED can award each year cannot exceed the amount of money appropriated to a reserve fund established by ***Chapter 390***. The Governor must appropriate at least \$2 million to the reserve fund in each fiscal year. The credit terminates June 30, 2019.

Wineries and Vineyards: Chapter 659 of 2013 created a tax credit against the State income tax for 25% of the capital expenses made to either establish or make capital improvements to a winery or vineyard. DBED is required to administer the tax credit and is authorized to award a maximum of \$500,000 in credits annually.

Class F Vehicles: Chapter 425 of 2013, the Budget Reconciliation and Financing Act, created a nonrefundable tax credit against the State income tax for the expense of registering a Class F (tractor) vehicle in the State. In order to qualify, the vehicle must also be titled in the State. The amount of the credit may not exceed the lesser of \$400 for each qualified vehicle or the tax liability imposed in that year. The credit is available in tax year 2014 through 2016 and was contingent on the taking effect by September 1, 2013, of an increased toll structure at Maryland toll facilities.

Endow Maryland: Chapter 511 of 2014 created a tax credit against the State income tax for donations made to a qualified permanent endowment fund at an eligible community

foundation. The value of the credit is equal to the lesser of 25% of the eligible donation or \$50,000. The Department of Housing and Community Development is required to administer the credit and is authorized to award a maximum of \$250,000 in credits in each tax year.

Extension and Expansion of Existing Tax Credits

Qualifying Employees with Disabilities: *Chapter 443 of 2013* repealed the June 30, 2013 termination date for the Qualifying Employees with Disabilities Tax Credit. The credit allows an employer who hires a qualified individual with disabilities to claim a tax credit for certain wages paid to certain employees and certain expenses paid on behalf of certain employees.

Research and Development: *Chapter 109 of 2013* expanded the existing research and development (R&D) tax credit by increasing from \$6.0 million to \$8.0 million the aggregate amount of credits that DBED can approve in each calendar year. *Chapter 109* also allowed the credit to be refundable if the business claiming the credit met specified criteria. *Chapter 525 of 2014* further expanded the R&D tax credit by increasing from \$8.0 million to \$9.0 million the aggregate amount of credits that DBED may approve in each calendar year.

Neighborhood and Community Assistance: *Chapter 82 of 2013* increased the maximum sum of contributions eligible for a tax credit offered under the Department of Housing and Community Development's Neighborhood and Community Assistance Program from \$2.0 million to \$3.5 million each fiscal year.

Health Enterprise Zones: *Chapter 3 of 2012* established the Health Enterprise Zone (HEZ) initiative, a four-year pilot program that provides public incentives and resources to help attract private health care practitioners to serve in underserved communities. There are two tax credits available under the HEZ initiative: an income tax credit for HEZ practitioners and a hiring tax credit. *Chapter 417 of 2014* expanded eligibility for the hiring tax credit under the HEZ program to include "health enterprise zone employers." The Department of Health and Mental Hygiene must certify to the Comptroller the applicability of the credit provided for each HEZ employer and the amount of each credit assigned to an HEZ employer for each taxable year. *Chapter 417* also extended the applicability of the tax credits through tax year 2016 and extended the termination date of the HEZ program by one year until June 30, 2017. For a further discussion of *Chapter 417*, see the subpart "Public Health – Generally" within Part J – Health and Human Services of this *Major Issues Review*.

Subtraction Modifications

Chapters 544 and 545 of 2012 created a subtraction modification against the State income tax for qualified mortgage debt relief. The subtraction modification is equal to the amount of the discharge of qualified principal residence indebtedness allowable under the federal Mortgage Forgiveness Debt Relief Act of 2007, as amended. The tax benefit is recaptured if the taxpayer claiming the subtraction modification sells or otherwise disposes of the property for which the subtraction modification is claimed. The subtraction modification only applied to tax year 2013, but *Chapters 528 and 529 of 2014* extended the subtraction modification to

tax years 2014 and 2015. Additionally, **Chapters 528 and 529** decreased the maximum value of the subtraction modification for tax years 2014 and 2015 from \$1.0 million for individuals and \$2.0 million for joint returns to \$100,000 for individuals and \$200,000 for joint returns.

Chapter 513 of 2013 created a subtraction modification against the State income tax for the noneconomic damages received by a claimant in satisfaction of a claim of unlawful discrimination. Eligible noneconomic damages received by a taxpayer include amounts received as a result of a claim of unlawful discrimination, whether by judgment or by settlement, minus any compensation for (1) punitive damages or (2) lost wages, salary, or other compensation attributable to services performed, or that would have been performed, as an employee or a former or prospective employee but for a claimed violation of law.

Chapters 320 and 321 of 2014 created a subtraction modification against the State income tax for specified income resulting from the discharge of student loan debt due to total and permanent disability or death.

The Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program allows an income tax subtraction modification for individuals who serve in a volunteer capacity and qualify for active duty service during the tax year. **Chapters 371 and 372 of 2014** increased the value of the subtraction modification from \$3,500 to \$5,000, phased in over six years beginning in tax year 2014.

Chapter 419 of 2014 created a subtraction modification against the State income tax for 100% of the unreimbursed expenses incurred by a foster or kinship parent on behalf of a foster child. In order to qualify, the expenses must be approved as necessary by a local department of social services or the Montgomery County Department of Health and Human Services. Any expenses for which a foster parent receives reimbursement from a public or private agency may not be deducted. The maximum amount of the subtraction modification is limited to \$1,500.

Tax Administration

Warrant Intercepts

Chapter 451 of 2012 established the Anne Arundel County warrant intercept program. It authorizes an official of the federal, State, or local government charged with serving a criminal arrest warrant to certify to the Comptroller that an individual who is either a Maryland resident or who receives income from Maryland has an outstanding warrant and to request that the Comptroller withhold the individual's income tax refund. The program applied only to individuals who are residents of Anne Arundel County or have an outstanding warrant from Anne Arundel County. **Chapter 213 of 2013** extended the termination date of the Anne Arundel County warrant intercept program by five years to September 30, 2018.

During the 2014 session, instead of a statewide approach, the General Assembly passed legislation to extend the warrant intercept program on a county-by-county basis. **Chapter 590 of 2014** expanded the warrant intercept program to Washington County, and **Chapter 594**

of 2014 expanded the warrant intercept program to Baltimore City. The Washington County and Baltimore City programs terminate on September 30, 2019.

Graphical Representation of General Fund Spending

Chapters 536 and 537 of 2014 required the Comptroller to include on specified income tax forms a graph or picture representing how much of each general fund dollar received is spent on (1) education; (2) health; (3) public safety; and (4) any other category included by the Comptroller.

Sales and Use Tax

Sales Tax on Alcoholic Beverages

Tax Rate

In addition to State and federal excise taxes that are imposed on alcoholic beverages at the wholesale level, Maryland's sales tax is imposed on the retail sale of alcoholic beverages. Except for Delaware, all of Maryland's surrounding states and the District of Columbia also impose a sales tax on alcoholic beverages.

Chapters 571 and 572 of 2011 increased the State sales and use tax rate imposed on the retail sale of alcoholic beverages from 6% to 9% beginning in fiscal 2012. Both chapters provided for supplementary appropriations from the resulting revenue increase. *Chapter 571* provided for a supplementary appropriation of \$15.0 million in fiscal 2012 to be used to help fund a Waiting List initiative for the Developmental Disabilities Administration. *Chapter 572* provided for a supplementary appropriation of \$47.5 million in fiscal 2012 to provide funding for public school construction projects in local jurisdictions.

Increasing the sales and use tax rate on alcoholic beverages as provided in *Chapters 571 and 572* generated \$76.0 million in fiscal 2012 and \$78.0 million in fiscal 2013.

Calculation and Application of Tax

Chapters 597 and 598 of 2012 addressed concerns regarding the application of the 9% sales tax rate to mandatory gratuities and items such as labor and material (glassware) used in conjunction with the sale of an alcoholic beverage.

Chapters 597 and 598 modified the State sales and use tax rate applicable to charges for labor, materials, or property used in connection with the sale of an alcoholic beverage so that the general 6% sales tax rate applies to these items, rather than the 9% rate that applies to the sale of an alcoholic beverage. *Chapters 597 and 598* also specified that the sales tax rate of 6% applies to a mandatory gratuity or service charge in the nature of a tip for serving food or any type of beverage to a group containing more than 10 individuals.

Vendor Collection Credit

For the expense of collecting and remitting to the Comptroller the State sales and use tax, vendors who file timely returns receive a credit against the gross tax remitted. Chapter 3 of the 2007 special session provided a limit on the amount of the vendor credit of \$500 per filing period (typically, monthly). Previously, the \$500 per filing period cap on the vendor credit was scheduled to expire June 30, 2011. **Chapter 397 of 2011**, the Budget Reconciliation and Financing Act, contained a provision that repealed the June 30, 2011 termination date, making the \$500 credit limit per filing period permanent.

Revenue Distribution to Transportation Trust Fund

Chapter 6 of the 2007 special session altered the distribution of sales and use tax revenues by requiring a percentage of the revenues to be distributed to the Transportation Trust Fund (TTF). As part of a broader reconciliation of various revenue distributions between TTF and the general fund, **Chapter 397 of 2011**, the Budget Reconciliation and Financing Act, eliminated the distribution of sales and use tax revenues to TTF so that all sales and use tax revenues (other than a portion of the sales and use tax revenues attributable to short-term rental vehicles) are distributed to the general fund.

For an additional discussion of the reconciliation of various revenues distributed to TTF and the general fund, see the subpart “Transportation” within Part G – Transportation and Motor Vehicles of this *Major Issues Review*.

Sales and Use Tax Exemptions

Solar and Wind Energy

Generally, the sale of electricity for residential use is exempt from the State sales and use tax. **Chapters 461 and 462 of 2011** exempted the sale of electricity generated by solar energy equipment or residential wind energy equipment for use in residential property owned by an eligible customer-generator from the State sales and use tax. **Chapters 461 and 462** were intended to provide individuals who receive electricity generated by solar or wind energy equipment, whether the equipment is owned by them or by another person, the same sales tax exemption for the purchase of electricity as if it were provided to them under a rate schedule on file with the Public Service Commission.

Veterans’ Organizations

Chapters 217 and 218 of 2006 provided for a three-year State sales and use tax exemption for sales made to a bona fide nationally organized and recognized veterans’ organization or an auxiliary of the organization or its units if the organization is qualified as tax exempt under Section 501 (c)(19) of the Internal Revenue Code. Chapter 506 of 2009 extended the termination date to June 30, 2012. **Chapters 452 and 453 of 2012** repealed the termination date for the State sales and use tax exemption for sales made to these veterans’ organizations.

Miscellaneous Taxes

Transportation Taxes

Transportation Infrastructure Investment Act

To address concerns that the State lacked adequate funding to build new transportation infrastructure, *Chapter 429 of 2013* increased transportation funding by increasing motor fuel taxes and requiring the Maryland Transit Administration to increase base fare prices beginning in fiscal 2015. The Act specifically altered motor fuel taxes by (1) indexing motor fuel tax rates, except for aviation and turbine fuel, to inflation beginning in fiscal 2014; (2) imposing a 1% sales and use tax equivalent rate on all motor fuel, except for aviation and turbine fuel, beginning in fiscal 2014, increasing to 2% beginning on January 1, 2015, and to 3% beginning in fiscal 2016; (3) unless federal remote sales tax legislation is enacted by December 1, 2015, increasing the sales and use tax equivalent rate from 3% to 4% beginning January 1, 2016, and then to 5% beginning in fiscal 2017; and (4) if federal legislation on sales tax collection is enacted and takes effect by December 1, 2015, the sales and use tax equivalent rate remains at 3%, and the Comptroller must then distribute 4% of total State sales and use tax revenues to the Transportation Trust Fund (TTF). Furthermore, the Act increased the vehicle registration fee surcharge, required the Governor to include in the operating or capital budget specified appropriations to the State Highway Administration, and placed procedural restrictions on transfers from the TTF and use of TTF monies. The various provisions of the Act were estimated to generate \$110 million in transportation funding in fiscal 2014, rising to \$743 million by fiscal 2018.

Vessel Excise Tax Cap and Distribution of Motor Fuel Tax Revenues

Chapter 180 of 2013 established a vessel excise tax cap of \$15,000 per vessel. Further, the Act allocated 0.5% of motor fuel tax revenue to the Waterway Improvement Fund, subject to a contingency related to the payment of specified transportation bonds. The excise tax cap terminates on June 30, 2016.

Electric Vehicles and Recharging Equipment

Chapter 490 of 2010 established a three-year motor vehicle excise tax credit of up to \$2,000 for the purchase of plug-in hybrid vehicles (PHEVs). *Chapter 402 of 2011* allowed an income tax credit for 20% of the cost of qualifying PHEV recharging equipment, not to exceed the lesser of \$400 for each recharging system or the State income tax imposed in the tax year. *Chapter 389 of 2013* extended the termination date of the income tax credit for electric vehicle recharging equipment from tax year 2013 to tax year 2016. The Act also extended the qualified electric vehicle excise tax credit for certain plug-in electric vehicles and modified the amount of the tax credits.

Chapters 359 and 360 of 2014 further altered the qualified plug-in electric vehicle excise tax credit by altering the value of the credit to equal the lesser of (1) \$125 times the number of kilowatt-hours battery capacity of the vehicle or (2) \$3,000. In addition, the Acts extended the

termination date of the excise tax credit through fiscal 2017. The Acts also repealed the electric vehicle recharging equipment income tax credit and replaced the credit with a rebate program administered by the Maryland Energy Administration.

Short-term Rental of Motorcycles

Chapters 483 and 484 of 2013 included motorcycle rentals in the definition of “short-term vehicle rental” for purposes of the State sales and use tax so that the rentals are subject to the 11.5% sales tax rate applicable to short-term vehicle rentals. The Acts also included motorcycles in the definition of “rental vehicle” for purposes of the motor vehicle law, which will exempt motorcycle rentals from the motor vehicle excise tax, and specified that rental motorcycles are subject to a \$35 annual vehicle registration fee.

Estate Tax

Recoupling to Federal Estate Tax

The State imposes a tax on property that passes at or after the death of an individual through an estate tax and an inheritance tax. Prior to calendar 2015, the Maryland estate tax is decoupled from the value of the unified credit under the federal estate tax. When calculating Maryland estate tax liability, an estate is required to use the value of a unified credit that may not exceed the amount that corresponds to an applicable exclusion amount of \$1.0 million. *Chapter 612 of 2014* conformed the Maryland estate tax to the value of the unified credit under the federal estate tax, thereby increasing the amount that can be exempted under the State estate tax. The increase in the amount that can be excluded for Maryland estate tax purposes is phased in over five years, and equals (1) \$1.5 million for a decedent dying in calendar 2015; (2) \$2.0 million for a decedent dying in calendar 2016; (3) \$3.0 million for a decedent dying in calendar 2017; (4) \$4.0 million for a decedent dying in calendar 2018; and (5) the amount excluded under the federal estate tax beginning on January 1, 2019. *Chapter 612* was estimated to reduce State revenues by \$21 million in fiscal 2016, rising to \$138 million by fiscal 2020.

Qualified Agricultural Property

Chapters 448 and 449 of 2012 exempted from the State estate tax up to \$5.0 million of qualified agricultural property. In order to qualify for the exemption, the property must pass from a decedent to a qualified recipient who enters into an agreement to use the property for farming purposes after the decedent’s death. The estate tax imposed on an estate with qualified agricultural property valued in excess of \$5.0 million cannot exceed the sum of (1) 16% of the amount by which the taxable estate excluding the value of qualifying agricultural property exceeds \$1.0 million and (2) 5% of the value of the qualified agricultural property in excess of \$5.0 million. If qualified agricultural property ceases to be used for farming purposes within 10 years, the Acts required recapture of the estate tax relief. *Chapter 612 of 2014* modified this exemption for qualified agricultural property by substituting the increased exemption amounts under *Chapter 612* for the \$1.0 million amount in the formula for calculating the estate tax owed.

Definition of Surviving Spouse

Chapter 2 of 2012, the Civil Marriage Protection Act, altered the definition of a valid marriage in the State by repealing the reference to a man and a woman and specifying instead that a marriage between two individuals who are not otherwise prohibited from marrying is valid in Maryland. *Chapters 517 and 518 of 2013* required, for purposes of calculating the Maryland estate tax, that the term “surviving spouse of a decedent” includes any individual to whom, at the time of the decedent’s death, the decedent was lawfully married under the laws of the State. For a discussion of the income tax provisions of these Acts, see the subpart “Income Tax” of this Part B.

Recordation and Transfer Taxes

Indemnity Mortgages

An indemnity mortgage includes any mortgage, deed of trust, or other security interest in real property that secures a guarantee of repayment of a loan for which the guarantor is not primarily liable. *Chapter 2 of the First Special Session of 2012*, the State and Local Revenue and Financing Act, applied the local recordation tax to an indemnity mortgage in the same manner as if the guarantor were primarily liable for the guaranteed loan, unless the recordation tax is paid on another instrument of writing that secures the payment of the guaranteed loan or the indemnity mortgage secures a guarantee of repayment of a loan for less than \$1.0 million.

Chapters 267 and 268 of 2013 made several changes to the application of local recordation taxes to indemnity mortgages. The Acts clarified that only indemnity mortgages recorded on or after July 1, 2012, were subject to recordation tax on the original loan amount. In addition, the Acts (1) increased the value of an indemnity mortgage that is exempt from recordation tax to \$3.0 million; (2) required that a series of indemnity mortgages that are part of the same transaction be considered as one transaction for purposes of the tax; (3) allowed indemnity mortgages recorded before July 1, 2012, to be amended without incurring the recordation tax on the original loan amount; (4) specified that an indemnity mortgage that is recorded in multiple counties is not subject to the recordation tax on the full value of the mortgage in each county; (5) required that recordation tax be paid on the difference between the unpaid principal balance of the original loan and the amount of any new loan; and (6) allowed commercial mortgages, including indemnity mortgages, to be refinanced without incurring recordation tax in the same manner as residential mortgages.

Transfers between Business Entities

An exemption from recordation and State transfer taxes exists for a transfer of real property between a parent corporation and its subsidiaries or between multiple subsidiaries that are wholly owned by the same parent corporation, if the transfer meets several additional criteria. *Chapters 452 and 453 of 2013* expanded this exemption from the recordation tax and the State transfer tax to limited liability companies and their subsidiaries for a transfer of real property, subject to the same limitations. *Chapter 129 of 2014* extended a similar exemption from the

recordation tax and the State transfer tax for a transfer of real property as part of a reorganization of a corporation under Section 368(a) of the Internal Revenue Code.

Certified Community Development Financial Institutions

Chapter 233 of 2014 provided exemptions from the recordation tax and State transfer tax for an instrument of writing relating to a transfer from a certified community development financial institution to the immediately preceding mortgagor or grantor of the property that meets criteria specified under real property law. For a further discussion of **Chapter 233**, see the subpart “Real Property” within Part F – Courts and Civil Proceedings of this *Major Issues Review*.

Job Creation Tax Credit

The job creation tax credit may be applied against one of the following taxes: the corporate or personal income tax; insurance premium tax; or public service company franchise tax. **Chapters 521 and 522 of 2012** extended the termination date of the job creation tax credit to January 1, 2020. The Acts also provided that after termination of the tax credit, a business entity may be considered for eligibility for the tax credit based on positions filled before termination if other requirements for the tax credit are satisfied.

Insurance Premium Tax

Chapter 409 of 2011 established the Invest Maryland Program, providing funding for a new State-supported venture capital program and additional funding for the existing Enterprise Fund and Maryland Small Business Development Financing Authority within the Department of Business and Economic Development to make investments in qualified businesses in the State. Under the Act, funding was provided for the program in fiscal 2012 through 2014 through a tax credit allowed against the insurance premium tax for insurance companies that make qualified contributions to the program. Subject to an auction process for the awarding for the tax credits, an insurance company may claim a credit for the amount it contributes to the program against the insurance premium tax, to be allowed over a five-year period beginning in calendar 2015. The maximum amount of premium tax credits that may be allocated for all years is \$100 million.

For a further discussion of this Act, see the subpart “Economic and Community Development” within Part H – Business and Economic Issues of this *Major Issues Review*.

Admissions and Amusement Tax

Chapters 532 and 533 of 2014 established the Maryland E-Nnovation Initiative Program. Under the Acts, the Comptroller must distribute certain revenue from the State admissions and amusement tax on electronic bingo and electronic tip jars to the Maryland E-Nnovation Initiative Fund for fiscal 2016 through 2021. The Maryland E-Nnovation Initiative Fund Authority may distribute these funds to nonprofit institutions of higher education in the State that create research endowments and secure matching private donations. For a further discussion of **Chapters 532**

and 533, see the subpart “Economic Development” within Part H – Business and Economic Issues of this *Major Issues Review*.

Hotel Rental Taxes

Chapter 510 of 2013 provided an exemption from county hotel rental taxes for the sale of a right to occupy a room or lodgings as a transient guest at a dormitory or other lodging facility that (1) is operated solely in support of the headquarters, a training, conference, or awards facility or the campus of a corporation or other organization; (2) provides lodging solely for employees, contractors, vendors, and other invitees of the corporation that owns the dormitory or lodging facility; and (3) does not offer lodging services to the general public.

Chapter 464 of 2014, the Budget Reconciliation and Financing Act (BRFA) authorized all charter counties to impose a hotel rental tax. At the time of passage, Harford County, a charter county, was the only jurisdiction in Maryland that did not impose a hotel rental tax.

Tax Administration

In *Maryland State Comptroller of the Treasury v. Brian Wynne, et ux.*, 431 Md. 147 (2013), the Maryland Court of Appeals upheld a ruling of the Howard County Circuit Court that the failure of the State to allow a credit with respect to the county income tax for out-of-state income taxes paid to other states on pass-through income earned in those states discriminates against interstate commerce and violates the Commerce Clause of the U.S. Constitution. Although the State appealed this decision to the U.S. Supreme Court, the Comptroller’s Office advised that in the event that the Supreme Court ruled against the State or chose to not hear the case, local governments may owe interest attributable to returns filed by taxpayers, within the statute of limitations for that tax year, where the taxpayer believes that the State made an error in the application of taxation. *Chapter 464 of 2014*, the BRFA, required the Comptroller to set the annual interest rate for an income tax refund that results from a final decision at a percentage, rounded to the nearest whole number, that is the percent that equals the average prime rate of interest quoted by commercial banks to large businesses during fiscal 2015, based on a determination by the Board of Governors of the Federal Reserve Bank. This requirement applies only to income tax refunds attributable to taxable years beginning after December 31, 2005, but before January 1, 2015.

Other Tobacco Products Tax

Chapter 2 of the First Special Session of 2012, the State and Local Revenue and Financing Act, increased the tax rate for other tobacco products (OTPs), including cigars and smokeless tobacco. Specifically, the Act increased the OTP tax rate from 15% to 30% of the wholesale price for all products except cigars effective July 1, 2012. The Act maintained the tax rate imposed on premium cigars at 15% of the wholesale price of the cigars; however, the Act imposed a tax rate on nonpremium cigars equal to 70% of the wholesale price.

Part C

State Government

State Agencies, Offices, and Officials

State Agencies

Public-private Partnerships

Chapters 640 and 641 of 2010 established an initial statutory framework for transportation and nontransportation public-private partnerships (P3s). Expanding on that framework, *Chapter 5 of 2013* established a State policy on the use of P3s and expressly authorized specified State reporting agencies to enter into P3s. P3s are a method for delivering public infrastructure assets using a long-term, performance-based agreement between reporting agencies and a private entity where appropriate risks and benefits can be allocated in a cost-effective manner between the contract partners. The private entity performs functions normally undertaken by the government, but the reporting agency remains ultimately accountable for the public infrastructure asset and its public function. Also, under a P3, the State may retain ownership of the public infrastructure asset, and the private entity may be given additional decisionmaking rights in determining how the asset is financed, developed, constructed, operated, and maintained over its life cycle. P3s are explicitly excluded from most provisions of State procurement law but are subject to prevailing and living wage requirements and the Minority Business Enterprise program. The Act also established a process and associated reporting requirements for State oversight of P3s and instituted a process for both solicited and unsolicited P3 proposals that must be followed before the Board of Public Works may approve a P3 agreement. A P3 agreement may not extend beyond 50 years unless the agency provides justification and receives Board of Public Works approval of an exemption.

Procedures for Protecting Personal Information

In response to concerns regarding the handling and protection of personal information by State and local governments, *Chapter 304 of 2013* established, for units of State and local government (not including legislative or judicial agencies), specified requirements for protecting an individual's private information from unauthorized access. A unit that collects an individual's

personal information must implement and maintain reasonable security procedures and practices appropriate to the nature of the information collected and the nature of the unit and its operations. Similarly, a unit that uses a nonaffiliated third party as a service provider and discloses personal information about an individual must require that the third party implement and maintain reasonable security procedures and practices, as specified by the Act. A unit that discovers or is notified of a breach of the security system is required to take specified actions. The provisions of the Act preempt local law and do not relieve a unit of a duty under federal law to protect personal information. However, a government unit or nonaffiliated third party that complies with specified federal laws and guidelines shall be deemed to be in compliance with the provisions of the Act.

Human Trafficking Address Confidentiality Program

Under *Chapters 344 and 345 of 2014*, the Secretary of State was required to establish and administer a Human Trafficking Address Confidentiality Program for victims of human trafficking. The purpose of the program is to enable State and local agencies to respond to requests for public records without disclosing the location of a human trafficking victim. Under the program, a participant may designate the Secretary of State as an agent to accept service of process and first-class, certified, and registered mail for the participant and request a substitute address. A participant's actual address and telephone number, as maintained by the Secretary of State or a State or local agency, is not a public record under the Public Information Act. On request, a State or local agency must use a participant's substitute address instead of the actual address unless the agency obtains a waiver from the Secretary of State. The Secretary of State may not disclose a participant's actual address or telephone number or substitute address, with limited exceptions related to law enforcement, court orders, and court cases. *Chapters 344 and 345* also established the designation of applicants as participants in the program, cancellation of participation in the program, and procedures for penalties for violations of the program.

Commissions, Councils, and Boards

Commission on the Commemoration of the 100th Anniversary of the Passage of the Nineteenth Amendment to the United States Constitution

The Nineteenth Amendment to the U.S. Constitution, which granted American women the right to vote, was passed by both houses of the U.S. Congress in 1919. Tennessee ratified the Nineteenth Amendment on August 18, 1920, which was the final ratification necessary to enact the amendment. Thus, the years 2019 through 2020 will mark the 100th anniversary of the passage of the Nineteenth Amendment. *Chapter 603 of 2013* established the Commission on the Commemoration of the 100th Anniversary of the Passage of the Nineteenth Amendment to the U.S. Constitution. The duties of the commission include (1) assembling an inventory of sites in the State that are significant to the women's suffrage movement and the passage of the Nineteenth Amendment and (2) developing a plan for commemorating events that occurred in the State related to the women's suffrage movement and the passage of the Nineteenth Amendment. By December 31, 2014, and annually thereafter for the following

five years, the commission must report its activities, findings, and recommendations to the Governor and the General Assembly. The Act terminates October 31, 2020.

Commission on the Establishment of a Maryland Educators Service Memorial

The Commission on the Establishment of a Maryland Educators Service Memorial was created by *Chapters 569 and 570 of 2013*. The commission is required to (1) identify an appropriate site on property located within the State Capitol Complex or another appropriate site in Annapolis in close proximity to the State Capitol Complex for the location of the memorial; (2) estimate the total funding required for the design, construction, and appropriate placement of the memorial; (3) consider preliminary design ideas for the construction of the memorial; (4) make recommendations regarding an appropriate site for the location of the memorial and the design of the memorial; and (5) provide ongoing review and recommendations regarding the funding and construction of the memorial. In December 2013, the commission reported its findings and recommendations to the Governor for possible inclusion in the fiscal 2015 operating and capital budgets, and to the General Assembly. However, no funding for the memorial was provided in the fiscal 2015 budget. The commission is set to terminate May 31, 2016.

Virginia I. Jones Commission on Alzheimer’s Disease and Related Disorders

The Virginia I. Jones Commission on Alzheimer’s Disease and Related Disorders originally was established by executive order in 2011 and was tasked with making recommendations for a State plan to address the needs of individuals with Alzheimer’s disease and related disorders (as well as their families and caregivers). The commission is codified, under *Chapters 305 and 306 of 2013*, as the Virginia I. Jones Alzheimer’s Disease and Related Disorders Council. The council is set to terminate September 30, 2016.

Council on Open Data

Chapter 69 of 2014 established the Council on Open Data. The council is charged with promoting the policy of the State that open data be machine readable and released to the public in ways that make the data easy to find, accessible, and usable. “Open data” is data that a State entity has collected and is permitted, required, or able to make available to the public. The duties of the council include (1) providing guidance and policy recommendations; (2) coordinating staff at each State entity; (3) identifying the collective cost of operating and investing in open data and funding mechanisms to support open data; (4) inviting and encouraging use of State data portals by local entities and the Judicial and Legislative branches; (5) establishing a plan to provide all open data to the public at no cost; and (6) advocating for sound records management and data preservation practices. By January 10 of each year, the council must report to the Governor and the General Assembly on its activities in the previous year and any recommendations for legislation.

Coast Smart Council

In February 2013, the Department of Natural Resources (DNR) convened a Maryland Climate Change and Coast Smart Construction Working Group, which recommended that “Coast

Smart practices” be used when constructing all new State structures, reconstructing or rehabilitating substantially damaged State structures, or making other major infrastructure improvements in Maryland’s coastal zone. **Chapter 415 of 2014** established a Coast Smart Council in DNR. The council consists of representatives of 10 State agencies and five members appointed by the Governor to represent local government, environmental, and business interests. Among other duties, the council must develop (1) specified “Coast Smart” siting and design criteria to address sea level rise and coastal flooding impacts on capital projects and (2) eligibility criteria, standards, and procedures for applying for and obtaining a waiver from compliance with the Coast Smart requirements.

Statewide Interoperability Radio Control Board

For more than a decade, the State has been supporting construction of an integrated statewide public safety wireless communications system that will be a primary radio communications system for public safety first responders throughout the State. For many years, the project was governed by an interagency governance group headed by the Department of Budget and Management Office of Information Technology, now the Department of Information Technology (DoIT). **Chapter 117 of 2014** established the Statewide Interoperability Radio Control Board in DoIT to coordinate the operation and maintenance of the Statewide Public Safety Interoperability Radio System (Maryland FiRST). The board consists of six representatives of State agencies and five members appointed by the Governor who represent local government entities that are either users of or contributors to Maryland FiRST. The duties of the board include (1) establishing standard operating procedures, quality of service standards, and maintenance guidelines for the system; (2) establishing working groups of the system’s users; and (3) approving the addition of new system users and the removal of existing users.

Open Meetings Act

Under the Open Meetings Act, with limited exceptions, a public body is required to (1) provide adequate notice of the time and location of meetings and (2) meet in open session in a location that is reasonably accessible to attendees. **Chapter 351 of 2013** required each public body to designate at least one individual who is an employee, an officer, or a member of the public body to receive training on the requirements of the Open Meetings Act. The public body also must forward a list of the individuals designated to the State Open Meetings Law Compliance Board. Within 90 days of being designated as the individual to receive training, the individual is required to complete a class on the requirements of the law that is offered online by the Office of the Attorney General and the University of Maryland’s Institute for Governmental Service and Research or that is offered by the Maryland Association of Counties or the Maryland Municipal League through the Academy for Excellence in Local Governance.

The State Open Meetings Law Compliance Board handles complaints alleging violations of the Open Meetings Act. The opinions of the board are advisory only, and the board may not require or compel any specific actions by a public body. A member of a public body that willfully participates in a meeting of the body with knowledge that the meeting is being held in violation of the Open Meetings Act is subject to a civil penalty of up to \$100. Under

Chapter 612 of 2013, if the State Open Meetings Law Compliance Board determines that a violation of the Open Meetings Act has occurred, (1) a member of the public body must, at the public body's next open meeting after the board has issued its opinion, announce the violation and orally summarize the opinion and (2) a majority of the public body's members must sign and return to the board a copy of the opinion. These required actions are not to be considered as an admission to a violation and may not be used as evidence in a proceeding before a circuit court. However, **Chapter 612** repealed a prohibition on the introduction of a written opinion of the board as evidence in a court proceeding. Additionally, the civil penalty for meeting in violation of the Open Meetings Act was increased from up to \$100 to (1) up to \$250 for the first violation and (2) up to \$1,000 for each subsequent violation occurring within three years after the first violation. When determining the amount of a fine, the court must consider the financial resources of the public body.

State Officials

Salaries and Benefits of Governor and Constitutional Officers

In the last year of an election cycle, the Governor's Salary Commission makes recommendations to the General Assembly on salaries and benefits for the Governor and Lieutenant Governor for the following four-year term. Similarly, the General Assembly Compensation Commission makes recommendations concerning the salaries for members of the General Assembly for the next four-year term. For a discussion of the work of the General Assembly Compensation Commission, see the subpart "General Assembly" within this part of this *Major Issues Review*. The General Assembly may endorse or reduce each commission's proposals but may not increase the proposed salaries.

In 2014, the Governor's Salary Commission recommended that the salaries for the Governor and the Lieutenant Governor increase for each year of the new term. **Joint Resolution 1 and Joint Resolution 2 of 2014** increase the Governor's salary by \$15,000 to \$165,000 for the first year of the new four-year term and then by \$5,000 for each succeeding year of the new term with the salary for the final year being \$180,000. The salary for the Lieutenant Governor is increased by \$12,500 to \$137,500 for the first year of the new four-year term and then by \$4,000 for each succeeding year of the new term with the salary for the final year being \$149,500.

The Governor's Salary Commission also made recommendations regarding the pension and health benefits available to former Governors and surviving spouses of a deceased Governor or former Governor. **Chapter 477 of 2014** raised the retirement age and changes eligibility requirements for retirement health benefits for former Governors who begin serving on or after January 21, 2015. A former Governor who begins serving on or after January 21, 2015, may begin receiving a retirement allowance on reaching age 62. Adjustments are also made to eligibility for disability and surviving spouse retirement benefits for former Governors who begin serving on or after January 21, 2015, to reflect the new age of eligibility. A former Governor who begins serving on or after January 21, 2015, and is receiving a normal service retirement allowance from the State Retirement and Pension System (1) may participate in State

retiree health benefits provided under the State Employee and Retiree Health and Welfare Benefits Program on reaching age 62 and (2) is entitled to one-sixteenth of the State premium subsidy for retiree health care services for each year of service as Governor. The former Governor's surviving spouse is entitled to the same benefit. Additionally, a former Governor who begins serving on or after January 21, 2015, and is receiving a disability retirement allowance may also enroll in the retiree health benefits program at age 62 and receive the same subsidy as a State employee.

In addition to making salary recommendations for the Governor and Lieutenant Governor, the Governor's Salary Commission makes recommendations regarding the salaries of the Attorney General, Comptroller, Secretary of State, and Treasurer for the next four-year term of office. **Chapter 283 of 2014** reflects the commission's recommendations by increasing the salaries of the Comptroller, Treasurer, and Attorney General by \$25,000 to \$137,500 for the first year of the new four-year term and by \$4,000 for each succeeding year of the new term. The salary for the Comptroller, Treasurer, and Attorney General for the final year is \$149,500. Also, the salary for the Secretary of State is increased by \$17,750 to \$96,500 for the first year of the new four-year term and by \$3,000 for each succeeding year of the new term. The salary for the Secretary of State for the final year is \$105,500.

Removal of Elected Officials

Under Section 2 of Article XV of the Maryland Constitution, any elected State or local official who, while in office, is convicted of or enters a plea of *nolo contendere* to a felony, or specified misdemeanors related to the official's public duties and responsibilities, is suspended from office automatically without pay or benefits. If the conviction becomes final, the elected official is removed from office automatically, and the office is deemed vacant. If the conviction is reversed or overturned, the elected official is reinstated automatically to the office for the remainder, if any, of the term of office during which the elected official was suspended or removed. **Chapter 147 of 2012** proposed an amendment to the Maryland Constitution to alter the removal process to automatically remove an official who enters a plea of guilty or *nolo contendere* from office when the plea is entered. The voters of Maryland approved the constitutional amendment in the November 2012 election.

The Military and Veterans

Militia

Enlistment Period: With certain specified exceptions, the Maryland militia consists of able-bodied individuals who are citizens of Maryland or of foreign birth who are residents of Maryland and have declared their intention to become citizens of the United States. **Chapter 614 of 2013** altered the enlistment period in the Maryland Defense Force, from two years to a period determined by the commanding officer based on the specialty of the recruit and the needs of the militia.

Rules, Regulations, and Summary Courts-martial: **Chapter 112 of 2013** authorized the Adjutant General of the Military Department to adopt rules and regulations to govern, discipline,

and establish criteria for the performance of duties of the organized State militia. The rules and regulations are required to conform, to the extent practicable, to the Uniform Code of Military Justice and the rules, regulations, and statutes of the Department of Defense, the Army, the Air Force, and the National Guard Bureau of the United States. Once the rules and regulations have been adopted and published, they have the force and effect of law and constitute a lawful order. The adoption of the rules and regulations are exempt from the requirements of the Administrative Procedure Act. **Chapter 112** also changed the law regarding summary courts-martial. Conviction by a summary court-martial does not constitute a conviction for the purpose of any disqualification or disability imposed by law because of conviction of a crime. The possible sentences that a summary court-martial may impose include a fine, a forfeiture of pay and allowance, a reduction in rank, and confinement. Finally, **Chapter 112** specified that all members of the militia may be subjected to nonjudicial punishment in accordance with the procedures and penalties adopted by the Adjutant General.

Education and Occupational Licensing of Military Members, Veterans, and Their Spouses

Several changes made during the 2011-2014 term were aimed at addressing the high unemployment rate of veterans and easing the transition of military members and their families who move into the State.

In-state Tuition and Tuition Assistance: **Chapter 191 of 2011** extended the time period from one to four years after discharge in which an honorably discharged veteran must submit specified documentation to qualify for an exemption from paying out-of-state tuition at a community college or public four-year institution. **Chapter 654 of 2013** exempted honorably discharged veterans from the U.S. Armed Forces from paying out-of-state tuition at a public institution of higher education in the State if the individual resides in or is domiciled in the State. Additionally, under **Chapter 183 of 2014**, if a member of the National Guard receives assistance and is a member of a unit that has been disbanded on or after September 1, 2013, the member may satisfy the active membership requirement by transferring to another active duty, reserve, or National Guard Unit in the State or in another state. If the member is offered early separation by the military following the disbanding of the member's unit, the member is excused from the active membership requirement.

Academic Credit: **Chapter 24 of 2013** required the Maryland Higher Education Commission, in consultation with the public institutions of higher education in the State, to develop and adopt guidelines on awarding academic credit for a student's military training, coursework, and education. The governing body of each public institution of higher education in the State also is required to develop and implement policies, in accordance with the guidelines developed by the commission, governing the award of the academic credit.

Employment and Occupational Licensing: **Chapters 517 and 518 of 2011** required the Adjutant General of the Maryland Military Department, or the Adjutant General's designee, to assist the spouse of a member of the military who resides in the State or is transferred to the State in finding employment in the State if the assistance is requested. Also, **Chapters 154 and 155**

of 2013 facilitated professional licensing for active military personnel, veterans, and their spouses through the expedited issuance of business and health occupations licenses, registrations, and certificates. Additionally, the occupational and professional licensing units within the Department of Labor, Licensing, and Regulation and the health occupation boards must give service members credit for military service in calculating an individual's years of practice in a health occupation. Also, health occupations boards are required to assign an advisor to assist the individual with the application process and provide specified information to assist in the application process. For a more detailed discussion of this issue, see the subpart "Business Occupations" within Part H – Business and Economic Issues of this *Major Issues Review*.

Elections

Election Administration

Access to Voting

Maryland voters have the option of voting at an early voting center prior to election day or by absentee ballot, as alternatives to voting at a polling place on election day. These options are relatively recent changes to Maryland law. In-person early voting at early voting centers was first implemented in 2010 and "no excuse" absentee voting (not requiring a reason that a voter cannot vote on election day) was first allowed in 2006. As a percentage of overall turnout in the 2010 and 2012 elections, use of early voting has been steadily increasing, from just under 10% in the 2010 primary election to approximately 16% in the 2012 general election, and use of absentee voting has been relatively consistent, between 3% and 6%.

Chapters 157 and 158 of 2013 made a number of changes with respect to early and absentee voting, implemented same-day registration during early voting, required a number of elections-related studies to be undertaken, and modified requirements applicable to online voter registration. Changes made by *Chapters 157 and 158* with respect to online voter registration are discussed further below under Voter Registration Modernization.

Early Voting and Same-day Registration: The availability of early voting was expanded under *Chapters 157 and 158* by (1) increasing the early voting period from six to eight days; (2) allowing an additional early voting center to be established in each jurisdiction; and (3) requiring additional early voting centers in certain larger jurisdictions (primarily Baltimore, Prince George's, and Montgomery counties). **Exhibit C-1** shows the new early voting requirements under *Chapters 157 and 158*. As a result of the legislation, there will be 17 additional early voting centers (a total of 63 centers) open for the 2014 elections. Pursuant to another change under the legislation, beginning in 2016 an individual will be able to register to vote, or change the individual's address on an existing registration, during early voting and then vote at that early voting center, provided the individual shows proof of residency.

Exhibit C-1
Early Voting Days and Hours and Early Voting Centers
Under Chapters 157 and 158 of 2013

Early Voting Days and Hours		Early Voting Centers	
<u>Days (8)</u>	<u>No. of Registered Voters in a County</u>	<u>Required No. of Early Voting Centers*</u>	
Second Thursday before the election through Thursday before the election	< 125,000	1	
	125,000-300,000	3	
<u>Hours</u>			
Presidential election: 8 a.m. – 8 p.m. (each day)	300,000-450,000	5	
All other elections: 10 a.m. – 8 p.m. (each day)	> 450,000	8	

*In addition to these required centers, each county may establish one additional early voting center if the State Board of Elections, in collaboration with the local board of elections, and the governing body of the county agree to establish an additional center.

Absentee Voting: *Chapters 157 and 158* also clarified and expanded the methods by which a voter may request to receive an absentee ballot to include an option to receive an absentee ballot over the Internet along with the options of receiving a ballot by mail, by fax, or by hand during an in-person transaction. The legislation also allows a voter to request an absentee ballot online and authorizes the State Board of Elections (SBE) to provide an online ballot marking tool, provided it meets specified voting system certification standards. The tool would allow a voter to electronically mark a blank ballot accessed through the Internet, which would then be printed and mailed by the voter to a local board of elections. An online ballot marking tool developed by the SBE's staff, however, has not been certified by the board to date and cannot be used in an election until it is certified.

Studies: The studies required under *Chapters 157 and 158* addressed (1) extending the early voting period to the Sunday before election day (early voting currently ends on the Thursday before election day); (2) voting wait times; (3) accessibility and usability of the online ballot marking tool authorized under the legislation; and (4) the security of online absentee ballot delivery and other online voter services. The issue of voting wait times had drawn a significant amount of attention following the 2012 general election in which extended wait times were a concern in Maryland and other states. The study of the issue completed in January 2014 identified the following factors as most likely affecting wait times for the 2012 general election: (1) the length of the ballot in some jurisdictions; (2) the lack of sufficient voting machines in some precincts; and (3) the physical characteristics of some precinct polling place locations. In addition, early voters and residents of more populous jurisdictions experienced disproportionate delays. The study presented various suggestions including recommendations addressing (1) the devotion of additional funding to election administration; (2) improved allocation of resources to

voting locations, accounting for expected turnout at a location, ballot length, and other variables affecting wait times; and (3) gathering of additional data at future elections for further analysis. The fiscal 2015 budget requires SBE to submit a report following the 2014 elections that describes (1) actions taken to keep wait times under 30 minutes in the 2014 elections and (2) plans to keep wait times under 30 minutes in future elections, including a system for measuring wait times at future elections and utilization of the collected data.

New Voting System

Chapters 547 and 548 of 2007 (later amended by Chapter 428 of 2009) modified the certification standards for the State's voting system, requiring that a voting system, among other things, provide a "voter-verifiable paper record" in order to be certified. Since that time, the procurement and implementation of a new, paper-based voting system that would provide a voter-verifiable paper record has been delayed, due in part to questions about the availability of a voting system that would meet all of the State's standards and in part to a lack of funding for a new system. However, funding for the planning stages of the procurement and implementation process for a new system was appropriated for fiscal 2013 and 2014, and SBE is currently in the early stages of the roughly three-year process that is expected to put a new optical scan (paper-based) voting system in place for the 2016 elections. The fiscal 2015 budget includes \$4.1 million for the project, evenly split between the State and local boards of elections. The overall cost of purchasing the system and initial implementation of the system was estimated in 2010 to be approximately \$40 million. The majority of those costs will likely be financed over a period of years.

Voter Registration Modernization

The General Assembly passed legislation intended to utilize technology to make voter registration more accurate, efficient, and convenient. The Pew Center on the States, a division of the Pew Charitable Trusts, initiated a program to improve the accuracy of voter registration lists by facilitating the exchange of data among states concerning eligible voters. An independent data center, known as the Electronic Registration Information Center (ERIC), was launched in 2012. ERIC is operated, controlled, and funded by the seven states currently participating in the program and the District of Columbia. ERIC receives information from participating states from such sources as motor vehicle databases, and from other sources, such as U.S. Postal Service change of address records. This data is run through a data matching engine to produce up-to-date profiles of registered voters and potential voters who are not yet registered. ERIC provides this information to the states, which use it to update registration records, purge ineligible voters, or conduct outreach to individuals who are eligible but not registered.

Data Exchange: *Chapters 288 and 289 of 2011* authorized the State's participation in ERIC. The Acts required State agencies to provide any data to SBE that the State Administrator of Elections deems necessary to maintain accurate voter registration lists. The Acts also authorized SBE to enter into agreements to exchange data with other states for the purpose of maintaining accurate voter registration lists.

Automated Voter Registration: Additionally, *Chapters 288 and 289* required SBE and the Motor Vehicle Administration (MVA) to report to the General Assembly on implementation of a fully automated voter registration system at MVA. A fully automated voter registration system that provides for electronic entry of voter registration information at MVA and electronic transmission of that data to election officials was implemented in February 2012. This system significantly reduces the number of registration failures by eliminating reliance on paper forms that were not reliably returned to election officials. *Chapter 106 of 2012* allowed this type of automated voter registration to be extended to other voter registration agencies. Under the National Voter Registration Act, the State is required to provide the opportunity to register to vote at certain public agencies, such as local departments of social services. *Chapter 106* made it possible to implement automated voter registration at these agencies by authorizing the use of an electronic copy of an individual's signature that is on file with a voter registration agency to complete a voter registration application.

Online Voter Registration: *Chapters 292 and 293 of 2011* implemented another aspect of voter registration modernization by authorizing SBE to establish an online voter registration system. The system allows an individual to electronically apply to become a registered voter or update the individual's existing voter registration record by accessing an Internet site. An individual using the online system completes the electronic application, submits a Maryland driver's license or identification card number, and consents to the use of the electronic copy of the individual's signature that is on file with MVA as the individual's signature for the application being submitted. *Chapters 157 and 158 of 2013* added a requirement that an individual provide the last four digits of the individual's Social Security number and other information identified by SBE that is not generally available to the public but readily available to the individual. SBE regulations specify that this additional information is the date that the individual's Maryland driver's license or identification card was issued. If the individual is an absent uniformed services voter or overseas voter as defined in federal law, the individual may submit only a Social Security number if the individual does not have a Maryland driver's license or identification card number. Online voter registration was implemented in 2012.

List Maintenance: SBE receives reports of deceased individuals from the Social Security Administration through ERIC. *Chapter 467 of 2014* established procedures for local boards of elections to remove from the statewide voter registration list a voter who is identified as deceased based on information received from the Social Security Administration. Prior to removal, a notice must be mailed to the voter's address that provides an opportunity for the registered voter or a representative to object within two weeks and show cause why the removal should not proceed.

Election Dates

Gubernatorial Primary: Maryland's gubernatorial primary election date was moved to earlier in the year, from the second Tuesday after the first Monday in September to the last Tuesday in June, by *Chapter 169 of 2011*. The change allows the State to more easily comply with the federal Military and Overseas Voter Empowerment (MOVE) Act that was passed and signed into law in 2009. The MOVE Act, among other things, requires states to send

absentee ballots to military and overseas voters not later than 45 days before an election for federal office if a request is received prior to that time. Compliance with that requirement was problematic in 2010 when the gubernatorial primary was in September, allowing little time for general election ballots to be finalized after the primary election and sent out by the 45-day deadline.

Presidential Primary: *Chapter 169* also moved Maryland's presidential primary date to later in the calendar year, from the second Tuesday in February to the first Tuesday in April. The presidential primary date was moved to February prior to the 2008 presidential election, consistent with many states' efforts at the time to move their primary elections/caucuses earlier in the year in order to gain greater relevance in the nominating process for presidential candidates. The Republican National Committee and Democratic National Committee, however, adopted rule changes in 2010 discouraging states from holding primaries/caucuses so early in the year.

Baltimore City Election: After very low turnout for the 2011 Baltimore City elections, there was a renewed effort in the 2012 session to move the city elections to coincide with statewide elections. Under *Chapters 548 and 549 of 2012*, the Baltimore City elections will coincide with presidential elections, beginning in 2016. Greater voter turnout and cost savings were among the reasons given by supporters for aligning the city's elections with statewide elections. Officials elected in 2011 will serve a five-year term.

Special Elections

Voting by Mail: Conducting elections by mail is an option utilized in several states, most commonly for local elections or special elections. Proponents argue that vote by mail elections increase voter turnout, decrease costs, and reduce the administrative burden of running an election. *Chapter 677 of 2012* authorized the Montgomery County Council to direct that a special election to fill a vacancy in the county council be conducted by mail and established related requirements and procedures. *Chapters 197 and 198 of 2013* expanded those Montgomery County-specific provisions to apply to special elections statewide. The Acts allow a special election to fill a vacancy in the office of Representative in Congress and specified local special elections to be conducted by mail.

County Executive Vacancies: *Chapter 261 of 2014* proposes a constitutional amendment to authorize charter counties to fill a vacancy in the office of county executive or chief executive officer by special election. The constitutional amendment will be submitted to the voters of the State for their adoption or rejection at the November 2014 general election. The amendment would augment charter counties' existing authority to fill vacancies in the county council by special election. *Chapter 261* also authorizes a charter county to establish procedures for the conduct of a special election for county executive, which may include conducting the election by mail.

Municipal Elections

Inclusion on State Ballot: Municipal elections are held at various times and at different frequencies in accordance with the charter of each municipal corporation. A small number of municipal elections currently are held concurrently with State elections and are included on the State ballot. ***Chapter 501 of 2014*** authorized any municipal corporation to request that municipal offices and questions be included on the State ballot. A request must be filed with the State Board of Elections at least 18 months before the deadline for filing a certificate of candidacy. A municipality must certify that it has established deadlines and procedures for municipal elections that are consistent with those for State elections. A municipal corporation must reimburse SBE and the applicable local board for any additional costs incurred because of including the municipal election on the ballot.

Offenses and Enforcement: The Election Law Article generally does not apply to municipal elections. A State's Attorney may investigate and prosecute an offense relating to a municipal election if authorized in the municipal charter or code. ***Chapter 50 of 2014*** applied provisions in § 16-201 of the Election Law Article that prohibit certain voter fraud and voter suppression activities to municipal elections. The Act authorized the State Prosecutor, or the State's Attorney for the county in which a municipal election is held and where an offense is alleged to have occurred, to prosecute a person for violating § 16-201 of the Election Law Article in a municipal election.

Campaign Finance Reports: State campaign finance law generally does not apply to municipal elections, but ***Chapter 103 of 2014*** required a candidate in a municipal election to submit to the State Board of Elections a copy of a campaign finance report filed with a municipality within 10 days after the filing deadline.

Redistricting

Maryland's congressional and legislative district lines are redrawn every 10 years following the decennial census to maintain equal population among districts. The redistricting process following the 2010 census was subject to a new requirement established by Chapter 67 of 2010 that population counts used to create congressional and legislative districts in the State (1) not include individuals incarcerated in State or federal correctional facilities that were not State residents before their incarceration and (2) count incarcerated individuals that were State residents before their incarceration at their last known residence before incarceration.

Legislative Redistricting: The Maryland Constitution requires the Governor to present a legislative redistricting plan to the General Assembly by the first day of the regular session in the second year following the decennial census. If the General Assembly does not pass an alternative plan before the forty-fifth day of session, the Governor's plan becomes law. Consistent with past practice, the Governor appointed a Governor's Redistricting Advisory Committee (GRAC) in 2011, which included the President of the Senate and Speaker of the House, to hold public hearings, receive public comment, and draft a plan for the State's legislative and congressional districts.

After receiving the recommendations of GRAC and receiving public comment on those recommendations, on January 11, 2012, the Governor submitted his proposed legislative redistricting plan to the President of the Senate and Speaker of the House. The plan was introduced to the General Assembly and ultimately enacted as ***Joint Resolutions 1 and 2 of 2012*** on the forty-fifth day of the session after no action was taken by the General Assembly.

Congressional Redistricting: While not legally required to draft a congressional redistricting plan, the Governor traditionally introduces a congressional plan to the General Assembly for consideration. The congressional plan was considered during the special session in October of 2011 so that the congressional districts would be finalized in time for the 2012 election cycle. The plan submitted by the Governor was based on the plan developed by GRAC and was enacted, with minor amendments by the General Assembly, as ***Chapter 1 of the 2011 Special Session***. The plan was petitioned to referendum, placed on the ballot at the 2012 general election, and ultimately approved by the voters.

Campaign Finance

The General Assembly passed extensive campaign finance legislation in recent years. Much of this legislation implemented recommendations of the Commission to Study Campaign Finance Law, which was established under ***Joint Resolution 1 of 2011***. The commission convened in December 2011 and submitted an interim report in January 2012 and a final report in December 2012. Most of the commission's recommendations were included in ***Chapter 419 of 2013***, the Campaign Finance Reform Act of 2013, which is discussed below.

Independent Expenditures

In *Citizens United v. Federal Election Commission*, 130 S. Ct. 876 (2010), the U.S. Supreme Court empowered corporations and unions to spend unlimited amounts from their general treasuries for independent expenditures expressly supporting or opposing federal candidates. Several states imposed stricter disclosure requirements for independent expenditures after the court's ruling.

Chapter 575 of 2011 represented Maryland's response to the *Citizens United* ruling. Previous State law did not require any reporting of independent expenditures. ***Chapter 419 of 2013*** modified the requirements of ***Chapter 575*** in several important respects. The following is a summary of the provisions of ***Chapter 575*** as amended by ***Chapter 419***.

Registration and Reports: A person who makes aggregate independent expenditures of more than \$5,000 in an election cycle for campaign material that is a public communication must register with SBE within 48 hours. Once independent expenditures reach \$10,000, the person must file an independent expenditure report within 48 hours. An "independent expenditure" is defined as an expenditure expressly advocating the success or defeat of a clearly identified candidate or ballot issue that is not made in coordination with a candidate or ballot issue committee. An additional report must be filed within 48 hours after a person makes aggregate independent expenditures of \$10,000 or more following the closing date of the person's previous independent expenditure report.

Contents of Reports: Independent expenditure reports must include the identity of the person making the independent expenditures and any person exercising direction or control over the activities of that person, the business address of the person making the independent expenditures, the amount and date of each independent expenditure during the reporting period, and the candidate or ballot issue to which the independent expenditures relate. In addition, the identity of each person who made cumulative donations in excess of \$6,000 to the person making the independent expenditures during the reporting period must be disclosed. With certain exceptions, a donation must be reported regardless of whether it was made for the purpose of furthering independent expenditures.

Notice: An entity required to file an independent expenditure report must provide notice of the expenditure through any regular, periodic reports it submits to its shareholders, members, or donors or by posting a hyperlink on its website to the Internet site where the entity's independent expenditure report information is publicly available.

Penalties: SBE may assess specified civil penalties for failure to file timely and accurate independent expenditure reports.

Electioneering Communications: Persons who make disbursements for electioneering communications are subject to reporting requirements that are identical to those that apply to persons making independent expenditures. "Electioneering communications" are defined as (1) specified types of mass communications that refer to a clearly identified candidate or ballot issue; (2) are made within 60 days of an election day on which the candidate or ballot issue is on the ballot; (3) are capable of being received by a specified minimum number of individuals in the constituency where the candidate or ballot issue is on the ballot; and (4) are not made in coordination with a candidate or ballot issue committee.

Independent Expenditure Committees: *Chapter 419* established reporting requirements for political action committees that exclusively make independent expenditures or disbursements for electioneering communications that are substantially similar to those that apply other persons who make independent expenditures or disbursements for electioneering communications.

Electronic Contributions and Expenditures and Electronic Media

Chapter 287 of 2011 updated the campaign finance laws to reflect electronic methods of disseminating campaign material and transferring funds. The Act repealed requirements that campaign finance entities make a disbursement only by check and that a contribution to a campaign finance entity in excess of \$100 be made only by check or credit card. Instead, the Act authorized SBE to adopt regulations approving electronic methods by which a campaign finance entity may make disbursements and receive contributions.

State law requires that campaign material include an "authority line" identifying the campaign finance entity or other person responsible for the material. The law also requires that a campaign finance entity retain a copy of each item of campaign material for a specified period. **Chapter 287** authorized SBE to adopt regulations modifying the authority line and record retention requirements as they apply campaign material disseminated through electronic media to

the extent necessary to accommodate particular technologies, such as blogs, text messages, Facebook, Twitter, or YouTube.

Reporting of Occupation and Employer of Campaign Contributors

Chapters 320 and 321 of 2012 required the treasurer of a campaign finance entity, to the extent practicable, to record and report the occupation and employer of an individual who makes contributions to the campaign finance entity in a cumulative amount of \$500 or more during an election cycle.

Campaign Finance Reform Act of 2013

As mentioned earlier, *Chapter 419 of 2013* included many recommendations of the Commission to Study Campaign Finance Law, along with several other revisions to election law. The major provisions of the legislation are summarized below. Unless otherwise noted, the provisions take effect January 1, 2015.

Contribution Limits: The Act increased the limits on the amount of contributions a person may make in an election cycle. The limit on aggregate contributions to a single campaign finance entity increased from \$4,000 to \$6,000. The limit on aggregate contributions to all campaign finance entities increased from \$10,000 to \$24,000. However, State election officials announced in April 2014 that they would not enforce the State's aggregate limit on contributions to all campaign finance entities following the U.S. Supreme Court's ruling in *McCutcheon v. Federal Election Commission*, 572 U.S. ____ (2014), in which the court found the federal aggregate contribution limits unconstitutional.

Contributions by Business Entities: The Act altered the treatment of contributions by business entities under common ownership or control. Contributions made by two or more business entities are considered to be made by a single contributor if (1) one business entity is a wholly owned subsidiary of another or (2) the business entities are owned or controlled by at least 80% of the same individuals or business entities.

Legislative Party Caucus Committees: The Act authorized each political party to establish one legislative party caucus committee for each house of the General Assembly. SBE is required to adopt regulations governing the establishment, structure, and operation of legislative party caucus committees. The Act also specifies certain in-kind contribution limits and transfer limits applicable to legislative party caucus committees.

Administrative Accounts: The Act codified SBE's policy of allowing political party central committees to maintain administrative accounts and extended this authority to legislative party caucus committees. Donations to an administrative account are not subject to the contribution limits, but disbursements from an administrative account may be made only for nonelectoral purposes.

Slates: The Act allowed a candidate to join a slate or continue as a member of a slate only if (1) the candidate has filed a certificate of candidacy or (2) the candidate is an incumbent

officeholder and the deadline for filing a certificate of candidacy for the office the candidate holds has not passed. A transfer limit of \$24,000 was established for cumulative transfers over the course of an election cycle *from* a slate *to* the authorized candidate campaign committee of any single member of the slate.

Campaign Finance Enforcement: The Act authorized SBE to impose civil penalties of up to \$500 for specified campaign finance law violations. A person issued a citation imposing a civil penalty may elect to stand trial in District Court, in which case the State Prosecutor assumes responsibility for prosecuting the violation. These provisions took effect October 1, 2013.

The Act imposed late fees for failure to file an amended campaign finance report and raised the maximum cumulative amount of late fees that can accrue from \$250 to \$500. The Act made civil penalties and late fees payable by the campaign finance entity, unless insufficient funds are available, in which case the penalty or fee is the joint and several liability of the responsible officers of the campaign finance entity.

The statute of limitations for a misdemeanor under the State election laws was extended from two to three years.

Contributions by Persons Doing Public Business: The Act made various revisions to Title 14 of the Election Law Article, which requires disclosure of campaign contributions by persons doing public business. Among other things, the changes included (1) redefining “doing public business” to mean making a single contract with a single governmental entity of at least \$200,000; (2) only requiring disclosure of contributions to a candidate for an office of a governmental entity with which the person is doing public business; and (3) requiring disclosure statements to be filed electronically with SBE and made publicly available on the Internet.

Authorization of Local Public Campaign Financing: The Act authorized a county to establish a system of voluntary public campaign financing for elective offices in the executive or legislative branches of county government.

Disclosure of Small Contributions: The Act imposed a limit of \$25,000 on the cumulative amount of contributions from one contributor of \$51 or less that may be reported in an election cycle by a campaign finance entity of a candidate as a lump sum without providing the amount of each contribution and the name and address of each contributor.

Out-of-state Political Committees: The Act required out-of-state political committees to register with SBE within 48 hours of making cumulative transfers of \$6,000 or more in an election cycle to one or more Maryland campaign finance entities and to subsequently file expenditure reports with SBE for the election year in which the committee is participating.

Participating Organizations: The Act required a “participating organization” that seeks to influence an election in the State to file reports with SBE concerning its disbursements and donors. A “participating organization” is defined as an entity organized under Sections 501(c)(4) or (6) or 527 of the Internal Revenue Code that makes a contribution or donation to a campaign finance entity, person, or out-of-state political committee for the express purpose of causing the

campaign finance entity, person, or out-of-state political committee to make a disbursement, independent expenditure, or electioneering communication in the State.

Campaign Finance Reporting Schedule: The Act required several additional campaign finance reports, including one prior to a presidential primary election and another in late August before each general election. Reporting requirements for candidates for election to a political party central committee were also altered. These provisions took effect October 1, 2013.

Ethics

Administration of the Public Ethics Law

Chapter 32 of 2014 required individuals who file financial disclosure statements to file these statements electronically. Previously, electronic filing was optional. The law authorizes the State Ethics Commission to grant exemptions to this requirement.

Prior to the 2014 session, the General Assembly had not increased the maximum late fee for a lobbying report since 1987 and for a late-filed financial disclosure statement since 1990. ***Chapter 37 of 2014*** increased the financial disclosure late fee from \$2 to \$5 per day and increased the maximum late fee from \$250 to \$500. In addition, ***Chapter 37*** increased the lobbying report late fee from \$250 to \$1,000.

Conflicts of Interest and Financial Disclosure

Legislators file a number of forms disclosing specified activities and interests, forms disclaiming conflicts of interests, and forms documenting recusal. ***Chapter 620 of 2012*** added a new requirement that legislators disclose to the Joint Committee on Legislative Ethics any primary employment or business interest of the legislator or the spouse of the legislator. In addition, the Department of Legislative Services (DLS) must post on the Internet all forms, other than financial disclosure statements, that legislators file with the Joint Committee on Legislative Ethics on or after January 1, 2013. The forms are available for public review through an online registration program. DLS may not post on the Internet information on salary or consideration received.

Chapter 615 of 2013 amended the definition of “interest” in the Public Ethics Law to exclude a mutual fund that is publicly traded on a national scale unless the mutual fund is composed primarily of stocks or interests in a specific sector or area that an individual’s governmental unit regulates. As a result, an individual need not disclose these types of mutual funds on the individual’s financial disclosure statement, and these holdings will not be a factor in determining whether an individual has a conflict of interest.

Lobbying

Chapter 19 of 2014 replaced a requirement that a lobbyist submit a written authorization to the State Ethics Commission by the entity that employs the lobbyist with a requirement that

the lobbyist certify that the lobbyist is authorized to engage in lobbying for the employing entity. The Act also authorized a lobbyist to file a lobbying registration form electronically.

Since 2001, the Public Ethics Law has required individual regulated lobbyists to complete a training course on the requirements of the Public Ethics Law relevant to regulated lobbyists once in any two-year period during which the lobbyist is registered. **Chapter 21 of 2014** altered this requirement to require individual regulated lobbyists to complete the training course (1) within six months of initial registration; (2) if the initial registration is terminated earlier than six months after the initial registration, before any subsequent registration; and (3) every two years after completion of the initial training course. The Act also authorized the commission to impose specified penalties on lobbyists who fail to comply with the training requirements.

Local Government Ethics Requirements

The Public Ethics Law requires counties and municipalities to adopt ethics laws that meet certain standards and requires school boards to adopt ethics regulations that meet certain standards and that are applicable to members of the school board. School boards may also adopt ethics regulations that meet certain standards for other officials and employees of the school system or those individuals will be subject to the ethics laws in the county in which the school system is located.

State Ethics Commission Authority and Duties

Chapter 20 of 2014 required the State Ethics Commission to adopt model school board ethics provisions. If the commission determines that a school board has not complied with and has not made good-faith efforts toward compliance with the requirement to adopt ethics regulations, the Act authorized the commission to issue a public notice concerning the failure of compliance, to issue an order providing that officials and employees of the school board are subject to the appropriate county ethics law, and to petition a circuit court for appropriate relief to compel compliance. Finally, the commission is authorized to issue a public notice of noncompliance if it determines that a county or municipal corporation has not complied with and has not made good-faith efforts toward compliance with the requirement to adopt an ethics law.

Prince George's County

In 2011, the ethics requirements for local elected officials in Prince George's County were tightened through State legislation.

Conflicts of Interest: **Chapter 72 of 2011** prohibited the Prince George's County government from issuing a credit card to an elected county official or a member of the county board of education. The Act also prohibited an elected county official from directly or indirectly soliciting a person to enter into a business relationship to provide anything of monetary value to a person if the person being solicited is seeking the success or defeat of county legislation, a county contract, or any other county benefit. This prohibition will not be construed to affect the validity of any legally enacted requirement or condition, as a part of a development project

application approval, which is proposed and adopted on the public record at a public hearing the purpose of which is to mitigate the impact of development on nearby property owners.

Lobbying: *Chapter 72* also included a provision requiring the lobbying provisions of the Prince George's County Local Public Ethics Law to prohibit lobbyists from receiving compensation that is contingent on the outcome of an executive or legislative action before the county government.

County Board of Ethics: *Chapter 72* codified in State law the existing arrangement of a five-member County Board of Ethics to be appointed by the county executive subject to the advice and consent of the county council. However, the Act also strengthened the duties of the County Board of Ethics by requiring the appointment of an executive director of the board who is required to meet individually with each elected official of the county at least one time each year to provide ethics advice, assist elected local officials in the preparation of ethics-related disclosures and other filings, conduct ethics-related briefings for the benefit of elected local officials, and provide ethics-related information to inquiring individuals. The board is required to meet at least two times each year.

Campaign Contributions: State law prohibits an applicant or agent of an applicant for a development project in Prince George's County from making a payment to a member of the county council or the county executive during the pendency of an application and prohibits the council member from voting or participating on the application if a payment was received by certain entities related to the member. *Chapter 91 of 2011* expanded these prohibitions to include payments made to a slate to which a county council member belongs during the 36-month period preceding the filing of the development project application.

Local Officials

During the 2011-2014 legislative term, the General Assembly clarified that a number of officials are local officials subject to the appropriate local ethics law, rather than the State Public Ethics Law.

Chapter 327 of 2011 specified that city employees and officials of the Baltimore City Health Department, the Baltimore City Police Commissioner, and the civilian employees and police officers of the Baltimore City Police Department, and each member of and the employees of the Civilian Review Board were local officials subject to Baltimore City public ethics laws and not State public ethics laws. The Act also repealed a provision that explicitly subjected Baltimore City health and housing inspectors who inspect for lead hazards to financial disclosure provisions enacted by the city.

Chapter 126 of 2011 specified that each commissioner and employee of the St. Mary's County Metropolitan Commission, a quasi-governmental body that supplies water and sewer services to the county, was a local official subject to St. Mary's County public ethics laws.

Chapter 653 of 2012 provided that each member and the chief executive of the Baltimore County Revenue Authority is a local official and is subject to Baltimore County public ethics laws relating to conflicts of interest, lobbying, and financial disclosure.

Procurement

During the 2011-2014 legislative term, the General Assembly restructured the State's Minority Business Enterprise (MBE) program, expanded access to the Small Business Reserve (SBR) program, restricted access to State procurement for firms engaged in unsanctioned activities, and instituted several new domestic purchasing preferences.

Minority Business Enterprise Program

Reauthorization

Prior to 2012, the State's MBE program established a goal that at least 25% of the total dollar value of each agency's procurement contracts be awarded to certified MBEs, including 7% to African American-owned businesses and 10% to women-owned businesses. During the four-year legislative term, the program was reauthorized three separate times, including substantial restructuring of the program during the 2012 session.

Chapters 252 and 253 of 2011 extended the State's MBE program for one year, until July 1, 2012, and repealed the program's subgoals for women- and African American-owned businesses. Marking the fifth time that the MBE program was reauthorized since its inception in 1990, this extension served as a stop-gap measure to keep the program in place until the completion of the mandated disparity study. The disparity study, due to be completed in September 2010, was not finished until February 2011. Therefore, the General Assembly did not have sufficient time to review the need for the program and the report's various recommendations regarding the program's future structure.

In addition to repealing the subgoals, *Chapters 252 and 253* codified and clarified existing regulatory provisions related to the granting of waivers from MBE participation goals in individual procurements, and authorized procurement units to exempt sole source, expedited, or emergency procurements from MBE contract goals if the public interest cannot reasonably accommodate their use. The Acts also required the regulations developed by the Board of Public Works to implement the program to (1) establish standards to require MBEs to perform commercially useful functions on State contracts and (2) include a requirement that procurement units work with the Governor's Office of Minority Affairs to exclude certain contracts from the MBE goals.

Chapter 154 of 2012 extended the termination date of the MBE program for four years, until July 1, 2016, and required the completion of a new disparity study by September 30, 2015. It also restructured the program by repealing the existing statewide goal of having at least 25% of the total dollar value of each agency's procurement contracts be awarded to MBEs and instead required the Special Secretary for the Governor's Office of Minority Affairs (GOMA), in

consultation with specified State agencies and other stakeholders, to establish a statewide goal biennially through the regulatory process. **Chapter 154** required the Special Secretary to establish biennial guidelines for State procurement units to consider in deciding whether to establish subgoals for different minority groups recognized in statute. In a year in which there is a delay in issuing the statewide goal or guidelines, the previous year's goal or guidelines apply.

With its new authority, GOMA announced in spring 2013 that it was raising the State's MBE goal to 29%, which affected procurements for fiscal 2014 and 2015. GOMA issued subgoal guidelines in July 2011, which state that subgoals may be used only when the overall MBE goal for a contract is greater than or equal to the sum of all recommended subgoals for the appropriate industry, plus two.

Chapters 200 and 201 of 2013 extended the termination date of the MBE program yet again, this time by one year, until July 1, 2017. The Acts also deferred the completion date of a new disparity study by one year, to September 30, 2016. **Chapters 200 and 201** also required the Special Secretary of Minority Affairs, in consultation with the Secretary of Transportation and the Attorney General, to establish guidelines for each procurement unit to consider when determining the appropriate MBE participation goals for a procurement contract. The Acts further required each procurement unit to implement a program that will enable it to consider the MBE participation and subgoal guidelines when evaluating each procurement contract.

Removal of Not-for-profit Entities from MBE Program

Chapters 343 and 605 of 2013 removed not-for-profit entities that promote the interests of physically and mentally disabled individuals from the definition of MBE and exempted specified contracts (entered into on or after July 1, 2015) with them from the calculation of MBE participation rates. Beginning in fiscal 2014, **Chapters 343 and 605** also enhanced existing procurement preference programs for Maryland Correctional Enterprises, Blind Industries and Services of Maryland, Employment Works, and businesses owned by disabled veterans, and required various annual reports related to State contracting with those entities. The Department of Disabilities was charged with evaluating the effect of these changes on the participation of not-for-profit entities in State procurement and issuing a final report by December 1, 2016.

Small Business Reserve Program

Chapters 538 and 539 of 2012 allowed a business to qualify as a small business under the Small Business Reserve Program if it does not exceed specified limits for the number of employees *or* average gross sales, instead of qualifying only if it does not exceed both limits. This flexibility to qualify as a small business would have terminated September 30, 2014; however, **Chapter 76 of 2014** repealed the termination date.

Social and Environmental Preferences and Restrictions

Chapters 257 and 258 of 2012 barred a State procurement unit from knowingly procuring supplies or services from a person that does not comply with federal law related to disclosing the use of "conflict minerals" that originated in the Democratic Republic of the Congo

(DRC) or its neighboring countries. A noncompliant person was deemed to be one that does not file the necessary federal disclosure, is considered under federal law to have provided an unreliable determination, or includes false information in the disclosure. Procurement units were required to include notice of this requirement in any solicitation for supplies or services.

Chapters 446 and 447 of 2012 prohibited a person who is identified as engaging in investment activities in Iran – generally defined as investing at least \$20 million in Iran’s energy sector – from participating in procurement with a public body in the State. They required the Board of Public Works (BPW) to develop, by December 31, 2012, and regularly update a list of persons who engage in investment activities in Iran. Beginning January 1, 2013, a public body in the State must require persons engaging in procurement to certify that they are not engaged in investment activities in Iran. Persons who falsely certify to a public body that they are not engaged in investment activities in Iran are subject to civil action by the State within three years of the false certification. If the action is successful, the person is ineligible to bid on a public contract for three years and is subject to civil fines and other penalties. **Chapters 554 and 555 of 2013** further required BPW to adopt regulations in response to changes to the federal Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) or any other federal law that imposes sanctions on investment activities in Iran. These Acts also expanded the application of **Chapters 446 and 447** to include any enacted federal law that alters CISADA or investment sanctions in Iran.

Chapters 482 and 483 of 2011 required firms that submit a bid or offer to provide Maryland Area Regional Commuter (MARC) train service to the State or a local government to disclose information about their direct involvement in the deportation of concentration camp victims during World War II. For a further discussion of this issue, see the subpart “Transportation” within Part G – Transportation and Motor Vehicles of this *Major Issues Review*.

Chapter 353 of 2011 prohibited State funds from being used to install or replace a permanent outdoor luminaire on the grounds of any building or facility owned or leased by the State unless the fixture meets specified criteria regarding energy efficiency and light emission. Subject to exemptions specified in the legislation, the luminaires must:

- maximize energy conservation and minimize light pollution, glare, and light trespass;
- provide the minimum illumination necessary for the intended purpose of the lighting; and
- be a restricted uplight luminaire if it has an output of more than 1,800 lumens.

Chapter 372 of 2012 required State agencies to purchase only electronic products that have either gold or silver ratings from the Electronic Product Environmental Assessment Tool or meet other nationally recognized and consensus-based standards approved by the Department of Information Technology. Upon request, the Secretary of Information Technology may waive this requirement. Beginning on October 1, 2014, a procurement contract for electronic recycling services must be awarded to a recycler that is R2 or e-Stewards certified, or that meets

comparable standards that are approved by the Maryland Department of the Environment, in consultation with the Department of General Services.

Domestic Purchasing Preferences

Chapter 314 of 2011 prohibited public employers in the State from knowingly purchasing, furnishing, or requiring employees to purchase or acquire uniforms or safety equipment and protective accessories that are manufactured outside the United States. The prohibition does not apply if:

- either the item was not manufactured or available for purchase in the United States, or is not manufactured or available in reasonable quantities;
- the price of the item manufactured in the United States exceeded the price of a similar item manufactured overseas by an unreasonable amount; or
- the quality of the item manufactured in the United States was substantially less than the quality of a similar item not manufactured in the United States.

Chapters 559 and 560 of 2012 prohibited a public employer, including the State and local governments, from knowingly entering into a contract for architectural, construction, engineering, or energy performance contract services with an estimated value of at least \$2 million unless the services were to be provided in the United States, subject to specified exemptions. The Acts also required bidders on any procurement contract with an estimated value of at least \$2 million to disclose whether the bidder or a subcontractor had plans, at the time the bid is submitted, to perform any services under the contract outside the United States. If so, the bidder must disclose where the services were to be performed and why it was necessary or advantageous to perform them outside the country.

Chapters 437 and 438 of 2013 required State and local public works contractors or subcontractors to use manufactured goods made or assembled in the United States to construct or maintain a public work or when buying or manufacturing machinery or equipment that is to be installed at a public work site. The requirement does not apply if the head of the governmental entity determines that the price, quality, or availability of American manufactured goods does not meet standards established by BPW. It also does not apply to emergency safety equipment such as fire alarms, security systems, and related information technology products.

Personnel

State Employees

Impact of Budget Actions on State Employees

During the 2007-2010 term, State employees were furloughed and went without cost-of-living adjustments (COLA) and merit increases for several years. Budget actions on State employee compensation and benefits showed some improvement over the course of the 2011-2014 term as the economy steadied. No furlough or salary reduction plan was included in the fiscal 2012 budget for the first time in three years, and there was funding for a \$750 bonus for State employees. **Chapter 397 of 2011**, the Budget Reconciliation and Financing Act (BRFA), however, included a provision that prohibited State employees from receiving merit increases, with some exceptions, prior to April 1, 2014.

For a second consecutive year, no furlough or temporary salary reduction plan was included in the fiscal 2013 budget, and the budget included a 2% COLA for State employees. The fiscal 2014 budget included merit increases for the first time in several years, and there was funding for a 3% COLA. In the fiscal 2015 budget, there was funding for a 2% COLA and funding for employee merit increases. Even with all the positive State employee actions during 2011-2014 term, however, there was no State match of \$600 for employees participating in deferred compensation plans.

During the 2007-2010 term, there was a reduction of 2,020 positions in the regular Executive Branch State workforce. The decrease continued at the start of the 2011-2014 term with the size of the regular State workforce reduced by almost 1,100 positions during fiscal 2012. As the economy started to improve, however, the State workforce experienced growth during the 2011-2014 term. Both fiscal 2014 and 2015 included increases of 178 and 522 positions, respectively. The regular State workforce, including State higher education institution employees, at the start of this term was 78,458, and by the end of this term, it was 80,744. For a more detailed discussion of budget actions on State employees, see the subpart “Operating Budget” within Part A – Budget and State Aid of this *Major Issues Review*.

State Employee Compensation

In the 2014 session the issue of salary setting authority for certain State employees was addressed with **Chapter 613 of 2014**, which altered the independent salary setting authority of the following entities:

- Correctional Training Commission;
- Police Training Commission;
- Department of Business and Economic Development;

- Maryland Water Quality Financing Administration;
- Maryland Health Care Commission;
- Maryland Health Services Cost Review Commission;
- State Board of Physicians;
- State Lottery and Gaming Control Agency;
- Maryland Insurance Administration;
- Maryland Health Insurance Plan;
- Maryland Health Benefit Exchange; and
- Divisions of Unemployment Insurance and Workforce Development within the Department of Labor, Licensing, and Regulation.

The Act authorized the above entities to establish employee compensation for positions that are unique to those entities; require specific skills or experience; and do not require employees in those positions to perform functions that are comparable to those performed by employees of other State agencies. The Act also specified that the Secretary of Budget and Management, in consultation with the various agencies, determine for which positions that entities may set compensation. The changes will only apply to new positions or positions filled because of a vacancy.

Collective Bargaining

The 2011-2014 term continued the General Assembly's efforts to expand or alter collective bargaining rights for State employees or individuals that provide State-funded services.

Independent home care providers receive compensation for providing home care services to eligible adults. In 2007, the Governor issued an executive order specifying that the State must recognize a provider organization designated by a majority of independent home care providers who participate in the Medicaid Waiver for Older Adults Program, the Medicaid Personal Care Program, the Living at Home Waiver Program, or the In-Home Aide Service Program for purposes of collective bargaining. *Chapter 171 of 2011* codified collective bargaining rights for independent home care providers and authorized the negotiation and implementation of service fees. The State must conclude that a collective bargaining agreement as a whole will not adversely impact providers who are not members of the main employee organization before a service fee for nonmember providers can be authorized through the collective bargaining agreement. A service fee provision is only allowable if nonmembers pay fees on a sliding scale

in approximate proportion to the amount that each nonmember independent home care provider receives as reimbursement, and a service fee may not be charged for care given to an immediate family member.

Statutory collective bargaining rights were granted in 1999 to many State employees in the principal departments within the Executive Branch of State government. In 2001, the same rights were extended to most nonfaculty employees of the State's public universities and colleges. **Chapters 581 and 582 of 2012** further extended the State's collective bargaining law to include employees of the Office of the Comptroller, the Maryland Transportation Authority (who are not police officers), the State Retirement Agency, and the Maryland State Department of Education. The State Labor Relation Board had to determine the appropriate existing bargaining unit for each employee affected at the request of the exclusive representative of existing bargaining units. The board also had to, again at the request of the exclusive representative, conduct self-determination elections for the newly added members of each bargaining unit. These elections allowed employees of each of the added units to decide whether or not to have representation.

In 2009, the General Assembly authorized the State to collectively bargain with the exclusive representative of a bargaining unit for service fees from State employees who are not members of that exclusive representative; State higher education institutions, however, were not authorized to negotiate service fees. **Chapter 428 of 2013** authorized an employee organization to collectively bargain with institutions of the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College regarding the right of the employee organization to collect service fees from nonmembers. If a fee is negotiated and collected, employees of the affected institutions whose religious beliefs preclude them from supporting collective bargaining organizations must make an equivalent payment to a charitable organization and provide written proof of payment.

State Employee Benefits

State employee benefits were affected by several pieces of legislation in the 2011-2014 term. **Chapters 481 and 482 of 2012** required Executive Branch agencies to obtain mental health support services for any employee affected by a traumatic event resulting in the death of an individual that occurs in a State facility used for providing health, juvenile, or correctional services. Services must be provided within 48 hours of the traumatic event.

Only noncommissioned State Police officers and Department of Natural Resources law enforcement officers at the rank of sergeant or below who work on Thanksgiving, Christmas Day, or New Year's Day were entitled to compensatory time and overtime pay. **Chapter 131 of 2013** expanded the application of provisions requiring compensatory time and overtime pay to all State law enforcement officers who work on Thanksgiving, Christmas Day, or New Year's Day. Enactment was contingent on the execution of a collective bargaining agreement between the State and the State Law Enforcement Officers' Labor Alliance.

The State Personnel Management System (SPMS), University System of Maryland, and the Maryland Department of Transportation (MDOT) all have teleworking policies. **Chapter 83 of 2013** established a goal of having at least 15% of eligible Executive Branch employees, including those in agencies with independent personnel systems, to participate in a statewide telework program. The Act required the Secretary of Budget and Management to establish the program as well as statewide telework policy guidelines. Each unit head in the Executive Branch is responsible for designating positions eligible for teleworking.

Employee Classifications and Hiring Practices

Special appointments are at-will positions in the Executive Branch agencies. A category of special appointments may be filled with regard to political affiliation. Positions that are filled with regard to political affiliation must be so designated by the agency and disclosed to the appointee. **Chapters 511 and 512 of 2012** repealed the special appointment status for selected employees of the Office of the Attorney General and the Maryland Correctional Enterprises.

The General Assembly addressed two issues in the 2011-2014 term regarding employee hiring practices. **Chapter 160 of 2013** prohibited an appointing authority in the Executive, Legislative, or Judicial branches of State government from inquiring into the criminal record or history of an applicant for employment until the applicant has been given an opportunity for an interview. There are exclusions for positions for which a criminal history or record check is required by law, positions in sheriffs' offices, or any position within the SPMS exempted by the Secretary.

Additionally, **Chapter 633 of 2014** mandated that contractual employees be considered when there is a vacancy in the same or similar classification in which the contractual employee is employed in most agencies in the Executive Branch of State government. The SPMS, MDOT, the University System of Maryland, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College are all required to develop hiring policies regarding contractual employees.

Grievance and Disciplinary Procedures

MDOT has a statutorily authorized independent personnel system, which includes approximately 9,200 employees. **Chapter 617 of 2011** altered grievance and disciplinary appeals processes for MDOT employees. When an unresolved dispute exists after an initial appeal, rather than requiring an appeal to the Office of Administrative Hearings (OAH), employees may submit an appeal to OAH. **Chapter 617** also gives the Secretary of Transportation additional authority to establish appeal procedures for disciplinary actions through regulations and policy.

The Division of Parole and Probation in the Department of Public Safety and Correctional Services does not have statutorily mandated caseloads for its agents. While specialized caseloads (violence prevention initiative and sex offender caseloads) are considered to be well managed, general caseloads per agent are often in excess of a 100:1 target ratio. **Chapters 610 and 611 of 2012** required the division to consider the size of an agent's active

caseload and the classification of the offenders within the agent's active caseload when considering disciplinary actions regarding employee performance.

Pensions and Retirement

The 2011-2014 legislative term was a historic one for the State Retirement and Pension System (SRPS), with major changes to its benefit structure or financing enacted in each of the four years, beginning with comprehensive reform in 2011.

Comprehensive Pension Reform

Chapter 397 of 2011, the Budget Reconciliation and Financing Act (BRFA), included comprehensive pension reform provisions that affected pension benefits for almost all State employees and public school teachers in the State. The reforms did not affect individuals who had retired by July 1, 2011, when *Chapter 397* took effect. The pension reform provisions were designed to address two distinct issues with regard to the State's public employee pensions:

- the long-term sustainability of the State's defined benefit pension plans; and
- the affordability of the State's contributions to those plans.

The Governor initially proposed a series of pension reforms in the BRFA of 2011 that drew substantially from the work and recommendations of the Public Employees' and Retirees' Benefit Sustainability Commission, which was created by Chapter 484 of 2010. The commission was charged with studying and making recommendations with respect to both State-funded health care benefits and pension benefits provided to State and public education employees and retirees. The commission identified the following concerns that threatened SRPS's long-term sustainability and affordability:

- the gap between the system's assets and liabilities had grown every year since fiscal 2000 so that, on an actuarial basis, the system had only 64% of the assets necessary to cover its liabilities;
- robust investment returns during the middle portion of the previous decade had done little to slow the expansion in the gap between assets and liabilities due to the overwhelming effects of recessions and financial market collapses in calendar 2001-2002 and 2008-2009; and
- the cost of pensions and other fringe benefits for State employees and teachers were growing, and were projected to continue to grow, faster than general fund revenues. From fiscal 2002 to 2011, general fund revenues grew by 39%, but State employee fringe benefits, including pensions, grew by 59%, and the cost of pensions for local employees, including teachers, public librarians, and community college faculty, grew by 159%.

The commission concluded that the current pension benefit structure was not sustainable and recommended that the State adopt dual goals of achieving actuarial funding levels of 80% within 10 years and 100% within 30 years.

As enacted, the BRFA of 2011 made numerous changes to the SRPS benefit structure which are described below. As indicated, some changes affect only those members hired after June 30, 2011, but others affect all members of specified plans, regardless of when they were hired. The BRFA of 2011 also enacted changes to the system's funding model.

Changes to SRPS Benefit Structure

Cost-of-living Adjustments (COLAs): All SRPS retirement benefits are adjusted automatically to account for annual inflation, but the size of the adjustments vary by plan. Prior to the enactment of the BRFA of 2011, retirees of the Employees' Pension System (EPS) and Teachers' Pension System (TPS), the State's two largest plans, as well as the Law Enforcement Officers' Pension System (LEOPS) received automatic annual COLAs linked to inflation, subject to a 3% cap. The State Police Retirement System (SPRS) and the Correctional Officers' Retirement System (CORS) also received COLAs linked to inflation, but they were not subject to a cap. The annual inflation rate used is the Consumer Price Index (all urban consumers, United States city average, all items, not seasonally adjusted, 1967 = 100) for the calendar year ending December 31 as published by the U.S. Department of Labor, Bureau of Labor Statistics.

The reform provisions did not affect COLAs for individuals retired as of July 1, 2011, but did affect COLAs that active members in EPS, TPS, LEOPS, SPRS, and CORS will receive when they retire. For service credit earned after June 30, 2011, the COLA is linked to the performance of the SRPS investment portfolio. If the portfolio earns its actuarial target rate (7.75% for fiscal 2011-2014 and phasing down to 7.55% by fiscal 2018), the COLA is subject to a 2.5% cap on the annual inflation rate. If the portfolio does not earn the target rate, the COLA is subject to a 1% cap on the annual inflation rate. For service credit earned before July 1, 2011, the COLA provisions in effect during that time still apply for each plan.

The COLA provisions did not apply to active members or retirees of the Judges' Retirement System (JRS) or the Legislative Pension Plan (LPP) because their benefit increases are linked to the salaries of current judges and legislators, respectively, and are not limited to inflation rates.

Member Contributions: Beginning July 1, 2011, member contributions for all active members of EPS and TPS increased from 5% of earnable compensation to 7% of earnable compensation. Member contributions for active members of LEOPS increased from 4% to 6% in fiscal 2012 and from 6% to 7% beginning in fiscal 2013. Although member contribution rates for other SRPS plans remained unchanged in the BRFA of 2011, **Chapter 485 of 2012** raised the contribution rate for JRS members from 6% to 8%, and the **2014 Resolution of the General Assembly Compensation Commission** raised the LPP member contribution rate from 5% to 7%.

Vesting and Average Final Compensation: For all members of SRPS hired after June 30, 2011, except for JRS and LPP, the BRFA of 2011 increased the vesting period from 5 to 10 years. ***Chapter 485*** instituted a five-year vesting period for JRS members hired after June 30, 2012, while JRS members hired before that date continue to vest immediately. The calculation of average final compensation (AFC) used to calculate retirement allowances for members of the EPS, TPS, and LEOPS hired after June 30, 2011, will be based on the five consecutive years that provide the highest average compensation, rather than three years. For members of the SPRS and CORS hired after the same date, the AFC used to calculate retirement allowances will be based only on the five years that provide the highest average compensation; the five years do not need to be consecutive.

Benefit Multiplier and Retirement Eligibility: Under the reform provisions of the BRFA of 2011, members of EPS and TPS hired after June 30, 2011, receive a retirement allowance equal to 1.5% of AFC for each year of creditable service (compared with 1.8% for members hired before reform). Members of EPS and TPS hired after June 30, 2011, qualify for a normal service retirement benefit either upon reaching age 65 with at least 10 years of service or when the sum of their age and years of service reaches 90 (compared with age 62 with 5 years of service or 30 years of service regardless of age for members hired before reform). These members also qualify for an early retirement benefit at age 60 with at least 15 years of service (compared with age 55 with 15 years of service for members hired before reform). Members of SPRS hired after June 30, 2011, qualify for a normal service retirement upon reaching age 50 or with 25 years of service regardless of age (up from 22 years of service for members hired before reform). The ***2014 Resolution of the General Assembly Compensation Commission*** increased the retirement age for LPP members who join on or after January 14, 2015, from 60 to 62, and also increased the early retirement age from 50 to 55. ***Chapter 477 of 2014*** raised the retirement age for Governors who begin serving on or after January 21, 2015, from 55 to 62.

Deferred Retirement Option Program (DROP): Under the BRFA of 2011, members of LEOPS and SPRS continue to be eligible for DROP, but members who enter DROP after June 30, 2011, receive a lower interest rate on their DROP accounts. DROP allows members of these plans to officially “retire” but to continue working for up to four or five years while earning a full salary. During their time in DROP, their retirement benefits are deposited in an interest-earning account that is payable in a lump sum when they leave DROP. The pension reform provisions reduced the interest earned on DROP accounts from 6% interest compounded monthly to 4% interest compounded annually.

Changes to SRPS Funding

Drawing from the Benefit Sustainability Commission’s recommendations, the pension reform provisions of the BRFA of 2011 established a goal of reaching 80% actuarial funding within 10 years by reinvesting a portion of the savings generated by the benefit restructuring into the pension system in the form of supplemental State contributions above the contribution required by statute. In fiscal 2012 and 2013, the supplemental contribution equaled all but \$120 million of the savings generated by the benefit restructuring, with the \$120 million dedicated to budget relief each year. Beginning in fiscal 2014, the supplemental contribution

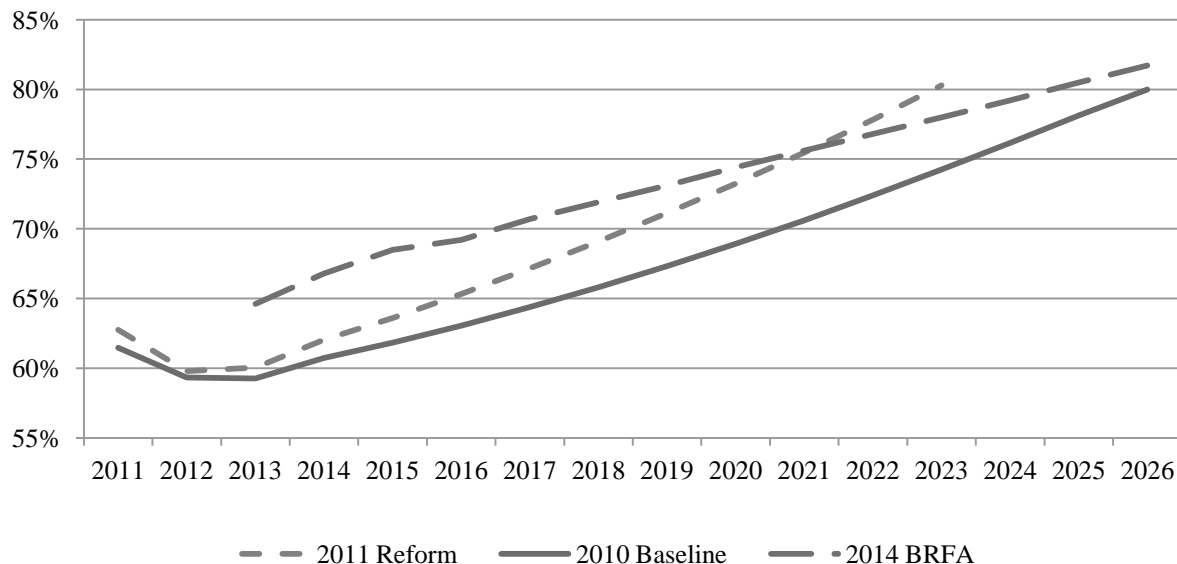
was to be set at \$300 million, with any savings over that amount dedicated to budget relief. However, subsequent action by the General Assembly altered the amount of the supplemental contribution.

First, the fiscal 2014 budget reduced the supplemental contribution for that year by \$87.1 million in general funds, which were held in reserve and authorized to be transferred to the Dedicated Purpose Account (DPA) “to provide funds to support critical programs impacted by federal sequestration.” The budget further stated that if the Governor determined by January 1, 2014, that the funds were not needed for that purpose, they must be transferred from the DPA to SRPS. Those funds were never needed for their dedicated purpose, but they were not transferred to SRPS because in the following year, *Chapter 464 of 2014*, BRFA, made permanent changes to the supplemental contributions. For each of fiscal 2014 and 2015, the supplemental contribution was reduced from \$300 million to \$100 million. Beginning in fiscal 2016, the BRFA of 2014 increased the supplemental contribution by \$50 million annually until it reaches \$300 million in fiscal 2019. The annual supplemental contribution will then remain at \$300 million until the corridor funding method is fully phased out (see below) and the pension fund reaches an 85% funding level.

The BRFA of 2011 also required local school boards and community colleges to pay their prorated share of the administrative costs of the State Retirement Agency (SRA), based on the number of their employees who are members of TPS or the Teachers’ Retirement System (TRS).

Exhibit C-2 shows the effects of comprehensive pension reform on the system’s projected funded status. It shows that the provisions of the BRFA of 2011 were projected to achieve the statutory goal of 80% funding by fiscal 2023 due to the savings generated by the restructured benefits and the addition of supplemental contributions; in the absence of those changes, the system’s projected funded status would not reach 80% funding until 2026. Projections now show that, with the reduction in the amount of supplemental contributions included in the BRFA of 2014, the system will achieve 80% funding in 2025, one year earlier than was projected prior to the enactment of pension reform.

Exhibit C-2
Projected SRPS Funded Status
Fiscal 2011-2026



BRFA: Budget Reconciliation and Financing Act
 SRPS: State Retirement and Pension System

Source: Mercer, Inc.; Cheiron, Inc.

Retiree Health Care Reform

In addition to comprehensive reform of the State's pension system, the BRFA of 2011 implemented reforms to the State Health and Welfare Benefits Program. The Public Employees' and Retirees' Benefit Sustainability Commission recognized the need to address the State's unfunded liability of \$15.9 billion for other post employment benefits (2010 valuation). The commission recommended exploring options to reduce State expenditures for health benefits through a combination of plan design and employee cost sharing. The commission also recommended increasing the minimum amount of service credit needed to be eligible for a retiree to participate in the State health program. Additionally, the commission recommended ending prescription drug coverage for Medicare-eligible retirees beginning in fiscal 2020.

Prescription Drug Coverage

Prior to 2011, retirees and active employees were enrolled under the same prescription drug plan. The BRFA of 2011 authorized the establishment of separate health insurance benefit options for retirees that differ from those for active State employees and required the discontinuation of prescription drug coverage for Medicare-eligible retirees in fiscal 2020.

The BRFA of 2011 also required the prescription drug benefit for retirees to have the same co-payments, coinsurance, and deductible that apply to the prescription drug benefit for active State employees. However, the share of the premium cost to retirees was increased to 25%, instead of 20%, while out-of-pocket limits were set at \$1,500 for a retiree and \$2,000 for a retiree and the retiree's family.

Eligibility for Retiree Health Care

In addition to establishing a separate prescription drug plan for retirees, the BRFA of 2011 altered the eligibility requirements for retiree health and prescription drug coverage for individuals hired after June 30, 2011. Those individuals become eligible for retiree health care coverage if the individual:

- ends State service with at least 25 years of creditable service;
- ends State service with at least 10 years of creditable service within 5 years before the age at which a vested retirement allowance normally would begin;
- retires directly from State service with a State retirement allowance and has 10 years of creditable service; or
- retires directly from State service with a State disability retirement allowance.

The State subsidy for retirees hired after June 30, 2011, is 1/25 for each year of the retiree's creditable service up to 25 years.

The existing eligibility requirements are maintained for individuals that began State service on or before June 30, 2011, and for retirees of JRS. These individuals still achieve eligibility for retiree health care coverage if the individual:

- ends State service with at least 10 years of creditable service and within 5 years before the age at which a vested retirement allowance normally would begin;
- ends State service with at least 16 years of creditable service;
- retires directly from State service with a State retirement allowance and has at least 5 years of creditable service; or
- retires directly from State service with a State disability retirement allowance.

The State subsidy for retirees that began State service on or before June 30, 2011, remains at 1/16 for each year of the retiree's creditable service up to 16 years. Additionally, **Chapter 477 of 2014** specified that a Governor who begins serving on or after January 21, 2015, also earns 1/16 of the State premium subsidy for retiree health care services for each year of service as Governor, instead of 1/25.

Phase Out of Corridor Funding Method

Since fiscal 2002, EPS and TPS had operated under the corridor funding method enacted under Chapter 440 of 2002. The corridor funding method sought to mitigate the effects of fluctuations in market returns on employer contribution rates for the combined teachers' and employees' systems by spreading out those effects over five years. It froze employer contribution rates for both systems at their fiscal 2002 levels as long as the two systems remained actuarially funded between 90% and 110%. If the plans fell out of this corridor, the employer contributions were to be increased by one-fifth of the difference between the prior year's rate and the full funding rate for EPS and TPS. The employees' combined systems fell out of their corridor in fiscal 2005, followed by the teachers' combined systems in fiscal 2006.

Over time, the level of underfunding prompted by the corridor system grew, exacerbating the system's declining funded status driven largely by poor investment performance. However, exiting the corridor funding method grew increasingly difficult as the gap between the corridor-based contributions the State has been required to pay and contributions based on the full funding rate continued to grow, exceeding \$500 million for several fiscal years. In response to a request in the fiscal 2013 budget to study options for exiting the corridor funding method, SRA and the Department of Legislative Services (DLS) collaborated on a study during the 2012 interim and presented recommendations to the Joint Committee on Pensions. **Chapters 475 and 476 of 2013** implemented the statutory components of those recommendations. Specifically, the Acts phase out the corridor funding method over 10 years and replace the system's current tiered amortization policy with a single 25-year closed amortization period. Additional nonstatutory recommendations presented to the Joint Committee on Pensions recommended that the board phase down its investment return assumption over four years from 7.75% to 7.55% and reduce its inflation assumption immediately from 3.0% to 2.8%. The board ultimately adopted these recommendations; however, the board phased in the inflation assumption reduction over four years.

Together, these four components are expected to generate significant short- and long-term savings in employer contributions to SRPS and put the system on more sound actuarial footing by requiring employer contributions to more closely reflect the full funding contribution rates during the phased-out elimination of the corridor funding method.

Teacher Pension Cost Sharing

Since the inception of TRS in the 1920s, and continuing with the establishment of TPS in 1980, the State has paid the full employer contribution on behalf of TRS/TPS members who are employed by local jurisdictions and whose salaries are paid by State or local funds, including teachers, principals, community college faculty, librarians, and other education-related personnel specified in statute. In fiscal 2012, the total State contribution on behalf of members employed by local jurisdictions was \$881.4 million; of that, \$833.0 million was for employees of local school boards, and the remainder was for community college and public library personnel.

Prior to 2012, Maryland was 1 of 11 states that paid the full employer pension contribution for teachers and other related staff employed by local jurisdictions. The remaining 39 states either shared the cost with local employers or required local employers to pay the full cost. In 2011, the Public Employees' and Retirees' Benefit Sustainability Commission recommended a phase-in of a requirement for local employers to pay 50% of the combined pension and Social Security contributions for their employees.

Chapter 1 of the First Special Session of 2012, BRFA phased in a requirement that local school boards pay the employer "normal cost" for active members of TRS/TPS. The employer normal cost represents the employer's share of the payment that is necessary to fund the benefits that members accrue in a given year. It is one of two components of the total employer contribution for pension benefits; the other being the amount necessary to pay down liabilities accrued in prior years. Based on 2012 projections of the normal cost, local school boards pay 50% of the normal cost in fiscal 2013, 65% of the normal cost in fiscal 2014, 85% of the normal cost in fiscal 2015, and 100% of the normal cost in fiscal 2016. During the phase-in, **Chapter 1** specified the exact dollar amount to be paid by each local school board based on the projected normal cost and the local share of that cost. In fiscal 2017, when the phase-in is completed, local school boards must pay 100% of the actual normal cost, which is projected to be 5.37% of payroll for TRS/TPS members. The normal cost is then projected to decrease slightly for several years as a result of employees hired after June 30, 2011, being enrolled under the benefit plan that was established during the 2011 pension reform (the Reformed Contributory Pension Benefit).

For a further discussion of how the sharing of teacher pension costs affects local school and county budgets, see the subpart "Education – Primary and Secondary" within Part L – Education of this *Major Issues Review*.

Expansion of Local Representation on SRPS Board of Trustees

In large measure due to the requirement that local school boards pay a portion of the employer pension contribution on behalf of their employees, **Chapters 534 and 535 of 2013** added a fifteenth member to the SRPS Board of Trustees to represent the interests of county governments. The individual is appointed by the Governor and must have at least 10 years of experience in financial management and oversight of county government budgets.

Reemployment of Retirees

In general, SRPS retirees may be reemployed, but they are subject to an earnings limitation if they are reemployed by the same employer for whom they worked at the time of retirement. For the purpose of calculating the earnings limitation, all units of State government are considered a single employer. In general, if a retiree is reemployed by the employer for whom the retiree worked at the time of retirement, (1) there must be a 45-day break in service between the retirement and the return to work and (2) the retiree is subject to a dollar-for-dollar reduction to the retirement allowance by the amount by which the sum of the retiree's annual compensation and initial retirement allowance exceeds the retiree's AFC at the time of

retirement. SRPS retirees are not subject to the benefit reduction under certain circumstances, such as if they have been retired for more than a certain number of years or are retirees of TRS/TPS and are reemployed as principals or teachers in underserved or underperforming schools, as specified in statute.

Several changes were made to the reemployment provisions during the 2011-2014 legislative term. **Chapter 106 of 2011** reduced from nine to five the number of years that a retiree of ERS, TRS, EPS, or TPS must wait in order to be exempt from the reemployment earnings limitation if the retiree is hired by the individual's last employer prior to retirement. **Chapters 469 and 470 of 2012** made the same change for members of CORS and SPRS and **Chapter 304 of 2014** made the same change for retirees of the Local Fire and Police System and added a provision to exempt JRS retirees from the reemployment earnings limitation after five years.

Chapters 479 and 480 of 2013 required the same 45-day break in service if the retiree is reemployed on a contractual, temporary, or permanent basis with *any* employer that participates in SRPS, including a withdrawn local governmental unit if the individual was employed by the withdrawn local government when it was a participating employer.

Chapter 471 of 2012 added the Maryland School for the Deaf to the types of schools in which a TRS/TPS retiree may be reemployed without being subject to the earnings limitation. **Chapters 526 and 527 of 2012** exempted ERS and EPS retirees from the earnings limitation if they are reemployed as contractual parole and probation officers for up to four years.

Correctional Officers Retirement System

Since the creation of CORS, membership has been limited only to nonmanagerial job classifications. As a result, CORS members who accepted promotions to senior managerial positions in the correctional system were no longer eligible for membership in CORS and were required to enroll in EPS. **Chapter 556 of 2013** allowed individuals promoted out of CORS into EPS who did not transfer creditable service from CORS to EPS to receive creditable service for the total amount of unused sick leave accrued in both systems at the time of retirement. It also required DLS and SRA to jointly study the requirement that a CORS member must join EPS when promoted to managerial positions and the cost associated with allowing correctional officers promoted to managerial positions to remain in CORS.

The study required by **Chapter 556** found that the differences between the benefit structures for CORS and EPS created a disincentive for a member of CORS to accept a promotion to a managerial position, and that changes to the vesting period and reduced EPS multiplier under the BRFA of 2011 exacerbated the disincentive. **Chapter 188 of 2014** made changes to the positions eligible for membership in CORS. Specifically, it added correctional officers who begin serving as security chiefs, facility administrators, assistant wardens, or wardens on or after July 1, 2014, as members of CORS as a condition of their employment. **Chapter 188** also gave individuals serving in those specified positions as of

June 30, 2014, six months to transfer their service credit from EPS to CORS if they continue serving in those positions.

General Assembly

Legislative Compensation

The Maryland Constitution establishes the process for determining legislative salaries, expense reimbursements, and fringe benefits through the nine-member General Assembly Compensation Commission (commission). The commission must submit salary and allowance recommendations to the legislature every four years. The commission includes five members appointed by the Governor, two members appointed by the President of the Senate, and two members appointed by the Speaker of the House of Delegates.

The commission must submit compensation recommendations by formal resolution within 15 days after the beginning of the last regular legislative session in a four-year term of office. The recommendations take effect automatically unless the General Assembly acts to decrease or reject particular items. The General Assembly may not increase the recommended salaries or other items in the resolution.

The 2014 resolution increases legislator salaries beginning in 2015. Specifically, the resolution provides for a \$1,707 annual increase for four years for all legislators except for the Presiding Officers who will receive an annual increase of \$2,218 over the same period. These increases will result in a salary of \$65,371 in 2018 for the Presiding Officers and \$50,330 for all other members of the General Assembly. The commission noted that the recommendations were in recognition of the fact that legislative salaries have remained unchanged since 2006.

The resolution also amends the legislative pension plan in recognition of significant reforms made to the State employee and teacher retirement systems in 2011. Specifically, the resolution increases the legislator contribution to 7%. In addition, the resolution increases the normal retirement age to 62 and the reduced service retirement age to 55. The resolution also amends one optional form of retirement allowance and repeals two optional forms of retirement allowances based on Internal Revenue Service (IRS) concerns and consistent with changes made in the State employee and teacher retirement systems. Finally, the resolution makes membership in the legislative pension plan mandatory.

In recognition of reforms made to the State employee and teacher retiree health benefits in 2011, for legislators with no creditable service prior to January 14, 2015, the resolution alters the calculation of the State subsidy of retiree health benefit from 1/16 of the full State subsidy to 1/20 of the full State subsidy for each year of service. The resolution also aligns participation in the State health program for former legislators to coverage provided to former State employees.

Finally, the resolution makes changes to travel allowances and reimbursement rates. Specifically, the resolution increases the annual in-district travel allowance from \$500 to \$750 to reflect increases in the cost of fuel. In addition, the resolution changes a reference for

reimbursement of in-state lodging from the IRS to the General Services Administration (GSA) and allows reimbursement at the appropriate local rate for attendance at functions approved by the Presiding Officers that are outside of Annapolis. Finally, the resolution ties the maximum reimbursement for meals and lodging expenses for approved out-of-state travel to the current federal domestic per-diem rates established by GSA and removes the approval of reimbursement in excess of those rates.

The General Assembly did not modify the commission's resolution by joint resolution and, as a result, the resolution takes effect at the beginning of the term of the next General Assembly.

Legislative Oversight

Statutory Committees

The General Assembly has established through legislation a number of joint legislative committees to advise it on important policy issues. During the 2011-2014 legislative term, the General Assembly created, modified, and terminated a number of these groups.

Chapter 427 of 2014 created the Joint Committee on Ending Homelessness to take specified actions to ensure that public resources, programs, and policies are coordinated and effective in preventing, mitigating the effects of, and ending homelessness in Maryland. The joint committee includes five members of the Senate of Maryland and five members of the House of Delegates. The Act does not take effect until June 1, 2015.

Chapter 464 of 2014, the Budget Reconciliation and Finance Act (BRFA), includes provisions to combine, restructure, and eliminate a number of joint legislative committees as follows:

- The Joint Information Technology and Biotechnology Committee is renamed the Joint Committee on Cybersecurity, Information Technology, and Biotechnology. The joint committee must (1) work to broaden the support, knowledge, and awareness of advances in cybersecurity, information technology, and biotechnology; (2) evaluate State cybersecurity systems and the adequacy of economic development and job skills training programs to advance cybersecurity in the State; (3) make recommendations regarding actions to promote cybersecurity, information technology, and biotechnology industries in the State; and (4) examine and evaluate additional cybersecurity-, information technology-, or biotechnology-related issues.
- The Joint Committee on Transparency and Open Government, originally established by *Chapters 508 and 509 of 2011*, and the Joint Advisory Committee on Legislative Data Systems are consolidated into a new Joint Committee on Legislative Information Technology and Open Government. This committee must study and make recommendations related to legislative information technology systems; transparency and access to government resources, publications, and actions; and policies or actions to

enhance the security of State information technology systems and information held by State units.

- **Chapter 464** also eliminated the Joint Committee on Welfare Reform, the Joint Committee on Health Care Delivery and Financing, and the Joint Committee on Access to Mental Health Services.

Tax Credit Evaluation

In the interest of fiscal accountability, **Chapters 568 and 569 of 2012** established a formal system of legislative review, beginning in 2013, to determine whether specific statutory tax credits are necessary and beneficial. The legislation created a legislative committee evaluation process in consultation with the Comptroller's Office, the Department of Budget and Management, the Department of Legislative Services (DLS), and agencies administering tax credits. The following tax credits will be reviewed: Enterprise Zone Credits; One Maryland Economic Development Credits; Earned Income Credits; Film Production Activity Credits; Sustainable Communities Credits; Research and Development Expenses Credits; New Job Creating Businesses Credits; and Biotechnology Investment Incentive Credits. For a further discussion of **Chapters 568 and 569**, see the subpart "Income Tax" within Part B – Taxes of this *Major Issues Review*.

Program Evaluation ("Sunset Review") of Regulatory Boards and Commissions

The General Assembly uses the Maryland Program Evaluation Act, enacted in 1978, as a mechanism to monitor and evaluate approximately 70 regulatory boards, commissions, and other agencies of the Executive Branch of State government. This law requires the Department of Legislative Services (DLS) periodically to 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.

During the 2011-2014 legislative term, program evaluation ("sunset review") activities focused on the following regulatory agencies and programs:

- Electrology Practice Committee of the State Board of Nursing;
- State Board of Examiners of Psychologists;
- State Board of Podiatric Examiners;
- State Board of Architects;

- State Board of Heating, Ventilation, Air Conditioning, and Refrigeration Contractors;
- State Board of Examiners of Nursing Home Administrators;
- State Board for Professional Engineers;
- Office of the Commissioner of Financial Regulation;
- State Collection Agency Licensing Board;
- State Board of Master Electricians;
- Maryland Home Improvement Commission;
- State Board for Certification of Residential Child Care Program Professionals;
- State Board of Social Work Examiners;
- State Board of Certified Interior Designers;
- State Commission of Real Estate Appraisers and Home Inspectors;
- State Board of Pharmacy;
- Office of Cemetery Oversight;
- State Board of Environmental Health Specialists;
- State Board of Nursing;
- State Real Estate Commission;
- State Acupuncture Board;
- State Board of Dietetic Practice;
- State Board of Occupational Therapy Practice;
- State Board of Public Accountancy;
- Division of Labor and Industry in the Department of Labor, Licensing, and Regulation and its associated boards and councils;

- State Board of Physicians and its allied health advisory committees;
- State Board of Stationary Engineers;
- State Board of Individual Tax Preparers;
- Prescription Drug Monitoring Program in the Department of Health and Mental Hygiene;
- Maryland Horse Industry Board;
- Elevator Safety Review Board;
- State Board of Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists;
- State Board of Foresters; and
- Maryland Horse Racing Act.

Legislative Revisions of the Annotated Code (Code Revision)

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 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 DLS and the work is exhaustively reviewed by prominent members of the legal community prior to being introduced as bills.

The following Code Revision projects were enacted during the 2011-2014 legislative term:

- **Chapter 426 of 2012** created a new Land Use Article of the Annotated Code. The article governs the establishment and implementation of land use mechanisms by local governments and their jurisdictions.
- **Chapter 119 of 2013** created a new Local Government Article. The article includes the laws that relate to counties, municipalities, and other local political subdivisions.
- **Chapter 94 of 2014** created the new General Provisions Article. This article includes provisions relating to the rules of interpretation, official oaths, open meetings, public information, ethics, the United States, State emblems, and commemorative days and months.

Part D

Local Government

Local Government – Generally

Counties

Authorization to Harvest Seafood and Engage in the Seafood Industry

Chapter 385 of 2011 expanded to all counties an authorization to adopt an ordinance, resolution, or regulation or take any other action considered necessary to authorize a person to engage in activities related to the seafood industry and to harvest seafood. Before adopting such an ordinance, resolution, or regulation, the governing body must hold a public hearing and obtain the written consent of the Secretary of Natural Resources.

Prince George’s County Ethics Laws

Counties are required, under the Maryland Public Ethics Law, to enact provisions to govern the public ethics of local officials relating to conflicts of interest, financial disclosure, and lobbying. The provisions of a county’s ethics laws generally must be similar to State public ethics laws but may be modified to make the provisions relevant to the jurisdiction. Several pieces of legislation were enacted in 2011 relating to the county ethics laws in Prince George’s County.

Public Ethics Requirements: Chapter 72 of 2011 required conflict-of-interest provisions enacted by the county, under the Maryland Public Ethics Law, to prohibit the county government from issuing a credit card to an elected county official or a school board member. The Act also required conflict-of-interest provisions to prohibit an elected county official from directly or indirectly soliciting a person to enter into a business relationship with or provide anything of monetary value to a specific individual or entity, if the person being solicited is seeking the success or defeat of county legislation, a county contract, or any other county benefit. A conflict-of-interest provision enacted in accordance with this requirement, however, does not affect the validity of any legally enacted requirement or condition, proposed and adopted on the public record at a public hearing, for the purpose of mitigating the impact of a development on

the property owners in the areas surrounding the development, including an adequate public facilities requirement, a minority business requirement, or a community benefit requirement.

Lobbying provisions enacted by Prince George's County, under the Maryland Public Ethics Law, must prohibit a person from being hired as a lobbyist for compensation that is dependent on the outcome of executive or legislative action before the county government.

Additionally, *Chapter 72* required the county's ethics enactments to provide for a county board of ethics composed of five members appointed by the county executive, subject to the advice and consent of the county council, and an executive director of the board of ethics who must meet at least annually with each elected official of the county, assist the officials in preparing required affidavits or other documents, and conduct ethics-related briefings. The county's ethics enactments must also require the county board of ethics to meet at least two times each year.

Limitations on Contributions to Slates: Chapter 91 of 2011 expanded existing prohibitions and disclosure requirements regarding political contributions to Prince George's County Council members or the county executive made by, or solicited by, persons or entities with an interest in planning- and zoning-related applications to be considered by the Prince George's County District Council to also apply to contributions to a slate to which a county council member or the county executive belongs or belonged. The Act also repealed a provision that exempts a council member from a requirement that the member not vote or participate in any way in a proceeding on an application if political contributions have been received by the member if interested persons or entities have not filed an affidavit disclosing such contributions. *Chapter 91* applied only prospectively and did not prohibit a council member from participating in a Prince George's County District Council proceeding based on a contribution made before January 1, 2011.

Counties and Municipalities

Direct Deposit of Wages

Chapter 324 of 2011 authorized a county or municipality to pay the wages of an employee by direct deposit and allowed a county or municipality to require an employee to receive wages in this manner as a condition of employment, except under specified circumstances.

A county or municipality may not require the payment of wages by direct deposit for an employee (1) who was hired before October 1, 2011, unless the county or municipality, before October 1, 2011, required by local law, regulation, or collective bargaining agreement, the payment of wages by direct deposit; (2) whose employment is not conditioned on the employee receiving the payment of wages by direct deposit; or (3) who does not have a personal bank account and informs the employer of his or her intent to opt out of the direct deposit program.

Counties or municipalities that pay employees by direct deposit must deposit the wages into a personal bank account designated by an employee. The employer must also provide each

employee with a direct deposit statement that includes the total amount of the wage, any amount deducted from the wage, and the amount of the wage directly deposited into the employee's bank account.

Chapter 324 also specified that an employee who is required or elects to receive wages by direct deposit must complete an electronic fund transfer authorization form and use a personal bank account housed within a financial institution that participates in the automated clearing house electronic payment network.

Automated External Defibrillator Programs at Swimming Pools

An automated external defibrillator (AED) is a device about the size of a laptop computer that analyzes the cardiac rhythm of a victim of sudden cardiac arrest, charges the unit, and delivers an electric charge as directed by an operator through adhesive pads placed on the victim's chest. **Chapter 107 of 2013** required counties and municipalities that own or operate swimming pools to develop and implement an AED program that includes provisions which ensure that an AED is provided on site and that an individual trained in the operation and use of an AED is present at each swimming pool. The Department of Health and Mental Hygiene and the Maryland Institute for Emergency Medical Services Systems were required to jointly adopt regulations to establish guidelines for periodic inspections and annual maintenance of AEDs and assist counties and municipalities in carrying out the Act's provisions.

Clean Energy Loan Program

Chapter 743 of 2009 authorized a county or municipality to enact an ordinance or a resolution establishing a clean energy loan program to provide loans to:

- residential property owners, including low-income residential property owners, to finance energy efficiency and renewable energy projects; and
- commercial property owners, to finance energy efficiency projects and renewable energy projects with an electric generating capacity of not more than 100 kilowatts.

A clean energy loan program must require a property owner to repay a loan through a surcharge on the owner's property tax bill. The surcharge must be limited to an amount that allows the local government to recover the costs associated with issuing bonds to finance the loan and costs associated with administering the program. A person who acquires property subject to a surcharge assumes the obligation to pay the surcharge.

Chapters 472 and 473 of 2014 authorized a private lender to provide capital for a loan to a commercial property owner under a local clean energy loan program. With the express consent of any holder of a mortgage or deed of trust on a commercial property that is to be improved through a loan under the program (1) a county or municipality may collect loan payments owed to a private lender or to the county or municipality, and costs associated with administering the program, through a surcharge on the property owner's property tax bill; (2) an unpaid surcharge

is, until paid, a lien on the real property it is imposed on; and (3) State law provisions applicable to a property tax lien also apply to an unpaid surcharge lien.

Local Government Investments

Local Government Investment Pool – Authorized Participants

The Maryland Local Government Investment Pool (MLGIP) is a vehicle administered by the State Treasurer and provided to local governments for the short-term investment of funds. MLGIP consists of all funds from local governments placed in the custody of the State and any funds of the State that are placed in the pool by the State Treasurer. Investment guidelines for the pool are the same as those for State funds.

Chapters 536 and 537 of 2012 expanded the list of participants that may place funds in MLGIP to include, with the approval of the State Treasurer, a unit of State government, or an entity of the State if its funds are not State money over which the State Treasurer has investment authority. The Acts made clarifying technical changes regarding specified monies and also allowed the State Treasurer to specify maximum amounts that may be deposited by any authorized participant.

Investment Guidelines

Local governments are required to establish and follow a local investment policy for public funds that is consistent with guidelines established by the State Treasurer. The guidelines are intended to govern the investment of public funds by local governments in a manner that facilitates sound cash management while protecting the public interest and assuring that the local government has access to the public funds it needs. For purposes of this requirement, local government means Baltimore City, counties, municipalities, community colleges, the Washington Suburban Sanitary Commission, public corporations, and authorities of the State that issue debt. The public funds subject to the local investment policy do not include revenues held as part of a pension fund, other postemployment fund, or a trust fund account, or funds held for self-insurance purposes.

Chapters 515 and 516 of 2012 excluded revenues held by certain units of local government for self-insurance purposes from those public funds that must be invested in accordance with a local investment policy.

Chapter 423 of 2014 added a trust fund account or a fund for self insurance purposes of a political subdivision of the State or a unit of a political subdivision to the types of funds in which a trustee or other officer may invest in a specified manner for consistency with the way “public money” is defined for purposes of the local government investment guidelines.

Land Use

Comprehensive Planning and Zoning Cycle

Local jurisdictions are required to enact, adopt, amend, and execute a comprehensive plan in accordance with State law. Certain elements must be included in a comprehensive plan and additional permissive elements may be included. A comprehensive plan also must include or implement specified visions stated in the law. The planning commission of a local jurisdiction is required to review the comprehensive plan every 10 years and, if necessary, revise or amend the plan to include all required elements and the specified visions. A planning commission may prepare comprehensive plans for one or more geographic sections or divisions of the local jurisdiction if each plan is reviewed and, if necessary, revised or amended every 10 years.

Corresponding with the comprehensive plan revision process, every 10 years a local jurisdiction must ensure the implementation of the visions, the development regulations element, and the sensitive areas element through the adoption of applicable zoning laws and planned development, subdivision, and other land use provisions that are consistent with the comprehensive plan.

Chapter 149 of 2012 was aimed at limiting nutrient pollution to the Chesapeake Bay and other water resources from septic systems and established four growth tiers which may be adopted by local jurisdictions. The Act established four tiers to guide growth on central sewer and septic systems. The growth tiers, which are based on specified land use characteristics, must be adopted by local jurisdictions before the jurisdiction may approve a major residential subdivision served by on-site sewage disposal systems, community sewerage systems, or shared systems. A jurisdiction that does not adopt growth tiers is restricted from authorizing residential major subdivisions served by on-site sewage disposal systems, community sewerage systems, or shared systems. Also, a local jurisdiction that adopts growth tiers must incorporate the tiers into the jurisdiction's comprehensive plan or an element of the plan when the jurisdiction conducts the next review of the plan.

For a further discussion of **Chapter 149**, see the subparts "Environment" and "Agriculture" within Part K – Natural Resources, Environment, and Agriculture of this *Major Issues Review*.

Chapters 520 and 521 of 2013 increased the time period of a local government's comprehensive planning and zoning cycle to 10 years, instead of 6 years, to better coincide with the release of U.S. decennial census data. The Acts also required that, at least once within the 5-year period after the adoption or review of the local jurisdiction's comprehensive plan, the annual report a planning commission must file with the legislative body of the local jurisdiction contain a specified narrative on the implementation status of the plan. By December 1, 2015, the Maryland Department of Planning, along with the Maryland Association of Counties and the Maryland Municipal League, must create a schedule to transition local governments from a 6-year cycle to a 10-year cycle that, to the extent practicable, coincides with the release of census

data and allows a local jurisdiction access to that data at the beginning of the comprehensive plan review process.

A local jurisdiction that, as of the effective date of *Chapters 520 and 521*, had not incorporated the growth tiers under *Chapter 149 of 2012* into the jurisdiction's comprehensive plan was required to do so at the time the jurisdiction was scheduled to conduct its six-year comprehensive plan review prior to the Acts taking effect. Failure to do so caused the growth tiers not to be considered as adopted.

Maryland Smart Growth Investment Fund Workgroup

In January 2013, a report of the Concentrating Growth Workgroup of the Maryland Sustainable Growth Commission made recommendations for “priority next steps for financing smart growth” in the State, including a recommendation to establish a renewable funding mechanism for smart growth programs that aims to raise at least \$35 million annually.

Chapters 592 and 593 of 2013 required the Secretary of Housing and Community Development to convene a workgroup to evaluate and make recommendations relating to creating the Maryland Smart Growth Investment Fund.

The Acts specified the membership and duties of the workgroup and required the workgroup to:

- review national and international experience in analogous fund creation, management, and governance;
- design a management and governance model to help accelerate smart growth, revitalization, and sustainable development in areas of the State such as sustainable communities and transit-oriented developments;
- identify criteria for how money in the fund would be invested;
- examine potential funding sources, including institutional investors, high net worth investors, and public funds;
- examine investment instruments, including equity, debt, and guarantees;
- examine the benefits of developing “sidecar” funds that would be funded at the county level and would be coordinated with the Maryland Smart Growth Investment Fund; and
- design an investment and management model for the Maryland Smart Growth Investment Fund.

The Secretary of Housing and Community Development was required to report the workgroup’s findings and recommendations to the Governor and the General Assembly by December 31, 2013.

Local Historic District Commissions and Historic Preservation Commissions

Under provisions of law that are generally applicable to noncharter counties and municipalities, a local jurisdiction may create a “historic district commission” or “historic preservation commission,” which must have at least five members. Each member of a historic district commission or historic preservation commission must possess specified interest, knowledge, or training in one of a number of specified fields or related disciplines. A local jurisdiction that creates a historic district commission or historic preservation commission must establish and publicly adopt criteria for qualifying as a member. A majority of the members must be residents of the local jurisdiction that created the commission.

Each member of a historic district commission or historic preservation commission must be appointed for a three-year term, and terms of the members must be staggered. A member is eligible for reappointment. The appointing authority must fill any vacancy on a commission for the unexpired term of the vacant position.

Chapter 138 of 2012 authorized a local jurisdiction that has a historic district commission or historic preservation commission to designate one alternate member who may sit on the commission when any other member is absent. In addition, when the alternate member is absent, the local jurisdiction may designate a temporary alternate.

Code Revision

As part of the General Assembly’s ongoing process of Code revision, which updates existing law without making any substantive changes, the laws relating to land use and local government were revised. The primary purposes of these revisions are modernization and clarification of the law, including the improvement of organization, the elimination of obsolete or unconstitutional provisions, and the general improvement of language and expression.

Land Use Article

Chapter 426 of 2012 revised, restated, and recodified the laws of the State that relate to land use. The Land Use Article as a whole governs the establishment and implementation of land use mechanisms by local governments in their jurisdictions. Division I was transferred from Article 66B – Land Use and contains statewide enabling authority and planning requirements and other provisions concerning land use in commission counties, municipalities, and Baltimore City. Division II was transferred from Article 28 – Maryland-National Capital Park and Planning Commission (M-NCPPC) and contains provisions on M-NCPPC and on land use in Montgomery and Prince George’s counties.

Chapter 427 of 2012 corrected cross-references to the new Land Use Article of the Annotated Code of Maryland; added a reference to laws governing the Critical Area Program to

a list in the Land Use Article of other public general laws that may affect land use in a local jurisdiction; and specified that, under provisions relating to historic preservation in Title 8 of the Land Use Article, which are generally applicable to noncharter counties and municipalities, “person” includes a unit of local government.

Chapter 674 of 2013 made various changes to the Land Use Article in response to issues identified by the Land Use Article Review Committee during the Code revision process, including provisions relating to planning commissions, comprehensive plans, zoning regulations, development rights, subdivision planning, and the M-NCPPC.

Local Government Article

Chapter 119 of 2013 revised, restated, and recodified the laws of the State that relate to local government. The Local Government Article is a consolidation of laws relating to counties, municipalities, and other local political subdivisions. The article is composed of 13 former articles of the Code that are repealed in their entirety and revised in the new Local Government Article (Article 19, Article 23A, Article 24, Article 25, Article 25A, Article 25B, Article 26, Article 31, Article 49B, Article 75, Article 78A, Article 95, and Article 96½). Additionally, two articles were partially revised in the Local Government Article (Article 3 and Article 41).

Chapter 136 of 2013 was a companion to *Chapter 119*. This legislation (1) corrected cross-references to the new Local Government Article; (2) clarified the application of specified provisions; (3) made changes to conform sections of the Code to references in the new article; (4) deleted obsolete references; (5) provided for the construction and effect of specified provisions; and (6) made stylistic changes.

Bi-county Agencies

Washington Suburban Sanitary Commission

The Washington Suburban Sanitary Commission (WSSC), a bi-county agency established by the Maryland General Assembly in 1918, is the eighth largest water and wastewater utility in the country. WSSC provides water and sewer services to approximately 1.8 million residents in an area that comprises most of Montgomery and Prince George’s counties (the Washington Suburban Sanitary District). WSSC has over 460,000 customer accounts, serves an area of approximately 1,000 square miles, and currently employs more than 1,500 people. The commission’s fiscal 2014 approved budget totaled \$1.4 billion, which included \$698.8 million for the operating budget and \$742.2 million for the capital budget. In terms of facilities, the commission operates and maintains three reservoirs, two water filtration plants, six wastewater treatment plants, and more than 5,600 miles of water main lines and nearly 5,500 miles of sewer main lines.

Transparency and Rate Relief Act of 2012 and Deferred Water and Sewer Charges

Chapter 685 of 2012 established the Task Force to Study Rates and Charges in the Washington Suburban Sanitary District. The task force was required to (1) determine whether other states have a cap on the percentage that a public utility may increase water and sewer usage rates in a single year; (2) complete a comparison of the water and sewer usage rates and rate increases charged by WSSC with rates charged in other states; (3) determine the effect of a General Assembly imposed rate cap or prepayment discount on WSSC; (4) study the process developers follow in charging for the construction of and connection to water and sewer facilities; and (5) make recommendations on standards for construction of and connection to water and sewer facilities and improving transparency in these practices.

Chapter 685 also required Prince George's County, beginning June 1, 2013, to include in each county property tax bill a notice indicating the number of annual payments remaining for WSSC front foot benefit charges for the property.

Chapter 125 of 2013 extended the due date of the report of the task force from December 31, 2012, to December 31, 2013, and extended the termination date of *Chapter 685* to May 31, 2014. In December 2013, the task force published its findings and recommendations. *Chapter 441 of 2014* addressed several of the task force's key recommendations.

Chapter 441 required a contract for the initial sale of residential real property in Prince George's County, that has assessments recorded by a covenant or declaration that defers costs for water and sewer improvements for which the purchaser may be liable, to include specified disclosures relating to the deferred water and sewer assessments. *Chapter 441* prohibited a person or entity that is establishing water and sewer costs for the initial sale of residential real property from amortizing costs passed on to a purchaser by imposing a deferred water and sewer charge for more than 20 years after the date of the initial sale.

For existing single-family residential real property in Prince George's County, *Chapter 441* required a person or entity that imposes a deferred water and sewer charge to provide the property owner with a bill including specified disclosures. The balance owed on a deferred water and sewer assessment may be redeemed at the present value of the assessment.

Finally, *Chapter 441* required Prince George's County to study specified issues relating to deferred water and sewer charges and report its preliminary findings to the Prince George's County Senators and the Prince George's County House Delegation by December 1, 2014, and report its final findings by December 1, 2015.

Sewage Leak Notification Requirements

Chapters 126 and 628 of 2013 mandated procedures for WSSC to follow regarding the notification of local governments and the public about certain sewage leaks. *Chapter 126* required WSSC, within 24 hours of the discovery of a leak in a sanitary sewer line, pipe, or fixture that is connected to the sanitary sewer system, to (1) notify the county and any municipality in which the sewage leak is located about the sewage leak and the commission's

intended action concerning the sewage leak and (2) include on its website notice to the general public about the sewage leak and a phone number for obtaining additional information from the commission.

Chapter 628 required WSSC, within 24 hours after a leak is reported, to post warning signs at each public access point to a waterway that becomes contaminated by a leak in a sanitary sewer line, pipe, or fixture that is connected to the sanitary sewer system. A posted warning sign must include (1) the source and date of discovery of the leak and (2) contact information, including a telephone number, for the general public to obtain additional information from the commission.

Drinking Water Testing

Chapter 127 of 2013 required WSSC to conduct quarterly testing of drinking water for unregulated contaminants included in specified federal regulations. Within 30 days of receiving results that indicate the presence of a contaminant, WSSC must report the results to the county executives of Montgomery County and Prince George's County and publish the results on the WSSC website.

Pipeline Construction

WSSC replaces 35 to 40 miles of water mains per year. When entering into contracts for pipeline construction, WSSC must enter into a design/bid/build contract process where there may be separate contractors for the design and construction of a water or sewer pipeline, rather than a design/build contract. A design/build contract provides for both architectural and engineering design services and construction services as part of a single contract.

Chapter 140 of 2012 expanded the definition of a "facilities construction contract" to include the construction of a pipeline in order to authorize WSSC to enter into a design/build contract for pipeline construction with costs exceeding \$2.0 million. **Chapter 140** also repealed a prohibition on WSSC from entering into a design/build contract for a pipeline.

Commission Infractions – Fines

A person who violates a watershed regulation adopted by WSSC has committed a commission infraction. **Chapter 628 of 2014** increased the maximum preset fines that WSSC may establish for violations of specified watershed regulations from \$50 to \$150 for a first offense and from \$100 to \$300 for a repeat offense. **Chapter 628** also increased the maximum fine by the same amounts for a first or a repeat offense of a person who has violated specified WSSC watershed regulations.

System Development Charges

The WSSC system development charge is imposed on new development as a method to pay for capital expenses needed to accommodate growth in the bi-county area. It is reviewed and updated annually by the Montgomery and Prince George's county councils. Legislation set

a cap on the system development charge rates beginning in fiscal 1999, depending on the type of unit and how many toilets a unit contained; the rate cap is adjusted annually to account for inflation.

Chapter 124 of 2013 authorized the Montgomery County Council and the Prince George's County Council to grant an exemption from a system development charge imposed by WSSC to properties owned by a tax-exempt community-based organization that has the primary mission and purpose of providing recreational and educational programs and services to youth. To qualify for the exemption, which is limited to \$80,000, the property must be used primarily for youth-related recreational and educational programs and services. The Act terminates on June 30, 2016.

Chapter 639 of 2014 amended the system development charges law by defining the terms “apartment unit” and “property” and altering the definition of the term “new service.”

Minority Business Enterprise Utilization Program

The minority business enterprise utilization program within WSSC helps facilitate the participation of certified minority business enterprises for design/build construction contracts. *Chapter 404 of 2012* extended, from July 1, 2012, to July 1, 2017, the authorization of WSSC's minority business enterprise utilization program.

Chapter 125 of 2013 extended the reporting deadline, from September 15 to October 31, for WSSC to submit an annual report on minority business enterprise programs to the Montgomery County and Prince George's County legislative delegations.

High-performance Buildings

Chapter 403 of 2012 required a building that is constructed or undergoes a major renovation as part of a WSSC capital project and is 7,500 square feet or greater to be constructed or renovated as a high-performance building, except for certain types of unoccupied buildings. A high-performance building must meet the criteria and standards established under the “High Efficiency Green Building Program” adopted by the Maryland Green Building Council. WSSC may request a waiver from the high-performance building requirement under certain circumstances.

Prevailing Wage

Chapter 630 of 2013 required the payment of prevailing wages on any public works contract entered into by WSSC that has a contract value of at least \$500,000, regardless of funding source.

Human Resources

Chapter 139 of 2012 modified certain human resources procedures at WSSC. Specifically, *Chapter 139* repealed requirements that WSSC submit specified information

regarding its merit system or classified service to the Secretary of Budget and Management. **Chapter 139** also repealed provisions of law regarding testing requirements for filling vacant positions and clarified that honorably discharged veterans of the U.S. Armed Forces who were bona fide residents of the State when entering the Armed Forces receive a certain credit in competitive selection processes.

Maryland-National Capital Park and Planning Commission

The Maryland-National Capital Park and Planning Commission (M-NCPPC) is a bi-county agency serving Montgomery and Prince George's counties that was empowered by the State in 1927 to acquire and administer a regional system of parks within the Maryland Washington Metropolitan District and administer a general plan for the physical development of the area. In 1970, M-NCPPC became responsible for managing the Prince George's County public recreation program.

Site Plan Approval in Prince George's County

Planning and zoning functions in Prince George's County are administered by multiple entities, including the Prince George's County Planning Board (made up of the 5 Prince George's County members of the 10-member M-NCPPC) and its Planning Department staff; the district council (the county council, when acting on planning and zoning matters); the Office of the Zoning Hearing Examiner; and the Board of Zoning Appeals.

Chapter 90 of 2011 expanded the authority of the Prince George's County Council, sitting as the district council, to review final decisions of the Planning Board on detailed site plan approvals for development projects, subject to a specified timeframe. In addition, a party of record may appeal to the district council a final decision of the planning board on a detailed site plan; and the district council may revoke a delegation of site plan approval authority to the planning board for the purpose of delegating site plan approval authority to a municipality in the regional district.

Capital Improvement Program Submission in Prince George's County

M-NCPPC is required to prepare and submit a six-year *Capital Improvement Program* (CIP) to the Prince George's County Council and the Montgomery County Council on or before specified dates each year. **Chapter 351 of 2011** altered the date, from November 1 to January 15, before which M-NCPPC is required to prepare and submit a six-year CIP to the Prince George's County Council.

Payment in Lieu of Taxes Agreement

Chapter 687 of 2013 authorized M-NCPPC, beginning July 1, 2014, to enter into a negotiated payment in lieu of taxes agreement for all or a specified part of real or personal property owned by an electricity generation facility that locates in Prince George's County. The payment is in lieu of taxes imposed by M-NCPPC and the real or personal property of the facility is exempt from M-NCPPC property taxes for the duration of the agreement.

High-performance Buildings

Chapter 626 of 2013 specified that it is the intent of the General Assembly that, to the extent practicable, M-NCPPC must employ green building technologies when constructing or renovating a commission-owned building that is 7,500 square feet or greater. A high-performance building must meet the criteria and standards established under the “High Efficiency Green Building Program” adopted by the Maryland Green Building Council. M-NCPPC may be granted a waiver from the high-performance building requirement under specified circumstances and must disclose any waiver issued in its CIP.

City of Laurel – Boundaries

Chapter 303 of 2008 modified the boundaries of the Maryland-Washington Regional District to exclude the City of Laurel, as its corporate boundaries were defined as of July 1, 2008. Prior to the enactment of Chapter 303, the boundaries of the Maryland-Washington Regional District did not include the City of Laurel, as its corporate boundaries were defined as of July 1, 1994.

Chapter 627 of 2013 modified the boundaries of the Maryland-Washington Regional District by excluding the City of Laurel as its boundaries existed on July 1, 2013 (rather than July 1, 2008).

Part E

Crimes, Corrections, and Public Safety

Criminal Law

Drug Crimes

During the 2011-2014 term, the General Assembly dealt with several issues related to the use and distribution of marijuana and other drugs.

Possession of a *De Minimis* Quantity of Marijuana

Generally, the use or possession of marijuana is a misdemeanor, with maximum penalties of one year imprisonment and/or a \$1,000 fine. If the court finds that the defendant used or possessed marijuana out of medical necessity, the maximum punishment is a \$100 fine.

Chapters 193 and 194 of 2012 established reduced maximum penalties of 90 days incarceration and/or a \$500 fine for possession of less than 10 grams of marijuana and prohibited the use or possession of less than 10 grams of marijuana from being considered a lesser included crime of any other crime unless specifically charged by the State. In addition, a court was required to stay a sentence, without requiring an appeal bond, after a conviction for possession of less than 10 grams of marijuana, if the sentence included an unserved, nonsuspended period of imprisonment.

Possession of Marijuana as a Civil Offense

In the 2014 session, *Chapter 158 of 2014* reclassified the use or possession of less than 10 grams of marijuana from a criminal offense to a civil offense, subject to a fine of up to \$100 for a first offense, \$250 for a second offense, and \$500 for a third or subsequent offense. On a third or subsequent offense, a court must order the offender to attend a drug education program approved by the Department of Health and Mental Hygiene (DHMH), refer the person to an assessment for substance abuse disorder, and refer the person to substance abuse treatment, if necessary. The court must order an adult offender under the age of 21, even for a first offense, to

attend a drug education program approved by DHMH, refer the person to an assessment for substance abuse disorder, and refer the person to substance abuse treatment, if necessary.

A police officer must issue a citation if the officer has probable cause to believe that the offense has or is being committed. The Act contained requirements for the contents of the civil citation that must be issued in these cases, as well as procedural requirements for the adjudication of the offense in District Court. If a citation is issued for an adult under the age of 21, the court shall summon the person for trial. If the court finds that a person at least 21 years old has committed a third or subsequent violation, the court shall summon the person for trial.

An individual younger than age 18 charged with this civil offense is subject to juvenile court procedures and dispositions, including referral to an alcohol or a substance abuse education or rehabilitation program. A citation for a violation for possession of less than 10 grams of marijuana and the related public court record are not subject to public inspection and may not be included on the public website maintained by the Maryland Judiciary.

The provisions of *Chapter 158* that make the possession of marijuana a civil offense may not be construed to affect laws relating to operating a vehicle or vessel under the influence of or while impaired by a controlled dangerous substance or seizure and forfeiture. The civil penalties collected are to be remitted to DHMH, which must use the money only for funding drug treatment and education programs.

Medical Marijuana

Chapter 215 of 2011 established medical necessity as an affirmative defense in a prosecution for the possession and use of marijuana and paraphernalia related to marijuana. For a more detailed discussion of this issue, see the subpart “Public Health – Generally” within Part J – Health and Human Services of this *Major Issues Review*.

Affirmative Defense for Caregiver: Chapters 61 and 62 of 2013 established that it is an affirmative defense, in a prosecution for the possession of marijuana or related paraphernalia, that the defendant possessed marijuana or paraphernalia because the defendant was a caregiver and the marijuana or paraphernalia was intended for medical use by an individual with a debilitating medical condition. The Acts provided that the affirmative defense may not be used if the defendant was assisting in the use of marijuana in a public place or was in possession of more than one ounce of marijuana. The measures also specified that a defendant may assert the affirmative defense only if the defendant notifies the State’s Attorney of the intention to assert the affirmative defense and provides the State’s Attorney with all documentation in support of the affirmative defense in accordance with the rules of discovery provided in the Maryland Rules.

Medical Marijuana Commission: Chapter 403 of 2013 allowed for the investigational use of marijuana for medical purposes. Specifically, the law established, as an independent commission within DHMH, the Natalie M. LaPrade Medical Marijuana Commission to (1) develop requests for applications for academic medical centers to operate programs in the State; (2) approve or deny initial and renewal program applications; and (3) monitor and oversee

programs approved for operation. **Chapters 61 and 62 of 2013** expanded the purpose and responsibilities of the commission to include the registration of certifying physicians as well as conducting research on issues and disseminating information related to the medical use of marijuana, limited the number of licensed growers, and specified the process by which a qualifying patient may obtain medical marijuana, including provisions related to issuing identification cards for qualifying patients and their caregivers. The legislation also authorized the commission to set reasonable fees to cover its operating costs and distribute any fees collected by the commission to the existing Natalie M. LaPrade Medical Marijuana Commission Fund. For a more detailed discussion of these Acts, see “Public Health – Generally” within Part J – Health and Human Services of this *Major Issues Review*.

Distribution of Salvia to Individuals under 21 – Increased Penalties

Salvia is the common name used for *Salvia divinorum* or *Salvinorum A*, an herb plant native to Mexico. According to the U.S. Drug Enforcement Administration, its leaves may cause a variety of hallucinogenic effects when ingested or smoked. Salvia is sold on the Internet and in college-area paraphernalia shops. **Chapters 200 and 201 of 2010** prohibited the distribution of Salvia to, or possession of Salvia by, an individual under the age of 21. **Chapter 392 of 2011** increased the maximum penalties for distribution of Salvia to an individual under the age of 21 from (1) \$300 to \$1,000 for a first violation; (2) \$1,000 to \$2,000 for a second violation within two years of the first violation; and (3) \$3,000 to \$6,000 for a third or subsequent violation occurring within two years of the preceding violation.

Synthetic Drugs as a Controlled Dangerous Substance

Mephedrone (Bath Salts): “Bath salts” is the common name for synthetic drugs such as mephedrone and Methylenedioxypyrovalerone (MDPV) that are sold in powder or tablet form. The drugs have amphetamine-like qualities and produce side effects such as increased blood pressure, delusions, paranoia, and psychosis. Users often report experiencing effects similar to cocaine, ecstasy, and methamphetamines. The products have been confirmed or suspected in a number of deaths nationwide. A large majority of states have banned certain bath salt chemicals.

Chapter 384 of 2012 designated mephedrone, MDPV, methylone, and three other similar chemical compounds (the same substances previously added to Schedule I by regulation) as statutory Schedule I controlled dangerous substances.

Cannabimimetic Agents

Cannabimimetic agents, also referred to as “synthetic marijuana” or “synthetic cannabinoids,” are chemical substances that are not derived from the marijuana plant but are designed to affect the body in ways similar to THC, the primary psychoactive ingredient in marijuana. Synthetic cannabinoids are typically sprayed onto plant material and marketed under names such as “Spice” or “K2.” The popularity and availability of these substances has grown in recent years, and criminal enforcement of the sale and possession of these substances has been challenging, since manufacturers can elude legal bans on products by making slight changes to their chemical structures. On July 9, 2012, President Barack Obama signed the Synthetic Drug

Abuse Prevention Act of 2012 (SDAPA). SDAPA placed 26 substances in the federal list of Schedule I controlled dangerous substances.

Chapter 442 of 2013 codified cannabimimetic agents identified under SDAPA to the State's list of Schedule I controlled dangerous substances. Cannabimimetic agents are defined as substances that are cannabinoid receptor type 1 (CB1 receptor) agonists as demonstrated by binding studies and functional assays within one of several specified structural classes. The Act also specifically listed several chemical substances that are considered cannabimimetic agents.

Crimes Relating to Children

The 2011-2014 term saw continuing efforts to enact laws with the purpose of protecting children.

Child Neglect

Chapters 398 and 399 of 2011 created a new misdemeanor crime of child neglect. A parent, family member, household member, or other person who has permanent or temporary care, custody, or responsibility for the supervision of a minor may not neglect the minor. For a more detailed discussion of this issue, see the subpart "Family Law" within Part F – Courts and Civil Proceedings of this *Major Issues Review*.

Child Abuse

Chapter 167 of 2003 established the crimes of child abuse in the first and second degrees and provided that a parent or other person who has permanent or temporary care, custody, or responsibility for the supervision of a minor may not cause abuse resulting in severe physical injury or death to the minor. A violator convicted of the felony of child abuse in the first degree is subject to maximum imprisonment for 25 years for causing severe physical injury to the victim or, if the violation results in the death of the victim, maximum imprisonment for 30 years. Child abuse in the second degree means abuse that does not result in serious physical injury or death to the minor with a maximum imprisonment for 15 years. *Chapters 249 and 250 of 2012* expanded the list of persons who can be convicted of first degree child abuse to specifically include a family member or household member and increased the maximum penalties for first degree child abuse and a subsequent conviction for child abuse resulting in death of the victim to 40 years imprisonment.

Reporting Death or Disappearance of a Minor

Chapter 366 of 2013 prohibited a parent or other person who has permanent care or custody or responsibility for the supervision of a minor who is under the age of 13 from recklessly or willfully failing to notify the appropriate law enforcement agency that the minor is a "missing child" within 24 hours of the time at which the parent or other person knew or should have known that the minor is a missing child, unless the disappearance of the minor has already been reported to the appropriate law enforcement agency. "Missing child" is defined as a minor whose whereabouts are unknown to a parent or other person who has permanent care and

custody or responsibility for the supervision of the minor. A violator is guilty of a misdemeanor and subject to imprisonment for up to three years. **Chapter 366** also required a parent or other person who has permanent care or custody or responsibility for the supervision of a minor to report the death of a minor to the appropriate law enforcement agency or medical authority within five hours of becoming aware of the death unless the death has already been reported to the appropriate law enforcement agency or medical authority. A violator is guilty of a misdemeanor and subject to imprisonment for up to three years.

Electronic Harassment of a Minor

Chapter 369 of 2013, “Grace’s Law,” prohibited a person from using an “interactive computer service” to maliciously engage in a course of conduct that inflicts serious emotional distress on a minor or places a minor in reasonable fear of death or serious bodily injury with the intent (1) to kill, injure, harass, or cause serious emotional distress to the minor or (2) to place the minor in reasonable fear of death or serious bodily injury. An “interactive computer service” means an information service, system, or access software provider that provides or enables computer access by multiple users to a computer server, including a system that provides access to the Internet and cellular phones. A violator is guilty of a misdemeanor and subject to imprisonment for up to one year and/or a \$500 maximum fine. **Chapter 369** was named in honor of Grace McComas, a 15-year-old from Howard County who, after repeated and vicious harassment online by a neighbor, committed suicide in April 2012.

Child Kidnapping for the Purpose of Committing a Sexual Crime

Chapter 168 of 2014 (1) altered the elements of the offense of abduction of a child younger than age 16 for purposes of prostitution or committing a sexual crime; (2) reclassified the offense from a misdemeanor to a felony; and (3) increased the maximum incarceration penalty for the offense from 10 to 25 years. Under **Chapter 168**, a person is prohibited from persuading or enticing or aiding in the persuasion or enticement of an individual younger than age 16 from the individual’s home or from the custody of the individual’s parent or guardian and knowingly secreting or harboring or aiding in the secreting or harboring of the individual for the purposes of committing a sexual crime.

Committing Crime of Violence in Presence of Minor

According to the National Network to End Domestic Violence, on average, three women are killed by a current or former intimate partner each day in the United States, and approximately 15.5 million children are exposed to domestic violence every year. Studies have shown that children who witness domestic violence may suffer emotional and developmental difficulties that are similar to those suffered by children who have been directly abused. **Chapters 115 and 116 of 2014** prohibited a person from committing a crime of violence when the person knows or reasonably should know that a minor, who is at least two years old, is present in a residence within sight or hearing of the crime of violence. A violator is subject to an enhanced penalty of imprisonment for up to five years in addition to any other sentence imposed for the crime of violence. An enhanced penalty imposed under the Acts must be separate from and consecutive to any sentence for the crime of violence. A court may impose this enhanced

penalty if (1) the State's Attorney notifies the defendant in writing, at least 30 days before trial in the circuit court and 15 days before trial in the District Court, of the State's intention to seek the enhanced penalty and (2) the elements of the offense have been proven beyond a reasonable doubt. If the defendant is charged by indictment or criminal information, the State may include the required notice in the indictment or information.

Crimes Involving Firearms

Restrictions against Use and Possession of Firearms

Chapters 164 and 165 of 2011 expanded the prohibition and restrictions against use and possession of firearms. The legislation expanded the scope of the crime of using an antique firearm or handgun in the commission of a crime of violence or any felony to include "firearm." "Firearm" is defined to include a weapon, whether loaded or unloaded and a rifle or a shotgun. This change closes a loophole that has prevented courts from penalizing those who carry out crimes with rifles or shotguns as severely as those who use handguns. *Chapters 164 and 165* also extended the maximum sentence to 15 years for a person previously convicted of a crime of violence or a specified controlled dangerous substance offense who later is apprehended in possession of a rifle or shotgun. *Chapters 164 and 165* brought State law closer to federal law which prohibits the possession of any firearm or ammunition by a person convicted in any court of a crime punishable by imprisonment for a term exceeding one year. Significant legislation was enacted during the 2011-2014 term regarding firearms. For a more detailed discussion of enactments regarding firearms, see the subpart "Public Safety" within this Part E of the *Major Issues Review*.

Firearm Safety Act of 2013

The apparent national increase in incidents of mass shootings, and particularly the Sandy Hook Elementary School shooting in Newtown, Connecticut in December 2012, brought renewed focus to issues relating to gun violence and individuals' access to firearms. *Chapter 427 of 2013* modified and expanded the regulation of firearms, firearms dealers, and ammunition in the State and made changes to related mental health restrictions on the possession of firearms. Among its provisions, the Act extended the scope of current assault pistol prohibitions to all assault weapons, created a new licensing scheme for handguns under the licensing authority of the Department of State Police, and provided restrictions on ammunition.

Violent Crimes

Accessory after the Fact to Murder

A person convicted of being an accessory after the fact to a felony is guilty of a felony and subject to imprisonment for up to five years or the maximum penalty for the underlying felony, whichever is lesser. *Chapter 635 of 2013* increased the maximum penalty for being an accessory after the fact to murder in the first or second degree from 5 to 10 years.

Threatening to Commit Crime of Violence

In June 2013, a judge dismissed criminal charges against a Crofton man who threatened to blow up his colleagues at the Prince George's County business where he worked. Authorities seized legally owned firearms and ammunition from his home, and he was eventually charged with a single count of telephone misuse and placed under psychiatric evaluation. In March 2012, a University of Maryland, College Park student made threats in an online chat room that he was going to go on a campus shooting spree. Law enforcement authorities located the student and raided his dormitory room and his family's home after receiving alerts from chat room participants. The student eventually pleaded guilty to telephone misuse and disturbing activities at school and received three years of supervised probation. In both of these cases, prosecutors expressed concerns that more serious charges and penalties were not available for the crimes alleged to have been committed.

Chapter 236 of 2014 prohibited a person from knowingly threatening to commit a crime of violence, or threatening to cause such a crime to be committed, that would place others at a substantial risk of death or serious physical injury if as a result of the threat, regardless of whether the threat is carried out, five or more people are (1) placed in reasonable fear that the crime will be committed; (2) evacuated from a dwelling, storehouse, or public place; (3) required to move to a designated area within a dwelling, storehouse, or public place; or (4) required to remain in a designated safe area within a dwelling, storehouse, or public place. The prohibition applies to a threat made by oral or written communication or electronic mail. Violators are guilty of a misdemeanor, punishable by imprisonment for up to 10 years and/or a maximum fine of \$10,000. In addition to these penalties, a court must order a person convicted of this offense to reimburse the appropriate unit of government or other person for expenses and losses incurred in responding to the unlawful threat unless the court states on the record why reimbursement would be inappropriate.

Home Invasion

A person may not break and enter the dwelling of another with the intent to commit theft or a crime of violence. A violator is guilty of first degree burglary, a felony punishable by imprisonment for up to 20 years. **Chapter 238 of 2014** established that a person who breaks and enters the dwelling of another with the intent to commit a crime of violence is guilty of the felony of home invasion under the burglary in the first degree statute, punishable by imprisonment for up to 25 years. **Chapter 238** retained the application of the former maximum penalty for first degree burglary (imprisonment for 20 years) to individuals who break and enter the dwelling of another with the intent to commit a theft.

Crimes Involving Vehicles

During the 2011-2014 term, the General Assembly made several changes regarding criminal activity while using a vehicle.

Manslaughter by Vehicle or Vessel – Criminal Negligence

Chapter 334 of 2011 created a new misdemeanor crime of criminally negligent manslaughter by vehicle or vessel. For a more detailed discussion of this issue, see the subpart “Motor Vehicles” within Part G – Transportation and Motor Vehicles of this *Major Issues Review*.

Causing a Life-threatening Injury While Driving Impaired by Illegal Drugs

A person may not cause a life-threatening injury to another person by negligently driving or operating a motor vehicle while impaired by a controlled dangerous substance that the person is not entitled to use under State law. A person who is in a motor vehicle accident that results in death or life-threatening injury to another person must submit to a test if detained by an officer who has reasonable grounds to believe the person committed an alcohol- and/or drug-related driving offense. The Motor Vehicle Administration must assess 12 points against the license of a person who is convicted of causing a life-threatening injury by motor vehicle while under the influence of alcohol and/or drugs, and the license is subject to revocation. *Chapter 434 of 2012* increased the maximum penalties for this crime to a \$5,000 fine and/or three years imprisonment.

Rental Vehicles

A person who enters into an agreement to rent a motor vehicle may not abandon the vehicle or refuse or willfully neglect to return it at the end of the rental period. Violators are guilty of a misdemeanor and subject to maximum imprisonment for one year and/or a \$500 fine. *Chapter 354 of 2012* added a five-day notice requirement to the law. A person may not be prosecuted if, within five days after a written demand for the return of the vehicle is sent, the person returns the vehicle. A prosecution for abandoning or failing to return a rental vehicle may not be commenced until after the five-day grace period has lapsed.

Chapter 591 of 2014 repealed the criminal offense of “unauthorized use of a rented motor vehicle.” As a result, a person can no longer be charged with a criminal offense for (1) allowing another to drive a motor vehicle that the person rented, if the rental agreement prohibits another from driving the motor vehicle or (2) driving a rental vehicle without the consent of the lessor or the lessor’s agent if the motor vehicle rental agreement prohibits a person other than the renter of the vehicle from driving the rental vehicle.

Theft from a Motor Vehicle

A person may not possess a burglar’s tool with the intent to use or allow the use of the burglar’s tool in the commission of a crime involving the breaking and entering of a motor vehicle. Also, a person may not be in or on another person’s motor vehicle with the intent to commit theft of the motor vehicle or property that is in the motor vehicle. A violator is guilty of a misdemeanor and subject to maximum imprisonment for three years. *Chapter 382 of 2012* added language to the crime to prohibit a person from being in or on another person’s motor vehicle with the intent to commit theft of property that is *on* the vehicle.

Open Container or Consumption of Alcoholic Beverage in Vehicle Passenger Area

An occupant of a motor vehicle may not possess an open container with any amount of alcoholic beverage and a passenger occupant may not consume an alcoholic beverage in the passenger area of a motor vehicle on a highway. The prohibition only applied to passengers in certain types of vehicles. A violation is a civil offense, subject to a maximum fine of \$25, which may be charged as a civil citation by a police officer. *Chapter 371 of 2013* altered the definition of “motor vehicle” to expand the types of motor vehicles for which an occupant is prohibited from consuming or possessing an alcoholic beverage in the passenger area while on a highway. For further discussion of this issue, see the subpart “Motor Vehicles” within Part G – Transportation and Motor Vehicles of this *Major Issues Review*.

Illegal Dumping and Litter Control Law

Chapter 493 of 2014 altered the Illegal Dumping and Litter Control Law penalties for littering violations committed while operating a motor vehicle by repealing the authorization for a court to suspend the driver’s license of the convicted violator and instead requiring a court to notify the Motor Vehicle Administration (MVA) of the violation. The Chief Judge of the District Court and the Administrative Office of the Courts, in conjunction with MVA, must establish uniform procedures for reporting a violation. Under the Acts, MVA must assess four points against a violator’s driver’s license. The Act also clarified the authority of MVA to refuse to register or transfer the registration of a vehicle for violating the Illegal Dumping and Litter Control Law.

Sexual Crimes

During the 2011-2014 term, the General Assembly clarified and added to a number of statutes dealing with sexual offenses.

Statute of Limitations for Nonconsensual Sexual Contact with Minor

In general, a prosecution for a misdemeanor has a one-year statute of limitations. *Chapter 193 of 2011* increased the statute of limitations applicable to the prohibition against nonconsensual sexual contact with another person to three years, if the victim was a minor at the time of the crime.

Definitions

In general, crimes involving a “sexual act” carry more severe penalties than crimes involving “sexual contact.” Under prior law, the term “sexual contact” meant an intentional touching of the genital or another intimate area of a victim’s body for sexual arousal or gratification, or for the abuse of either party. It included penetration of the genital or intimate area of a victim by certain parts of an actor’s body but not including by the actor’s genitals, mouth, or tongue. *Chapters 195 and 196 of 2011* changed the definitions of both terms by adding “part of an individual’s body” to the definition of “sexual act” and removing that phrase

from the definition of “sexual contact.” In this way, *Chapters 195 and 196* expanded the definition of “sexual act” to include certain acts previously defined as “sexual contact.”

Use of Personal Identifying Information to Commit Sexual Offense

While there are distinct advantages to the proliferation of the Internet and social media, it has also allowed individuals to engage in once unthinkable behavior under a cloak of anonymity. *Chapter 119 of 2014* prohibited a person from using the “personal identifying information” or the identity of an individual without consent to invite, encourage, or solicit another to commit a “sexual crime” against the individual. Under the Act, “sexual crime” is defined as an act that would constitute a violation of the State’s prohibitions on various sexual crimes, sexual abuse of a minor, visual surveillance with prurient intent, or various other acts, including human trafficking. Violators are guilty of a felony, punishable by imprisonment for up to 20 years and/or a maximum fine of \$25,000.

Revenge Porn

“Revenge porn” is a relatively recently coined phrase used to describe the (usually malicious) posting of sexually explicit images or media of another person (typically a former intimate partner) without the subject’s consent. Oftentimes the images are taken by the subject and relayed to an intimate partner of the subject, only to be posted online by the recipient after the relationship ends. “Revenge porn” gained national media attention with the advent of websites specifically designed to facilitate the posting of these types of images. *Chapter 583 of 2014* prohibited a person from intentionally causing serious emotional distress to another by intentionally placing on the Internet a photograph, film, videotape, recording, or any other reproduction of the image of the other person that reveals the identity of the other person with his or her intimate parts exposed or while engaged in an act of sexual contact, knowing that the other person did not consent to the placement of the image on the Internet, and under circumstances in which the other person had a reasonable expectation that the image would be kept private. For purposes of the prohibition, the Act provided specific definitions for “intimate parts” and “sexual contact.” A violator is guilty of a misdemeanor, punishable by imprisonment for up to two years and/or a \$5,000 maximum fine. The prohibition does not apply to (1) lawful and common practices of law enforcement, the reporting of unlawful conduct, or legal proceedings or (2) situations involving voluntary exposure in public or commercial settings.

Person in Position of Authority

The crime of fourth degree sexual offense prohibits a person from (1) engaging in sexual contact with another without the consent of the other or (2) engaging in a sexual act or vaginal intercourse with a victim who is age 14 or 15 and the defendant is at least four years older than the victim. Chapter 317 of 2006 expanded the offense by specifying that, with certain exceptions, a “person in a position of authority” may not engage in a sexual act, sexual contact, or vaginal intercourse with a minor who, at the time of the act, contact, or intercourse, is a student enrolled at a school where the person is employed. A “person in a position of authority” was defined as a person who (1) is at least age 21; (2) is employed as a full-time permanent employee by a public or private preschool, elementary school, or secondary school; and

(3) because of the person’s position or occupation, exercises supervision over a minor who attends the school. A “person of authority” expressly includes a principal, vice principal, teacher, or school counselor at a public or private preschool, elementary school, or secondary school.

In March 2012, fourth degree sex offense charges were dropped against a Montgomery County teacher and coach accused of having sex with a 16-year-old student he coached on a high school cross country team. Prosecutors commented that, despite the fact that the accused was a full-time employee of the county’s school system, the charges had to be dropped because he was only a part-time employee of the school at which he coached the victim.

Chapter 170 of 2014 redefined “person in a position of authority” to include a person who is “employed by or under contract with” a public or private preschool, elementary school, or secondary school and expressly includes a coach, as well as a principal, vice principal, teacher, or school counselor.

Crimes Involving Fraud or Theft

Assuming the Identity of a Fictitious Person

In 2008, the Court of Appeals held that the prohibition on the assumption of the identity of another in the State’s identity fraud law is ambiguous as to whether the phrase “identity of another” includes the assumption of a “fictitious identity.” *Ishola v. State*, 404 Md. 155 (2008). The court held that the defendant, Mr. Ishola, could not be convicted under the statute because an examination of the legislative history, case law, statutory purpose, title and relation to other laws showed that the legislature intended for “another” to be an actual person. *Chapters 70 and 71 of 2011* clarified the law by providing that a person may not knowingly and willfully assume the identity of another, including a fictitious person, to avoid prosecution for a crime, to avoid payment of a debt or other legal obligation, or with fraudulent intent to obtain a benefit.

Counterfeiting – Venue

Under Maryland law, the prosecution of a crime involving counterfeiting a private instrument or document may be commenced in any county in which (1) an element of the crime occurred; (2) the victim resides; or (3) the victim conducts business, if the victim is not an individual. *Chapter 73 of 2011* added as an additional venue for a prosecution of this type the county in which an alleged counterfeit deed or other instrument is recorded in county land records, filed with the clerk of the circuit court, or filed with the register of wills.

Penalties

Chapter 655 of 2009 increased the maximum property value for misdemeanor theft from less than \$500 to less than \$1,000 and created the three tiers of felony theft listed in **Exhibit E-1**.

Exhibit E-1 Felony Theft Tiers

<u>Value of Property and/or Services</u>	<u>Maximum Penalty</u>
At least \$1,000 and less than \$10,000	10 years imprisonment and/or a \$10,000 fine
At least \$10,000 and less than \$100,000	15 years imprisonment and/or a \$15,000 fine
At least \$100,000 or more	25 years imprisonment and/or a \$25,000 fine

Chapter 415 of 2013 modified the penalties for several theft-related offenses to reflect Chapter 655, including extortion, malicious destruction of property, obtaining property or services by bad check, identity fraud, and exploitation of a vulnerable adult. *Chapter 415* also amended the charging document for robbery to reflect Chapter 655 and amended the “Notice of Dishonored Check” form to reflect the amended penalties under the Act.

Charging Document for Robbery

A violator of the prohibition against committing or attempting to commit a robbery is guilty of a felony and is subject to imprisonment for up to 15 years. *Chapter 97 of 2013* increased the minimum value of property or service specified in a charging document for robbery from \$500 to \$1,000 and made conforming changes to the robbery charging document statute. The Act’s changes to the minimum value of property or service specified in a charging document for robbery made the minimum property value listed in the charging document for felony robbery consistent with the minimum property value for felony theft.

Fraud

Identity Fraud: *Chapters 300 and 301 of 2013* prohibited a person from (1) knowingly, willfully, and with fraudulent intent possessing, obtaining, or helping another person to possess or obtain any personal identifying information of an individual, without the consent of the individual, in order to access health information or health care in the name of the individual; (2) knowingly and willfully assuming the identity of another person, including a fictitious person, with fraudulent intent to access health information or health care; and (3) knowingly, willfully, and with fraudulent intent using a re-encoder or a skimming device to engage in specified activities in order to access medical information or services. A violator is subject to current statutory penalties for identity fraud based on the value of the health information or health care.

Fraudulent Liens: *Chapter 656 of 2013* prohibited a person from filing a lien or encumbrance in a public or private record against the real or personal property of another if the person knows that the lien or encumbrance (1) is false or (2) contains or is based on a materially false, fictitious, or fraudulent statement or representation. A violator is guilty of a misdemeanor, and subject to imprisonment for up to one year and/or a \$10,000 maximum fine for a first

violation and imprisonment for up to five years and/or a \$10,000 maximum fine for each subsequent violation.

Online Crimes

Harassment by Electronic Communication

A person may not use electronic mail with the intent to harass (1) one or more persons or (2) by sending lewd, lascivious, or obscene material. “Electronic mail” means the transmission of information or a communication by the use of a computer or other electronic means that is sent to a person identified by a unique address and that is received by the person. Violators are guilty of a misdemeanor and subject to maximum penalties of one year imprisonment and/or a \$500 fine. *Chapters 42 and 43 of 2012* prohibited a person from maliciously engaging in a course of conduct through the use of electronic communication that alarms or seriously annoys another (1) with the intent to harass, alarm, or annoy the other; (2) after receiving a reasonable warning or request to stop by or on behalf of the other; and (3) without a legal purpose. *Chapters 42 and 43* substituted the term “electronic communication” for former references to “electronic mail”; eliminate the requirement that the recipient of the transmission be identified by a unique address; and include the transmission of data as a form of electronic communication. The Acts retain the former exemptions for peaceable activities intended to express a political view or provide information to others and the penalties.

According to the Office of the Attorney General, *Chapters 42 and 43* apply to Facebook messages and instant messaging; however, because of the requirement that the communication be sent “to a person” and “received by the person,” the Acts may not include communications on web pages, blogs, Twitter, bulletin boards, or the Facebook or Myspace pages of the poster or of a person other than the person the poster intends to harass.

Harassment by Interactive Computer Service

Chapter 237 of 2014 prohibited a person from maliciously using an “interactive computer service” to disclose or assist another person to disclose the driver’s license number, bank or other financial institution account number, credit card number, payment device number, Social Security number, or employee identification number of an individual, without the consent of the individual, in order to annoy, threaten, embarrass, or harass the individual. An “interactive computer service” is an information service, system, or access software provider that enables or provides computer access to a computer server by multiple users. A violator is guilty of a misdemeanor and subject to imprisonment for up to 18 months and/or a \$500 maximum fine.

Crimes Involving Animals

Baiting of Dogs

Incidents involving the use of dogs to train fighting dogs or to test the fighting or killing skill of another dog, a practice known as “baiting,” led to concern that existing laws prohibiting

dog fighting were insufficient to address the problem of dog baiting. **Chapter 44 of 2013** prohibited a person from (1) using or allowing a dog to be used for baiting; (2) possessing, owning, selling, transporting, or training a dog with the intent to use the dog for baiting; or (3) knowingly allowing premises under the person's ownership, charge, or control to be used for baiting. Violators are guilty of the felony of aggravated cruelty to animals and are subject to imprisonment for up to three years and/or a \$5,000 maximum fine. Under **Chapter 44**, a court may also order a violator to undergo and pay for psychological counseling.

Dangerous or Wild Animals

According to a December 2013 report from the Humane Society of the United States, serious problems persist at Maryland's roadside zoos despite notice of a history of violations, including an insufficient number of adequately trained employees; inadequate public safety barriers around big cats, bears, and primates; animal attacks and escapes; and failure to provide an animal with minimum space. According to the report, the exemption under State law for "an exhibitor licensed under the federal Animal Welfare Act" provides a loophole, since exhibitor licenses are easily obtained and require minimum standards of care, as opposed to accreditation by the Association of Zoos and Aquariums, which requires higher standards of care.

Chapters 198 and 199 of 2014 made several changes to the State's prohibition on possession of dangerous or wild animals. The Acts clarified that the State's prohibition on the import, offer for sale, trade, barter, possession, breeding, or exchange of dangerous animals does not apply to the holder of a Class C Exhibitor's License under the federal Animal Welfare Act (AWA) that displays the prohibited animals in a public setting as the exhibitor's primary function.

Chapters 198 and 199 also exempted from the prohibition a circus holding a Class C Exhibitor's License under AWA that is in the State for less than 90 days per calendar year, regularly conducts performances featuring live animals and multiple human entertainers, and does not allow members of the public to be in proximity to a prohibited animal, including opportunities to be photographed with the animal, without sufficient distance and protective barriers.

The holder of a Class C Exhibitor's License under AWA may not possess a nonhuman primate, bear, lion, tiger, leopard, clouded leopard, snow leopard, jaguar, cheetah, or cougar or a hybrid of one of these animals that was not owned by the holder of the license on June 30, 2014. The holder of a Class C Exhibitor's License, however, may acquire or breed a nonhuman primate, bear, lion, tiger, leopard, clouded leopard, snow leopard, jaguar, cheetah, or cougar or a hybrid of one of these animals if the holder:

- maintains a liability insurance policy of at least \$1,000,000;
- has a paid full-time director;

- has at least one paid full-time staff member trained in the care of each species that the holder keeps;
- has an animal disposition policy that provides for the placement of animals in appropriate facilities if the holder's facility closes; and
- maintains and implements a training plan regarding zoonotic disease risk and prevention.

The Acts also required, rather than authorized, a local animal control authority to take steps to find long-term placement of a seized prohibited animal with another appropriate facility that is equipped for the continued care of that particular species, if there is not a timely request for a hearing on the seizure or if the court orders a permanent and final disposition of the animal.

Unlicensed Surgery on Dogs

Ear cropping involves the reduction of a dog's ear with a blade. The procedure is typically performed when a dog is between 6 and 12 weeks old to modify the shape of the dog's ear to allow a naturally drooping ear to stand upright. The American Veterinary Medical Association (AVMA) advises that ear cropping should always be performed under anesthesia. Ear cropping and tail docking are also done for safety and health reasons. According to its most recent policy, the AVMA opposes ear cropping and tail docking of dogs when done solely for cosmetic purposes and encourages the elimination of ear cropping and tail docking from breed standards.

Dewclaw removal involves the removal from a dog's paw of an additional claw that serves no purpose. Dewclaws are often removed to prevent injuries sustained from the dewclaw becoming caught on something or torn.

Some dog breeders and trainers of certain dog breeds may rely on cesarean-section procedures for the birth of pups. There may be circumstances where, due to the condition or age of the animal (*e.g.*, shortly after birth), the use of anesthesia by a veterinarian is contraindicated because the use of anesthesia could be life threatening. This is especially applicable with respect to tail docking, which is often performed when a dog is younger than one week old.

Chapter 185 of 2014 prohibited a person, other than a licensed veterinarian using anesthesia when appropriate on the animal, from (1) cropping or cutting off the ear of a dog; (2) docking or cutting off the tail of a dog; (3) cutting off the dewclaw of a dog; or (4) surgically birthing a dog. Violators are guilty of a misdemeanor, punishable by imprisonment for up to 90 days and/or a maximum fine of \$1,000 for a first offense and imprisonment for up to 180 days and/or a maximum fine of \$5,000 for a second or subsequent offense.

Devocalization of Dogs and Cats

Devocalization, sometimes referred to as ventriculocordectomy, involves the removal of an animal's vocal chords. There are partial and complete versions of the procedure. According

to AVMA, devocalization is performed under general anesthesia. While there are therapeutic reasons for the procedures, such as laryngeal paralysis and to remove vocal fold masses, the procedure is also performed for behavioral reasons. **Chapters 186 and 187 of 2014** prohibited a person, other than a licensed veterinarian, from surgically devocalizing a dog or cat. A licensed veterinarian may surgically devocalize a dog or cat only if the veterinarian (1) administers anesthesia to the animal during the procedure and (2) provides the owner or keeper of the animal a written certification containing specified information. Violators are guilty of a misdemeanor, punishable by imprisonment for up to 90 days and/or a \$1,000 maximum fine for a first offense and imprisonment for up to one year and/or a maximum fine of \$2,000 for a second or subsequent offense.

Crimes Involving Speech and Harassment

Picketing at a Military Funeral

In 2006, Marine Lance Corporal Matthew Snyder of Westminster died in Iraq. Members of a Kansas church, the Westboro Baptist Church, picketed outside of his military funeral at St. John's Catholic Church in Westminster. This group has mounted anti-gay protests at military funerals for several years based on their belief that military deaths in Iraq and Afghanistan are the result of the nation's tolerance of homosexuality. The soldier's father sued the church and its members for their actions and was awarded a multimillion dollar verdict by the trial court. A federal appeals court threw out the verdict, stating that the U.S. Constitution shielded the members of the church from tort liability. On March 2, 2011, the U.S. Supreme Court, by a vote of eight to one, upheld the appeals court decision stating that the words and actions of the protesters fall under the purview of constitutionally protected free speech. *Snyder v. Phelps*, 562 U.S. 9 (2011).

Chapter 357 of 2006, enacted after Lance Corporal Snyder's funeral, put in place several restrictions on protests and related activities at a funeral, memorial service, burial, or funeral procession. The law provides a person may not engage in picketing activity within 100 feet of a funeral, burial, memorial service, or funeral procession that is targeted at one or more persons attending the solemn event. A person may not (1) knowingly obstruct, hinder, impede, or block another person's entry to or exit from a funeral, burial, memorial service, or funeral procession or (2) address speech to a person attending the solemn event that is likely to incite or produce an imminent breach of the peace. A violator is guilty of a misdemeanor and subject to maximum penalties of imprisonment for 90 days and/or a \$1,000 fine. **Chapter 570 of 2011**, introduced in the Maryland Senate the week after the U.S. Supreme Court decision in *Snyder*, increased the distance within which a person is prohibited from engaging in picketing activities at a funeral, burial, memorial service, or funeral procession from 100 feet to 500 feet.

Harassment

A person may not follow another in or about a public place or maliciously engage in a course of conduct that alarms or seriously annoys the other (1) with the intent to harass, alarm, or annoy the other; (2) after receiving a reasonable warning or request to stop made by or on behalf

of the other; and (3) without a legal purpose. The prohibition does not apply to a peaceable activity intended to express a political view or provide information to others. A violator is guilty of a misdemeanor and subject to maximum penalties of 90 days imprisonment and/or a \$500 fine. **Chapter 342 of 2011** increased maximum penalties for a second or subsequent conviction to 180 days imprisonment and/or a \$1,000 fine. The Act maintained the former penalties for the first offense of harassment.

Threat against State or Local Officials

A person may not knowingly and willfully make a threat to take the life of, kidnap, or cause physical injury to a State or local official. **Chapter 373 of 2013** added deputy State's Attorneys, assistant State's Attorneys, and assistant Public Defenders to the list of State and local officials against whom threats may not be made. A violator is guilty of a misdemeanor and subject to imprisonment for up to three years and/or a \$2,500 maximum fine.

Contraband Telecommunication Devices

Delivering Device to a Person Detained in Place of Confinement

The use of telecommunication devices by inmates is a growing problem in prisons throughout the country. Cell phones provide inmates with access to the outside world, and according to prison experts, an opportunity to continue criminal activity while incarcerated. Cell phones also pose an internal threat in facilities since they allow prison inmates to plan prison assaults, escapes, and riots. Cell phones are a lucrative form of contraband because, unlike drugs, they have significant and perpetual resale and rental potential and value.

Inmate access to cell phones received significant attention with the April 2013 federal indictment of 25 individuals, including inmates and 13 correctional officers employed by the Department of Public Safety and Correctional Services (DPSCS), with conspiring to run operations of the Black Guerilla Family (BGF) gang inside the Baltimore City Detention Center and related facilities. Charges included racketeering, drug distribution, money laundering, victim and witness retaliation, bribery, and extortion. According to the indictment, correctional officers helped leaders of BGF smuggle cell phones, drug, and other contraband into State correctional facilities.

In November 2013, an additional 19 individuals, including 14 former and current DPSCS correctional officers, were charged with conspiring to operate the BGF gang inside correctional facilities. With the November 2013 indictment, 44 individuals, including 27 correctional officers, have been charged in the case.

In response to the April 2013 indictments, the Legislative Policy Committee appointed a Special Joint Commission on Public Safety and Security in State and Local Correctional Facilities. In its December 2013 final report, the commission made several recommendations, including (1) increasing the maximum penalty for telecommunication devices-related offenses to imprisonment for five years and/or a \$3,000 fine; (2) expanding the current statutory prohibitions to include attempting to deliver a telecommunications device to a person detained or confined in

a place of confinement if signs are posted indicating that such conduct is prohibited; and (3) requiring that a sentence imposed on an inmate for the commission of a telecommunication devices-related offense be served consecutively to the sentence the inmate is already serving.

Chapters 144 and 145 of 2014 prohibited a person from attempting to deliver a “telecommunication device,” telecommunication device charger, or subscriber identification module (SIM) card to a person detained or confined in a place of confinement if signs are posted indicating that the conduct is prohibited. The legislation also added chargers and SIM cards as prohibited items that a person may not deliver to an inmate, possess with intent to deliver to an inmate, deposit or conceal in or about a place of confinement, or knowingly possess or receive while an inmate in a place of confinement. The Acts also increased the maximum penalty for offenses relating to a telecommunication device in a place of confinement from imprisonment for three years and/or a \$1,000 fine to imprisonment for five years and/or a \$3,000 fine. A sentence imposed for knowing possession or receipt of a telecommunication device by a person detained or confined in a place of confinement must be consecutive to any sentence that the person was serving at the time of the crime or that had been imposed but was not yet being served at the time of the sentence.

Montgomery County Work Release Exemption

Inmates are selected for a work release or prerelease program in Montgomery County on the approval of the Director of the Department of Correction and Rehabilitation. Inmates may leave confinement during necessary and reasonable hours to seek or work at gainful employment and to participate in other rehabilitative activities, including (1) intensive counseling; (2) academic education; (3) home visitation; (4) transitional phased release programs; and (5) maximum use of other community resources or other similar rehabilitative activities. **Chapter 197 of 2014** exempted a work release or prerelease program under the jurisdiction of the Montgomery County Department of Correction and Rehabilitation from prohibitions relating to telecommunications devices in a place of confinement.

Destruction of Evidence

The Maryland obstruction of justice statute prohibits a person from using threats, force, or corrupt means to obstruct, impede, or try to obstruct or impede the administration of justice in a court of the State. Violators are guilty of a misdemeanor, punishable by imprisonment for up to five years and/or a \$10,000 maximum fine.

In *State v. Pagano*, 104 Md. App. 113 (1995), the Maryland Court of Special Appeals held that the obstruction of justice statute does not apply to a preliminary police investigation. According to the court, an obstruction of justice charge requires the existence of a pending judicial proceeding as the object of the obstruction. **Chapter 235 of 2014** prohibited a person from (1) destroying, altering, concealing, or removing physical evidence that the person believes may be used in a pending or future official proceeding with the intent to impair the verity or availability of the physical evidence in the official proceeding; (2) fabricating physical evidence in order to impair the verity of the physical evidence with the intent to deceive and that the

fabricated physical evidence be introduced in a pending or future official proceeding; or (3) introducing physical evidence in an official proceeding if the person knows that the evidence has been altered or fabricated with the intent to deceive in order to impair the verity of the physical evidence. Violators are guilty of a misdemeanor, punishable by imprisonment for up to three years and/or a maximum fine of \$5,000.

Underage Gaming

Chapter 173 of 2014 prohibited those younger than age 21 from playing a table game or video lottery terminal (VLT) in a video lottery facility or entering or remaining in an area within a video lottery facility that is designated for table games or VLTs. An infraction is a code violation and a civil offense, which subjects an adult violator (1) to the issuance of a citation and a maximum fine of \$100 for a first violation; (2) a \$500 maximum fine for a second violation; (3) and a \$1,000 maximum fine and mandatory participation in gambling addiction treatment for a third or subsequent violation. A minor who violates the prohibition on underage playing of table games or VLTs is subject to juvenile court procedures and dispositions.

Criminal Procedure

Pretrial Release and the Office of the Public Defender

The Office of the Public Defender (OPD) is responsible for the legal representation of indigent criminal defendants throughout the State. The Maryland Public Defender Act, § 16-201 *et seq.* of the Criminal Procedure Article, created the office and established the scope of OPD representation.

In Maryland, within 24 hours after arrest, a criminal defendant is taken before a judicial officer – typically a District Court commissioner – for an initial appearance. At the initial appearance, the defendant is advised of (1) each offense charged; (2) the right to counsel; and (3) the right to a preliminary hearing, if applicable. A defendant who is denied pretrial release by the commissioner, or one who remains in custody 24 hours after the commissioner has set the conditions of release, is entitled to a bail review hearing before a judge. The primary purpose of the bail review hearing is to determine whether the conditions of release set by the commissioner should be continued, amended, or revoked.

On January 4, 2012, the Maryland Court of Appeals issued a decision in *DeWolfe v. Richmond*, 434 Md. 403 (2012), a case initiated in 2006, holding that no bail determination may be made by a District Court commissioner concerning an indigent defendant without the presence of counsel, unless representation by counsel is waived. (“*Richmond I*”)

The *Richmond I* opinion was based on the then-effective wording of the Maryland Public Defender Act, including language that OPD must represent an indigent defendant “in all stages” of a criminal proceeding. The court did not address the plaintiffs’ federal and State constitutional claims of a right to representation. However, the Circuit Court for Baltimore City

had previously held, based on *Rothgery v. Gillespie County*, 554 U.S. 191 (2008), that indigent arrestees have a federal and State constitutional right to be appointed counsel at an initial appearance.

Richmond I sparked a heated debate during the 2012 session of the General Assembly. There was much concern about how the State would fund the obligation of OPD to begin representing people at an initial appearance phase. This debate prompted broader questions about and scrutiny of Maryland's criminal justice system, including the District Court commissioner and pretrial release systems. A number of bills were introduced to attempt to counteract or mitigate the effect of *Richmond I*. The House Judiciary and Senate Judicial Proceedings committees spent a considerable amount of time exploring these issues and dialoguing with stakeholders including OPD, the Judiciary, law enforcement agencies, State's Attorneys, and civil liberties advocates.

Response to *Richmond I* during the 2012 Session

Ultimately, the General Assembly passed *Chapters 504 and 505 of 2012*, which were signed into law by the Governor on May 22, 2012. Among other things, these Acts amended the Maryland Public Defender Act to specify that OPD is required to provide legal representation to an indigent defendant at a bail hearing before a District Court or circuit court judge but is not required to represent an indigent criminal defendant at an initial appearance before a District Court commissioner. The Acts also:

- prohibited a statement made during an initial appearance before a District Court commissioner from being used as evidence against the defendant in a criminal proceeding or a juvenile proceeding;
- required a police officer to charge by citation for a misdemeanor or local ordinance violation that does not carry a penalty of imprisonment or for which the maximum penalty of imprisonment is 90 days or less (with specified exceptions), or possession of marijuana, if certain conditions are met, beginning January 1, 2013;
- required that a defendant who is denied pretrial release by a District Court commissioner or who for any reason remains in custody after a District Court commissioner has determined conditions of release under Maryland Rule 4-216 be presented to a District Court judge immediately if the court is in session, or if the court is not in session, at the next session of the court;
- specified that a District Court commissioner may only issue an arrest warrant on a finding that there is probable cause to believe that a defendant committed the offense charged and (a) the defendant has previously failed to appear; (b) the whereabouts of the defendant are unknown; (c) the defendant is in custody for another offense; or (d) the defendant poses a danger to another person or to the community;

- established the Task Force to Study the Laws and Policies Relating to Representation of Indigent Criminal Defendants by OPD; and
- established data collection and reporting requirements relating to the issuance of citations.

Chapters 504 and 505 also expressed the intent of the General Assembly to continue to monitor the issues relating to the representation of indigent defendants and to determine whether modification of the provisions of the Acts is required during the 2015 legislative session or earlier if an appellate court issues a decision related to relevant issues in *DeWolfe v. Richmond* or the task force issues its report and recommendations.

Response to *Richmond II* during the 2014 Session

After the legislative changes to the Maryland Public Defender Act, the Court of Appeals was asked to decide whether there was a federal or State constitutional right to State-furnished counsel for indigent defendants at their initial appearance before a District Court commissioner. On September 25, 2013, the Court of Appeals issued an opinion (434 Md. 444 (2013)) in the *Richmond* case holding that, under the Due Process component of Article 24 of the Maryland Declaration of Rights, an indigent defendant has a right to State-furnished counsel at an initial appearance before a District Court commissioner (“*Richmond II*”). Several bills were introduced during the session to specifically address the *Richmond II* decision.

Senate Bill 973 of 2014 (failed), as amended by the Senate, would have repealed a District Court commissioner’s authority to set bond or commit persons to jail in default of bond or release them on personal recognizance. Instead, the bill would have established a Pretrial Release Services Program in the Department of Public Safety and Correctional Services (DPSCS) that offers alternatives to pretrial detention in each county.

The program would have been authorized to order the administrative pretrial release of an arrestee determined eligible for pretrial release after use of an adopted validated risk assessment tool, with specified exceptions.

The bill would have also established a Pretrial Services Commission to guide the operation of the Pretrial Services Program and required the District Court to operate six days each week for purposes of conducting initial appearance or bail review hearings.

House Bill 1186 of 2014 (failed), as amended by the House, would have repealed provisions of law authorizing a District Court commissioner to (1) set bond or commit persons to jail in default of bond and (2) generally perform all functions of committing magistrates as exercised by the justices of the peace prior to July 5, 1971.

Under the bill, with specified exceptions, a police officer would have been required to submit a statement of charges to a District Court commissioner and serve on the defendant a statement of charges and summons, if the most serious crime with which the defendant was charged was (1) punishable by imprisonment for 18 months or less; (2) obstructing and

hindering; (3) telephone misuse; (4) indecent exposure; (5) malicious destruction of property with a value of at least \$1,000; (6) possessing or administering a controlled dangerous substance; or (7) assault in the second degree if a condition of “no unlawful contact” with the alleged victim was included with the summons.

A person who was arrested and not released pursuant to a citation or summons would have been taken before a judge of the District Court or circuit court without unnecessary delay and no later than 48 hours after arrest.

The bill would have also required the District Court to operate six days per week to make release determinations for arrested persons.

House Bill 1232 of 2014 (failed), as amended by the House, would have established the Task Force on Pretrial Risk Assessment. In addition to specifying the composition, chair, and staffing of the task force, the bill also would have established the duties of the task force, including recommendation of a validated pretrial risk assessment tool and conducting a statistical study of the recommended tool. **House Bill 1232** also would have required the Secretary of Public Safety and Correctional Services to establish, no later than July 1, 2016, a pilot program in Baltimore City and one rural county that would have required judicial officers in those jurisdictions to utilize the validated risk assessment tool recommended by the task force in determining pretrial release eligibility of individuals arrested in those jurisdictions brought before a judicial officer.

Senate Bill 920 of 2014 (failed), **House Bill 537 of 2014 (failed)**, and **Senate Bill 748 of 2014 (failed)**, also proposed schemes to alter the initial appearance process to attempt to comply with or circumvent *Richmond II*. **Senate Bill 1114 of 2014 (failed)** would have proposed a constitutional amendment to establish that Article 21 of the Maryland Declaration of Rights may not be construed to require OPD to represent a defendant at an initial appearance before a District Court commissioner.

Although no bills specifically addressing the *Richmond II* decision passed, the fiscal 2015 budget restricts \$10,000,000 of the Judiciary’s general fund appropriation to be used only for the purpose of providing attorneys for required representation at initial appearances before District Court commissioners, consistent with the *Richmond II* decision. Any funds not expended for this purpose must revert to the general fund. **Chapter 464 of 2014**, the Budget Reconciliation and Financing Act (BRFA), specifies that authorization of State funds in the fiscal 2015 State budget for this purpose represents a one-time allocation and provides no authority for additional State expenditures or commitment of funds without separate authorization in the State budget as passed by the General Assembly.

The BRFA of 2014 also requires that, in implementing the holding of the Court of Appeals in *DeWolfe v. Richmond*, if attorneys are appointed in a county to provide legal representation at an initial appearance before a District Court commissioner in fiscal 2015, the cost of compensating the attorneys beyond the amount restricted for that purpose in the State budget must be billed by the appointing authority to the county in which the representation is provided and must be paid by that county.

The 2014 *Joint Chairmen's Report* expresses the intent of the General Assembly that any State funds disbursed to counties to provide attorneys for required representation at initial appearances before District Court commissioners be done so on the basis of the calendar 2013 distribution of initial appearances within each county. If the allotment for a specific county is expended before the end of the fiscal year, then any further costs must be paid by that county.

Citations

As previously mentioned, under ***Chapters 504 and 505 of 2012***, as of January 1, 2013, in addition to any other law allowing a crime to be charged by citation, a police officer must issue a citation for (1) possession of marijuana and (2) any misdemeanor or local ordinance violation that does not carry a penalty of imprisonment or carries a maximum penalty of imprisonment for 90 days or less, with specified exceptions, so long as certain conditions are met.

The officer may issue the citation only if (1) the officer is satisfied with the defendant's evidence of identity; (2) the officer reasonably believes that the defendant will comply with the citation; (3) the officer reasonably believes that the failure to charge on a statement of charges will not pose a threat to public safety; (4) the defendant is not subject to arrest for another criminal charge arising out of the same incident; and (5) the defendant complies with all lawful orders by the officer. A police officer who has grounds to make a warrantless arrest for an offense that may be charged by citation (1) may issue a citation in lieu of making the arrest or (2) make the arrest and subsequently issue a citation in lieu of continued custody.

Chapter 386 of 2013 authorized a police officer to charge by citation for sale of an alcoholic beverage to an underage drinker or intoxicated person, malicious destruction of property with damage valued at less than \$500, or misdemeanor theft. Any issuance of citations under ***Chapter 386*** must meet statutory requirements for charging a defendant by citation. Prior to the enactment of ***Chapters 504 and 505***, all of the offenses listed in ***Chapter 386*** could have been charged through the issuance of a citation.

Death Penalty

Prior to 2013, persons charged with first degree murder, if found guilty, were subject to penalties of life imprisonment, life imprisonment without parole, or death. During the 2009 session, the General Assembly passed legislation altering the application of the death penalty in Maryland. Chapter 186 of 2009 restricted death penalty eligibility only to cases in which the State presents the court or jury with (1) biological or DNA evidence that links the defendant with the act of murder; (2) a videotaped, voluntary interrogation, and confession of the defendant to the murder; or (3) a video recording that conclusively links the defendant to the murder. A defendant may not be sentenced to death if the State relies solely on evidence provided by eyewitnesses in the case.

Chapter 156 of 2013 repealed the death penalty and all provisions relating to it, including those relating to its administration and post-death sentence proceedings. Under ***Chapter 156***, a person found guilty of murder in the first degree must be sentenced to imprisonment for life or imprisonment for life without the possibility of parole. ***Chapter 156*** also specified that if the

State has already properly filed a notice of intent to seek a death sentence, that notice must be considered withdrawn. In such instance, the State must also be considered to have properly filed notice to seek a sentence of life imprisonment without the possibility of parole. In addition, **Chapter 156** specified that the Governor may change a sentence of death into a sentence of life without the possibility of parole.

Warrants and Court Orders

Invalidation and Destruction

Chapter 525 of 2012 authorized a law enforcement agency to make a written request for the State's Attorney within the appropriate jurisdiction to have a specified warrant, summons, or other criminal process for a misdemeanor offense in the possession of the law enforcement agency invalidated and destroyed due to the age of the document and unavailability of the defendant, or other special circumstances. The document that a law enforcement agency may request to be invalidated and destroyed must have remained unexecuted for a specified period of time and include a warrant, summons, or other criminal process issued (1) for the arrest of the defendant in order that the defendant might stand for trial; (2) for the failure of the defendant to make a deferred payment of a fine or costs as ordered by the court; (3) for a violation of probation; and (4) for the arrest of the defendant for the failure of the defendant to appear as directed by the court.

Based on the length of time the document has remained unexecuted, a State's Attorney who receives a request is authorized or required to petition the administrative judge of the district for the invalidation and destruction of the document. Additionally, a State's Attorney may argue against the invalidation and destruction of the document due to a justifiable continuing active investigation of the case.

The court must order the invalidation and destruction of the document unless the court determines that preservation of the document is justifiable. At the time of the order, the State's Attorney may enter a *nolle prosequi* or place the applicable case on the *stet* docket. An arrest cannot be made based on a warrant or other criminal process that has been ordered invalidated and destroyed.

The Act's provisions do not (1) prevent the reissuance of a warrant, summons, or other criminal process; (2) affect the time within which a prosecution for a misdemeanor may be commenced; or (3) affect any pending criminal charge.

Chapter 409 of 2013 clarified that the provisions of **Chapter 525** may not be construed to nullify or remove a failure to appear designation that has been placed on an individual's driving record by the Motor Vehicle Administration. **Chapter 409** also limited the circumstances under which a State's Attorney may argue against the invalidation and destruction of a warrant, summons, or other criminal process to include only those for which the State's Attorney has petitioned the court for invalidation and destruction due to a justifiable continuing active investigation in the case.

Electronic Communications and Electronic Devices

Advances in technology, particularly with respect to electronic communications and telecommunications, have prompted discussions regarding the expectation of privacy for these communications, under what circumstances law enforcement must be required to obtain court authorization for access to these communications, and the processing of warrants.

Chapter 242 of 2014 required an investigative or law enforcement officer to obtain a search warrant in order to require a provider of wire or electronic communication service to disclose the contents of wire or electronic communication that is in electronic storage in a wire or electronic communications system for any amount of time, rather than the former application of the requirement to communications in storage for 180 days or less.

Chapter 191 of 2014 authorized a court to issue an order authorizing or directing a law enforcement officer to obtain “location information” from an “electronic device.” Location information means real-time or present information concerning the geographic location of an electronic device that is generated by or derived from the operation of that device. **Chapter 191** (1) established requirements for an application for a location information order; (2) specified the duration of an order; and (3) required disclosure of specified information to the user/owner of the electronic device.

A court may issue an order by application on a determination that there is probable cause to believe that (1) a misdemeanor or felony has been, is being, or will be committed by the user/owner of the electronic device or the individual about whom electronic location information is being sought and (2) the location information being sought is evidence of, or will lead to evidence of, the misdemeanor or felony being investigated or will lead to the apprehension of an individual for whom an arrest warrant has previously been issued.

Chapter 107 of 2014 made several changes to search warrant procedures and incorporated electronic methods of communication into the search warrant process by authorizing (1) an applicant for a search warrant to submit the application to a judge by in-person delivery, secure fax, or secure electronic mail; (2) the applicant and the judge to converse about the search warrant application in person, via telephone, or via video; (3) a judge to issue a search warrant by signing the search warrant, indicating the date and time of the issuance of the warrant, and delivering the search warrant and specified materials to the applicant in person, by secure fax, or by secure electronic mail; and (4) a law enforcement officer who executes a search warrant to file a copy of the search warrant return with the court in person, by secure fax, or by secure electronic mail.

Wiretapping

Except as otherwise provided in statute, it is unlawful for a person to (1) willfully intercept, endeavor to intercept, or procure any other person to intercept a wire, oral, or electronic communication; (2) willfully disclose, or endeavor to disclose, to any other person the contents of a wire, oral, or electronic communication, knowing or having reason to know that the information was obtained through an illegal intercept; and (3) willfully use, or endeavor to use,

the contents of a wire, oral, or electronic communication, knowing or having reason to know that the information was obtained through an illegal intercept.

However, it is lawful for law enforcement officers and persons acting with the prior direction and under the supervision of law enforcement officials to intercept communications as part of a criminal investigation to provide evidence of the commission of several specified crimes. The exception applies so long as the interceptor is a party to the communication or one of the parties to the communication has given prior consent to the interception.

In addition, the Attorney General, State Prosecutor, or any State's Attorney may apply to a judge of competent jurisdiction to grant an order authorizing interception of wire, oral, or electronic communications by investigative or law enforcement officers when the interception may provide or has provided evidence of the commission of specified crimes.

The following Acts added specified offenses to the list of crimes for which evidence may be gathered during a criminal investigation through the interception of oral, wire, or electronic communications and the list of crimes for which a judge may grant an order authorizing the interception of wire, oral, or electronic communications: ***Chapters 54 and 55 of 2011*** (human trafficking); ***Chapter 369 of 2012*** (theft scheme or continuing course of conduct involving an aggregate value of property or services of at least \$10,000); and ***Chapters 38 and 39 of 2013*** (abuse or neglect of a vulnerable adult and offenses relating to Medicaid fraud under the Criminal Law Article).

Statutes of Limitation

In general, a felony may be prosecuted at any time, and the criminal prosecution of a misdemeanor must be instituted within one year after the commission of the offense. However, State law does contain exceptions for several specified offenses. Additional exceptions to this general rule were passed during the 2011-2014 term.

Possession of Child Pornography

Chapters 316 and 317 of 2012 increased the statute of limitations from one year to two years for the initiation of a prosecution for misdemeanor possession of child pornography.

Use of a Firearm in the Commission of a Crime of Violence or Felony

Prosecutors have often remarked that the difference in the statutes of limitation for a misdemeanor and a felony may be problematic with respect to the offense of use of a firearm in the commission of a crime of violence or felony. The offense itself is a misdemeanor; however, it is usually connected to an underlying felony, the investigation of which is often concluded after the one-year statute of limitations for a misdemeanor has expired.

In response to this concern, ***Chapter 149 of 2014*** established that the statute of limitations for the prosecution of using a firearm in the commission of a crime of violence or felony is the same as the statute of limitations for the underlying crime.

Immunity

Several states and the District of Columbia have “Good Samaritan” laws to encourage individuals to summon aid in the event of an overdose. A common characteristic of these laws is immunity from being charged or prosecuted for drug-related offenses.

Similarly, *Chapter 401 of 2014* established that a person who, in good faith, seeks, provides, or assists with the provision of medical assistance for a person experiencing a medical emergency after ingesting or using alcohol or drugs must be immune from criminal prosecution for possession of drugs or drug paraphernalia, underage consumption of alcohol, or obtaining or furnishing alcohol for underage consumption if the evidence for the criminal prosecution was obtained solely as a result of the person’s seeking, providing, or assisting with the provision of medical assistance. In addition, a person who experiences a medical emergency after ingesting or using alcohol or drugs is immune from criminal prosecution for specified violations if the evidence for the criminal prosecution was obtained solely as a result of another person’s seeking medical assistance.

Bail Bonds

Bail is intended to ensure the presence of the defendant in court, not as punishment. If there is a concern that the defendant will fail to appear in court, but otherwise does not appear to pose a significant threat to the public, the defendant may be required to post a bail bond rather than be released on recognizance.

Cash Bail

“Cash bail” or “cash bond” is bail or a bond that must be posted to the court in cash.

Chapter 487 of 2013 specified that if an order setting “cash bail” or “cash bond” specifies that the bail or bond may be posted by the defendant only, the bail or bond may be posted by the defendant, by an individual, or by a private surety acting for the defendant that holds a certificate of authority in the State. An order setting “cash bond” or “cash bail” for a failure to pay support under the Family Law Article may only be posted by the defendant, unless otherwise ordered by the court or a District Court commissioner.

Forfeitures of Bail Bonds

If a defendant fails to appear in court as required, the court will order the forfeiture of the bond and issue a warrant for the defendant’s arrest. If the defendant or surety can show that there were reasonable grounds for the failure to appear, a judge may strike the forfeiture in whole or in part. Where a surety executed the bond with the defendant, the surety has 90 days to satisfy the bond by either producing the defendant or by paying the penalty amount of the bond. The court may extend this period to 180 days for good cause shown.

Chapter 598 of 2011 specified requirements for the return of a forfeited bond or collateral to a surety under certain circumstances. In effect, a bail bondsman must pay the

penalty amount of the bond into the court within the 90- or 180-day period to be entitled to a 10-year period within which the forfeiture of bail or collateral may be stricken out upon apprehension of the defendant.

Offenses against Persons

Murder and Manslaughter

Crimes are typically prosecuted in the jurisdiction in which they were committed. However, statute provides exceptions in specific instances, such as when a crime is committed at the boundary between counties.

Chapter 650 of 2013 authorized the prosecution of a person for first degree murder, second degree murder, or manslaughter to be brought in the county in which the crime occurred or, if the location of the crime cannot be determined, in the county in which the body or parts of the body were found. This provision does not apply if an existing statutory exception for prosecutorial venue applies to the case.

Human Trafficking

The human trafficking statute prohibits a number of acts, many of which are prostitution-related. Chapters 340 and 341 of 2007 renamed the crime of pandering to human trafficking. Under the human trafficking law, a range of activities related to taking or causing a person to be taken to a place for prostitution or persuading another to be taken to a place for prostitution are prohibited.

Chapter 653 of 2013 established that a person charged with human trafficking of a minor may not assert a defense that the person did not know the age of the victim.

Chapter 636 of 2013 authorized State and local law enforcement agencies to seize property in connection with human trafficking and other specified crimes committed on or after October 1, 2013, and established procedures for the seizure, forfeiture, and sale of property related to these crimes. Property may only be seized or forfeited by a defendant found guilty of an applicable offense. Proceeds from the sale of seized or forfeited property must, after specified expenses are paid, be distributed to the general fund of the State or of the political subdivision that seized the property.

Chapter 218 of 2011 authorized a person convicted of prostitution to file a motion to vacate the judgment if, when the person committed the act of prostitution, the person was acting under duress caused by an act of another committed in violation of the prohibition against human trafficking. Among other requirements, the motion to vacate the judgment must be signed and consented to by the State's Attorney and describe the evidence and provide copies of any documents showing that the defendant is entitled to relief. The court is required to hold a hearing on the motion unless the motion fails to assert grounds on which relief may be granted. In ruling on the motion, the court may vacate the conviction, modify the sentence, or grant a new trial.

Kidnapping

Generally, a person convicted of a sex crime or other specified crime, including kidnapping and false imprisonment, is required to register with the State sex offender registry upon release from prison or release from court if the person did not receive a prison sentence.

Chapters 259 and 260 of 2012 altered the definition of a “Tier III sex offender,” for which registration with the State’s sex offender registry is required for kidnapping, by providing that registration is required if the victim is a minor; or if the victim is an adult, and the person has been ordered by the court to register. The provisions apply retroactively to affect all persons convicted of kidnapping who have been required to register on the State sex offender registry since the enactment of Chapters 174 and 175 of 2010.

Theft Crimes

Chapters 29 and 30 of 2012 expanded the authority of a police officer to make a warrantless arrest by authorizing a police officer to make a warrantless arrest if the officer has probable cause to believe that a person has committed a theft crime involving property with a value of less than \$1,000, rather than the current threshold of \$500. The provisions of *Chapters 29 and 30* reflect changes made to the general theft statute by Chapter 655 of 2009.

Offenses against Animals

Animal Cruelty

Several states have statutes regarding future ownership of animals by individuals convicted of animal cruelty. The statutes range from outright bans on future ownership to authorization for a court to ban future ownership for a certain amount of time. *Chapters 26 and 27 of 2011* authorized a court, as a condition of probation for animal abuse, neglect, or cruelty, to prohibit a defendant from owning, possessing, or residing with an animal.

Postconviction and Post-trial Procedures

Conditional Guilty Plea

A criminal defendant generally has the right to an appeal of a final judgment entered in a criminal case, even if imposition or execution of the sentence has been suspended. However, several exceptions to this general rule exist. One exception is that a criminal defendant who pleads guilty in circuit court does not have the right to a direct appeal following final judgment. Instead, the appeal is discretionary and the defendant is required to file an application for leave to appeal with the Court of Special Appeals.

Chapter 410 of 2012 authorized a criminal defendant to file a direct appeal with the Court of Special Appeals of a final judgment entered following a “conditional plea of guilty” in circuit court in accordance with the Maryland Rules. A conditional plea of guilty is a guilty plea

with which the defendant preserves in writing any pretrial issues that the defendant intends to appeal.

Writ of Error *Coram Nobis*

Under the English common law, a writ of error *coram nobis* was a remedy allowing a court to correct an error in fact. The writ was used to bring facts before the court that were not presented at trial but are material and valid to the proceedings and, had they been known to the trial court, would have prevented the judgment. The Court of Appeals extended the writ to apply to errors in law in 2000. A petition for a writ of error *coram nobis* provides a remedy for a person who is not incarcerated and not on parole or probation, is faced with a significant collateral consequence of his or her conviction, and can legitimately challenge the conviction on constitutional grounds.

In a 2007 decision, the Court of Appeals held that there is a rebuttable presumption that an individual waives his/her right to file a petition for a writ of error *coram nobis* if he/she enters a guilty plea and does not file an application for leave to appeal despite having been informed of his/her right to file the application, unless the individual can demonstrate that there are special circumstances to excuse his/her failure to file the application for leave to appeal. **Chapter 437 of 2012** nullified the 2007 decision by establishing that the failure to seek an appeal in a criminal case may not be construed as a waiver of the right to file a petition for a writ of error *coram nobis*.

Parole, Probation, and Mandatory Release

Probation Before Judgment

A court may place a defendant on probation before judgment when a defendant pleads guilty or *nolo contendere* or is found guilty of a crime, the court finds that probation before judgment would be in the best interest of the defendant and the public welfare, and the defendant gives written consent to the probation. Probation before judgment may include (1) custodial confinement or imprisonment; (2) payment of a fine or restitution; (3) participation in a rehabilitation program or other specified programs; or (4) participation in an alcohol or drug treatment or education program approved by the Department of Health and Mental Hygiene.

A court is prohibited from imposing probation before judgment on defendants for specified crimes, including, prior to 2012, a second or subsequent controlled dangerous substance crime.

Chapter 352 of 2012 authorized a court to impose probation before judgment for a second offense of possession of a controlled dangerous substance if (1) the defendant has been convicted once previously of or received probation before judgment once previously for possession of a controlled dangerous substance; (2) the court requires the defendant to graduate from drug court or successfully complete a substance abuse treatment program as a condition of probation; and (3) the defendant graduates from drug court or successfully completes a substance abuse treatment program as required.

Parole Approval for Inmates Sentenced to Life Imprisonment

A person sentenced to life imprisonment is not eligible for parole consideration until that person has served 15 years considering allowances for diminution credits. A person sentenced to life imprisonment for first degree murder as a result of a proceeding for the death penalty or life without the possibility of parole is not eligible for parole consideration until that person has served 25 years considering allowances for diminution credits. An inmate sentenced to life imprisonment without the possibility of parole is not eligible for parole consideration and may not be granted parole at any time during the inmate's sentence. Previously, if eligible for parole, an inmate serving a life term could only be paroled with the approval of the Governor.

According to the Maryland Parole Commission, between 1995 and 2011, although commutations of sentences have been made by the Governor, no inmate serving a term of life imprisonment had been paroled outright.

Chapter 623 of 2011 specified that, if the Maryland Parole Commission or the Patuxent Institution's Board of Review decides to grant parole to an inmate sentenced to life imprisonment who has served 25 years without application of diminution of confinement credits, the decision must be transmitted to the Governor, who may disapprove the decision in writing within 180 days. However, if the Governor does not disapprove the decision within that timeframe, the decision to grant parole becomes effective. For individuals whose parole recommendation was pending approval by the Governor on October 1, 2011, and who had served 25 years without consideration for diminution credits, the Governor had 180 days after that date to disapprove the recommendation or the parole became effective.

Revocation of Parole

Previously, if an order of parole was revoked, the inmate was required to serve the remainder of the sentence originally imposed unless the commissioner hearing the parole revocation, in the commissioner's discretion, granted credit for time between release on parole and revocation of parole. An inmate may not receive credit for time between release on parole and revocation of parole if (1) the inmate was serving a sentence for a violent crime when parole was revoked; and (2) the parole was revoked due to a finding that the inmate committed a violent crime while on parole.

Chapter 381 of 2011 repealed the general requirement that an inmate whose parole is revoked serve the remainder of his/her imposed sentence. Instead, the Act authorized the parole commissioner who conducted the hearing on the revocation to require the inmate to serve any unserved portion of the sentence originally imposed on the inmate. *Chapter 381* also required DPSCS to submit a report by October 1, 2013, on the number of inmates whose sentences of imprisonment following a revocation of parole were reduced as a result of these provisions and the recidivism rate for inmates released following revocation of parole as a result of these provisions.

Chapter 381 took effect on October 1, 2011, and contained a termination date of June 30, 2014. *Chapter 203 of 2014* repealed the June 30, 2014 termination date in *Chapter 381*.

Certificate of Completion

Chapter 162 of 2014 authorized DPSCS to issue a certificate of completion to an offender who (1) was supervised by the department under conditions of parole, probation, or mandatory release supervision; (2) has completed all special and general conditions of supervision, including payment of all required restitution, fines, fees, and other payment obligations; and (3) is no longer under the jurisdiction of the department. DPSCS must report to the Governor and the General Assembly on the number of certificates of completion issued under the bill by December 31, 2014. The Act's provisions apply prospectively to individuals under the supervision of DPSCS on or after July 1, 2014.

Expungement

In general, expungement of a record means removal of the record from public inspection. Under the Criminal Procedure Article, a person who has been charged with the commission of a crime may file a petition for expungement listing the relevant facts of a police record, court record, or other record maintained by the State or a political subdivision of the State, under various circumstances listed in the statute. These grounds include acquittal, dismissal of charges, entry of probation before judgment, entry of *nolle prosequi*, *stet of charge*, and gubernatorial pardon. Individuals convicted of specified public nuisance crimes are also eligible for expungement of the associated criminal records under certain circumstances.

If two or more charges, other than one for a minor traffic violation, arise from the same incident, transaction, or set of facts, they are considered to be a unit. If a person is not entitled to expungement of one charge or nuisance conviction in a unit, the person is not entitled to expungement of any other charge in the unit.

Chapter 643 of 2013 authorized a person found not criminally responsible (NCR) of specified crimes to file a petition for expungement of a police record, court record, or other record maintained by the State or a political subdivision of the State. Under *Chapter 643*, a person may not file a petition for expungement based on an NCR finding within three years after the NCR finding was made. Also, a person is not entitled to expungement if, since the finding of NCR, the person was convicted of a crime other than a minor traffic violation or is a defendant in a pending criminal proceeding.

Chapter 643 applies to individuals found NCR for specified misdemeanors and specified public nuisance crimes, including public urination/defecation, panhandling, loitering, and vagrancy. *Chapter 643* also authorizes expungement for a person found NCR under any State or local law that prohibits misdemeanor trespass, disturbing the peace, or telephone misuse.

Victims of Crime

A “victim” is a person who suffers personal injury or property damage or loss directly resulting from a crime or delinquent act. Under Maryland law, a victim of a crime or delinquent act (or a representative in the event the victim is deceased, disabled, or a minor) has a broad range of specific rights during the criminal justice process. Most of the rights available to a victim of a crime in which the offender is an adult are also available to a victim of a delinquent act by a child.

Article 47 of the Maryland Declaration of Rights grants victims of crime in cases originating in a circuit court “...the right to be informed of the rights established in this Article and, upon request and if practicable, to be notified of, to attend, and to be heard at a criminal justice proceeding...” However, Article 47 also notes that any rights afforded victims of crime under the Declaration of Rights do not authorize victims to take any action to stay a criminal proceeding.

In general, a court is authorized to order a defendant or child respondent to make restitution for a variety of expenses incurred or property losses sustained by a victim, including loss of earnings. This restitution is in addition to any penalties for the commission of a crime or delinquent act. A victim is presumed to have a right of restitution if the victim or the State makes a request to the court and the court is presented with competent evidence of the claimed loss/expense.

A judgment of restitution does not preclude the property owner or victim who suffered personal physical or mental injury, out-of-pocket loss of earnings, or support from bringing a civil action to recover damages from the restitution obligor. A civil verdict made in these cases must be reduced by the amount paid under the criminal judgment of restitution.

Victims’ Rights and Notifications

Chapter 362 of 2011 required a court to ensure that a victim of crime is afforded all of the rights provided to these victims under the law. Under the Act, a victim who alleges that the victim’s right to restitution was not considered or was improperly denied may file a motion requesting relief within 30 days of the denial or alleged failure to consider. If the court finds that the victim’s right to restitution was not considered or was improperly denied, the court may enter a judgment of restitution.

Chapter 363 of 2013 specified that if a court finds that a victim’s right was not considered or was denied, the court may grant relief to the victim so long as the remedy does not violate a criminal defendant’s or child respondent’s constitutional right to be free from double jeopardy. The court is not permitted to provide a remedy that modifies a sentence of incarceration of a defendant or commitment of a child respondent unless the victim requests relief from a violation of the victim’s right within 30 days of the alleged violation.

Chapter 363 also expanded the rights of victims by establishing that a victim of any crime (rather than only a victim of violent crime) has the right to file an application for leave to

appeal to the Court of Special Appeals from an interlocutory order and has the right to a direct appeal to the Court of Special Appeals from a final order denying the victim specified victims' rights. Finally, **Chapter 363** requires that, subject to specified exceptions, payment of restitution to a victim has priority over any payments to any other person or governmental unit.

Chapter 151 of 2014 requires, if practicable, a court, in a sentencing or disposition hearing, to allow a victim or the victim's representative, at the request of the victim/representative, to address the court before imposition of sentence or other disposition. Courts were formerly authorized to grant such a request but were not required to do so.

Chapter 205 of 2014 authorized a crime victim or a crime victim's representative to follow Maryland Electronic Courts system protocol to request specified notices in an electronic form and authorized the prosecuting attorney and the clerk of the circuit court or juvenile court to provide notices in an electronic form to the victim or victim's representative.

Compensation for Injuries Sustained by Victims of Crime

The Criminal Injuries Compensation Board (CICB), which consists of five members, awards grants to innocent victims of crime who incur financial hardship as a result of crime. Funding for these grants is provided by the Criminal Injuries Compensation Fund (CICF) from fees assessed by circuit and District courts. CICF is also supplemented by federal funds.

Chapter 177 of 2014 specified that one of the five members of CICB must be a family member of a homicide victim.

Chapter 207 of 2014 authorized a legal representative to request criminal injuries compensation, restitution, or any other financial property interest on behalf of a decedent or a beneficiary who is or was a victim of a crime. For an additional discussion of **Chapter 207**, see the subpart "Estates and Trusts" within Part F – Courts and Civil Proceedings of this *Major Issues Review*.

Chapter 223 of 2014 required the Governor's Office of Crime Control and Prevention (GOCCP) to help establish and expand programs for survivors of homicide victims in the State. Money for the programs must be as provided in the annual State budget and must be used to supplement, but not supplant, money that the programs receive from other sources.

The programs must (1) serve survivors of homicide victims in all parts of the State; (2) provide or facilitate referrals to appropriate counseling, legal, mental health, and advocacy services for survivors of homicide victims, including specialized support services to adult and minor survivors of homicide victims; and (3) provide a toll-free telephone number and assistance to exercise the rights to which the survivors are entitled by law.

GOCCP must award grants to public or private nonprofit organizations to operate the programs and must regularly consult, collaborate with, and consider the recommendations of service providers regarding programs, policies, practices, and procedures that impact the

survivors of homicide victims. The Executive Director of GOCCP must include a report on these programs in the annual report submitted by GOCCP to the General Assembly.

Chapter 200 of 2014 altered the date by which, in a case of child abuse, a claimant may file a claim with CICB to the date the child who was the subject of abuse reaches the age of 25 or, if CICB determines that there was good cause for failure to file a claim by that date, at any time. Prior to the Act, a claim had to be made within three years after the claimant knew or should have known of the abuse.

Juvenile Law

Juvenile Records

In general, a court record or police record concerning a child is confidential and its contents may not be divulged, by subpoena or otherwise, except by court order upon a showing of good cause or under limited exceptions authorized by law. During the 2011-2014 term, the General Assembly expanded access to juvenile records by specified agencies and established procedures for the expungement of juvenile records.

Access by the Division of Pretrial Detention and Services

Individuals arrested and processed in Baltimore City are in the custody of the State Division of Pretrial Detention and Services (DPDS). DPDS includes the Pretrial Release Services Program in Baltimore City, which makes recommendations to the court concerning an individual's fitness for home detention or other types of pretrial release and supervises defendants who have been released to the community to await trial. Prior to 2011, DPDS did not have access to the juvenile records of these individuals; therefore, the information which was being presented to the court to make a decision regarding pretrial release was limited. **Chapter 102 of 2011** established an exception to existing statutory provisions maintaining the confidentiality of juvenile records by authorizing DPDS to access juvenile court records if (1) the individual who is the subject of the court record is charged as an adult with an offense; (2) the access to and use of the court record is strictly limited for the purpose of determining the defendant's eligibility for pretrial release; and (3) the court record concerns an adjudication of delinquency that occurred within three years of the date the individual is charged as an adult.

Disclosure between Departments of Education and Juvenile Services

Chapter 535 of 2004 established a Juvenile Services Education Program within the Maryland State Department of Education (MSDE) and required that the program provide educational services in all residential facilities of the Department of Juvenile Services (DJS) by July 1, 2012. The Budget Reconciliation and Financing Act of 2009 (Chapter 487) extended the time period to July 1, 2014. As of July 1, 2013, MSDE had assumed control of all educational programs. **Chapter 16 of 2011** authorized MSDE and DJS, when necessary, to ensure the appropriate delivery of services for juveniles in the Juvenile Services Education Program who receive MSDE educational services in a DJS facility, to share the juveniles' education records.

Disclosure to Out-of-state Agencies

DJS is authorized to provide access to and the confidential use of a treatment plan of a child by an agency in the District of Columbia or a state agency in Virginia if the agency (1) performs the same functions in its jurisdiction as DJS does in Maryland; (2) has a reciprocity agreement with Maryland; and (3) has custody of the child. A shared record may only provide information that is relevant to the supervision, care, and treatment of the child. **Chapter 611 of 2013** expanded access to juvenile records by authorizing access to juvenile court records by any agency described above or by any state agency in Delaware, Pennsylvania, or West Virginia that meets the established criteria. The Act also repealed the requirement that the agency have custody of the child in order to obtain access to the information.

Access by Baltimore City Health Department

Chapter 10 of 2006 established the authority of the Baltimore City Health Department (BCHD) to access various records of children who were victims of violence or who were under the health department's care. Chapters 602 and 603 of 2008 extended the original termination date of Chapter 10 to September 30, 2011, and authorized BCHD to also access records as they pertained to a child who committed a crime that caused a death or near fatality. **Chapter 474 of 2013** authorized access to court, social services, juvenile, and police records by the Office of Youth Violence Prevention (OYVP) within the BCHD and the Baltimore City Mayor's Office on Criminal Justice (BCMOCJ) under specified circumstances. Specifically, OYVP may access child in need of assistance records, child abuse and neglect records, and juvenile delinquency court and police records if (1) OYVP is providing treatment or care to a child and the disclosure is related to that purpose; (2) the record concerns a child convicted of a crime or adjudicated delinquent for an act that caused a death or near fatality; or (3) the record concerns a victim of a "crime of violence," who is a child residing in Baltimore City, for the purpose of developing appropriate programs and policies aimed at reducing violence against children in Baltimore City. OYVP must keep confidential any information provided, is liable for unauthorized release of information, and must submit a report detailing the purposes for which a record under the Act is used. BCMOCJ may also access juvenile police records and court records under specified circumstances if it is providing programs and services to a child who is the subject of the record for related purposes. **Chapter 474** terminates September 30, 2019.

Expungement of Criminal Charge Transferred to Juvenile Court

Under Maryland law, prior to trial, a circuit court exercising criminal jurisdiction in a case involving a child may transfer the case to the juvenile court if such transfer is believed to be in the interests of the child or society (reverse waiver). A court is required to grant a petition for expungement of a criminal charge that was transferred to the juvenile court under reverse waiver provisions.

At sentencing, a court exercising criminal jurisdiction in a case involving a child may transfer jurisdiction to the juvenile court if (1) as a result of trial of a plea entered (in lieu of trial), all charges that precluded the juvenile court from exercising jurisdiction did not result in a finding of guilty; and (2) pretrial transfer was prohibited because the alleged crime was first

degree murder and the child was 16 or 17 years old at the time of its commission; or the court did not transfer jurisdiction after a hearing on a motion for reverse waiver. Prior to 2012, the law did not provide for the expungement of a criminal charge that was transferred to the juvenile court at sentencing.

In *In re Nancy H.*, 297 Md. App. 419, 14 A.3d 19 (2011), the Court of Special Appeals held that although the expungement statute relating to juvenile records does not permit expungement if a case was transferred to the circuit court at sentencing, the statute should be interpreted to permit a juvenile who has been waived to juvenile court from circuit court for disposition to also have the benefit of the court's discretion as to whether expungement of the proceedings is appropriate. Consistent with that opinion, **Chapter 563 of 2012** authorized a person to file, and required a court to grant, a petition for expungement of a criminal charge that was transferred to the juvenile court for disposition at sentencing.

Expungement of Juvenile Record

Chapter 213 of 2014 authorized a person to file, and the juvenile court to grant, a petition for expungement of the person's juvenile record in accordance with certain procedures if:

- (1)
 - (i) the State's Attorney enters a *nolle prosequi*;
 - (ii) the petition is dismissed;
 - (iii) the court, in an adjudicatory hearing, does not find that the allegations in the petition are true;
 - (iv) the adjudicatory hearing is not held within two years after a petition is filed; or
 - (v) the court, in a disposition hearing, finds that the person does or does not require guidance, treatment, or rehabilitation;
- (2) the person has attained the age of 18 and at least two years have elapsed since the last official action in the person's juvenile delinquency record;
- (3) the person has not been adjudicated delinquent more than once;
- (4) the person has not subsequently been convicted of any offense;
- (5) no delinquency petition or criminal charge is pending against the person;
- (6) the person has not been adjudicated delinquent for an offense which, if committed by an adult, would constitute a crime of violence, a fourth degree sexual offense, or a felony;
- (7) the person was not required to register as a sex offender under specified statutory provisions;

- (8) the person has not been adjudicated delinquent for an offense involving the use of a firearm in the commission of a crime of violence; and
- (9) the person has fully paid any monetary restitution ordered by the court.

In determining whether to grant a request for expungement, the court is required to consider the best interests of the person, the person's stability in the community, and the safety of the public. The provisions are not applicable to records maintained as part of the sexual offender registry or to records maintained by a law enforcement agency for the sole purpose of collecting statistical information.

Pilot Programs

Child in Need of Supervision

A "child in need of supervision" is a child who requires guidance, treatment, or rehabilitation and (1) is required by law to attend school and is habitually truant; (2) is habitually disobedient, ungovernable, and beyond the control of the person having custody of him; (3) departs himself so as to injure or endanger himself or others; or (4) has committed an offense applicable only to children.

Chapter 601 of 2005 required the Secretary of Juvenile Services to establish a Child in Need of Supervision (CINS) Pilot Program in Baltimore City and Baltimore County. Under the pilot program, local management boards must select community-based providers that offer assessment, intervention, and referral services to children in the pilot program jurisdictions that are alleged to be in need of supervision. A juvenile intake officer who receives a complaint alleging that a child in one of the pilot program jurisdictions is in need of supervision must refer the child and the child's parents to one of the selected providers.

Chapter 382 of 2011 expanded the CINS Pilot Program to include Cecil, Montgomery, and Prince George's counties. **Chapter 413 of 2013** extended to June 30, 2016, the termination date of the CINS Pilot Program in Baltimore City and Baltimore County. **Chapter 216 of 2014** required DJS, beginning in 2014, to include in its annual report to the General Assembly regarding the CINS Pilot Program an evaluation of the ability of DJS to expand the program to additional counties in the State.

Truancy Reduction

Truancy courts are problem-solving courts in which cases are heard on a special docket by the same judge each month. The courts hold regular hearings in each case to review a child's progress toward full attendance and to address the causes of the child's truancy. Chapter 551 of 2004 authorized a three-year Truancy Reduction Pilot Program (TRPP) in the juvenile courts in Dorchester, Somerset, Wicomico, and Worcester counties. Chapter 648 of 2007 extended the term of the TRPP and authorized the establishment of the TRPP in the juvenile courts of Harford and Prince George's counties. Chapter 718 of 2009 repealed the termination date of the TRPP, establishing permanent truancy courts in Dorchester, Harford, Prince George's, Somerset,

Wicomico, and Worcester counties. *Chapters 48 and 49 of 2011* authorized the establishment of a TRPP in the juvenile court in Talbot County. *Chapter 378 of 2011* repealed a requirement that a criminal compulsory school attendance violation charge be filed against a person with legal custody or care and control of a child and dismissed or set aside before a child younger than age 12 is eligible to participate in a TRPP. *Chapter 152 of 2014* authorized the establishment of a Truancy Reduction Pilot Program in the juvenile court in Kent County.

Juvenile Arrests, Detention, and Placement

Arrests

Under Maryland law, a child may be taken into custody (1) in accordance with an order of the court; (2) by a law enforcement officer in accordance with the law of arrest; (3) by a law enforcement officer or other person authorized by the court if the officer or other person has reasonable grounds to believe that the child is in immediate danger from the child's surroundings and that the child's removal is necessary for the child's protection; or (4) by a law enforcement officer or other person authorized by the court if the officer or other person has reasonable grounds to believe that the child has run away from the child's parents, guardian, or legal custodian.

Chapters 229 and 230 of 2012 authorized an intake officer of DJS, after conducting an inquiry in accordance with statutory provisions, to file with the juvenile court an application for an arrest warrant prepared by a law enforcement officer. An arrest warrant may only be issued by the court on a finding of probable cause and must direct the law enforcement officer to take immediate custody of the child.

Chapter 417 of 2012 required a law enforcement officer who charges a minor with a criminal offense to make a reasonable attempt to notify the parent or guardian of the minor of the charge within 48 hours of the arrest of the minor.

Transfer of Placement

Under Maryland law, in making a disposition on a delinquency petition, the juvenile court may commit the child to DJS on terms that the court considers appropriate, including the type of facility where the child is to be accommodated. *Chapter 198 of 2012* authorized DJS, on approval of the Director of Behavioral Health, to transfer a child committed for residential placement from one facility to another if the change is necessary to appropriately administer the commitment of the child. A facility to which the child is transferred must be consistent with the type of facility designated by the court under the statute or one that is more secure. DJS must notify the court, counsel for the child, the State's Attorney, and the parent or guardian of the child prior to the transfer of the child. The juvenile court may conduct a hearing at any time for the purpose of reviewing the commitment order and the transfer of a child.

Chapter 198 specified that its provisions terminated on June 30, 2014, and required DJS to report to the General Assembly, on or before January 1, 2014, on the implementation of the legislation. DJS advised that the authority to make transfer decisions in accordance with

Chapter 198 resulted in a significant impact on its operations by eliminating the time a juvenile spends in detention as a result of ejection from a residential placement, which helped to reduce the pending placement population.

As a result, the General Assembly passed **Chapter 135 of 2014**, which extended the termination date of **Chapter 198** from June 30, 2014, to June 30, 2016. **Chapter 135** also required DJS to report to the General Assembly on the implementation of the Act on or before January 1, 2015.

Out-of-home Placements

After a child has been adjudicated delinquent, the juvenile court, at a disposition hearing, may place the child under supervision in the child's own home or in the custody or under the guardianship of a relative or other fit person, on terms the court deems appropriate, including community detention. A child may also be committed to the custody or guardianship of DJS or another agency on terms that the court considers appropriate, including designation of the type of facility where the child is to be accommodated. The court may also order the child or the child's parents, guardian, or custodian to participate in rehabilitative services that are in the best interest of the child and the family.

Chapter 651 of 2013 prohibited a child from being committed to DJS for out-of-home placement if the most serious offense for which the child has been adjudicated is (1) possession of marijuana; (2) possession or purchase of a noncontrolled substance; (3) disturbing the peace or disorderly conduct; (4) malicious destruction of property; (5) an offense involving inhalants; (6) an offense involving prostitution; (7) theft involving amounts less than \$1,000; or (8) trespass. A child whose most serious offense is one specified above may be committed to DJS for out-of-home placement if (1) the child previously has been adjudicated delinquent for three or more offenses arising from separate and independent circumstances; (2) the child waives the prohibition and the court accepts the waiver as knowing, intelligent, and voluntary; or (3) the court makes a written finding, including the specific facts supporting the finding, that the placement is necessary for the welfare of the child or in the interest of public safety. The Act may not be construed to prohibit the court from committing the child to another appropriate agency.

Community Detention Violation Hearings

"Detention" means the temporary care of children who, pending court disposition, require secure custody in physically restricting facilities for the protection of themselves or the community. "Community detention" is a program monitored by DJS in which a delinquent child or a child alleged to be delinquent is placed in the home of a parent, guardian, custodian, or other fit person, or in shelter care, as a condition of probation or as an alternative to detention. Community detention includes electronic monitoring.

Chapter 35 of 2014 required an intake officer who authorizes detention of a child for a violation of community detention to immediately file a petition to authorize the child's continued detention. The juvenile court must hold a hearing on the petition no later than the next court day

unless extended for no more than five days by the court on good cause shown. *Chapter 35* also required reasonable notice, either oral or written, to be given to the child and, if they can be located, to the child’s parents, guardian, or custodian.

Reportable Offenses

Under Maryland law, a law enforcement agency is required to notify the school superintendent and principal when a student is arrested for a reportable offense or an offense that is related to the student’s membership in a criminal gang. “Reportable offenses” include specified violent crimes and various gang-, weapons-, drug-, theft-, and intimidation-related charges. Chapter 188 of 2010, the Safe Schools Act, among other provisions, expanded the list of reportable offenses to include malicious destruction of property, second degree assault, car theft, inducing false testimony or avoidance of subpoena, retaliation for testimony, and intimidation or corruption of a juror. *Chapter 218 of 2014* added first degree burglary and animal cruelty to the list of crimes that, when committed by a student, law enforcement agencies must report to specified school officials.

Transfer of Cases to Juvenile Court

In general, the juvenile court has jurisdiction over a child alleged to be delinquent, in need of supervision, or who has received a citation for alcoholic beverage violations. The juvenile court does not have jurisdiction over children at least age 16 who are alleged to have committed specified violent crimes, children age 14 and older charged with a capital crime, and children who have previously been convicted as an adult of a felony and are subsequently alleged to have committed an act that would be a felony if committed by an adult. However, a circuit court may transfer a case involving such a child to the juvenile court if such a transfer is believed to be in the interests of the child or society (reverse waiver). A reverse waiver is not permitted if (1) the child was previously transferred to juvenile court and adjudicated delinquent; (2) the child was convicted in an unrelated case excluded from the jurisdiction of the juvenile court because the child was at least age 14 charged with a crime punishable by death or life imprisonment or was at least age 16 and alleged to have committed specified violent crimes; or (3) the alleged crime is murder in the first degree and the accused child was 16 or 17 years of age when the alleged crime was committed. *Chapter 178 of 2014* repealed the provision that prohibited a court exercising criminal jurisdiction over a child from transferring the case to the juvenile court under reverse waiver provisions if the child was previously transferred to juvenile court and adjudicated delinquent.

Public Safety

Firearms

Gun control has long been a subject of interest to Maryland legislators, and it commanded wide attention during the 2011-2014 term. *Chapters 164 and 165 of 2011* expanded prohibitions against the use and possession of handguns and concealable antique

firearms in the commission of certain crimes of violence or felonies to include the use of any firearm, whether loaded or unloaded; **Chapter 131 of 2012** established a Task Force to Study Access of Individuals with Mental Illness to Regulated Firearms; and **Chapter 277 of 2012** prohibited a person from possessing a regulated firearm or a rifle or shotgun if the person was previously convicted of a federal charge or an offense in another state that would be a disqualifying crime of violence or drug crime if committed in Maryland.

It was during the 2013 session, however, that one of the most far-reaching gun control measures ever proposed in the State was adopted. **Chapter 427 of 2013**, known as the Firearm Safety Act, was distilled from more than three dozen gun control proposals that were introduced that year in the General Assembly. The major provisions of **Chapter 427** included the following:

Assault Weapons

The law applied prohibitions previously directed only to assault pistols to all assault weapons. Thus, with specified exceptions, **Chapter 427** prohibited the transporting, possessing, selling, offering to sell, transferring, purchasing, or receiving any assault weapon. **Chapter 427**, however, also allowed a person who lawfully possessed, had a purchase order for, or completed an application to purchase an assault long gun or a copycat weapon before October 1, 2013, to continue to possess and transport those weapons or, if carrying a court order requiring surrender of the weapon, transport the unloaded weapon directly to a law enforcement unit, having notified the unit of the transport.

10-round Limit on Magazines

Chapter 427 reduced the allowable detachable magazine capacity for the manufacture, sale, purchase, receipt, or transfer in the State from 20 to 10 rounds of firearm ammunition. **Chapter 427** similarly reduced limits on magazine capacities under penalty provisions applicable to use of an assault weapon in the commission of a felony or crime of violence.

Restricted Ammunition

Chapter 427 prohibited a person, during and in relation to the commission of a crime of violence, from possessing or using “restricted firearm ammunition,” defined as a cartridge, shell, or any other device that (1) contains explosive or incendiary material designed and intended for use in a firearm and (2) has a core constructed, excluding traces of other substances, entirely from one or a combination of tungsten alloys, steel, iron, brass, beryllium copper, depleted uranium, or an equivalent material of similar density or hardness.

Handgun Qualification License

Under **Chapter 427**, a major new licensing scheme for handguns under the licensing authority of the Department of State Police (DSP) was established. Simply put, a “handgun qualification license” authorizes a person to purchase, rent, or receive a handgun. A licensed firearms manufacturer, a specified active or retired law enforcement officer, a member or retired member of the U.S. Armed Forces or the National Guard, and a person purchasing, renting, or

receiving an antique, curio, or relic firearm (as defined under federal law) were exempt from the requirements of the licensing provisions.

The Secretary of State Police was also required to apply for a State and national criminal history records check on behalf of each handgun applicant. **Chapter 427** required written approval or denial by DSP within 30 days. With specified exceptions, **Chapter 427** also required an applicant to show proof of completion of an approved firearms safety training course. Renewal applicants were not required to complete the firearms safety training course or submit to a State and national criminal history records check.

Restrictions on Mentally Ill

Chapter 427 prohibited a person from possessing a regulated firearm, rifle, or shotgun if the person:

- suffered from a mental disorder and had a history of violent behavior against the person or another;
- was found incompetent to stand trial or found not criminally responsible in a criminal case;
- was voluntarily admitted for more than 30 consecutive days to a facility (*i.e.*, a public or private clinic, hospital, or other institution that treats individuals who have mental disorders);
- was involuntarily committed to a facility; or
- was under the protection of a court-appointed guardian of a person or their property, except for cases in which the appointment was solely a result of a physical disability.

Relief from Firearms Disqualification

Under **Chapter 427**, a person seeking relief from firearms disqualification for mental health reasons may apply to the Department of Health and Mental Hygiene (DHMH). An application for relief must include a statement of why the applicant is prohibited from possessing a regulated firearm, rifle, or shotgun; a statement why the applicant should be relieved from that prohibition; authorization for DHMH to access health and criminal records; three statements related to the applicant's reputation and character; and, if the applicant is prohibited for certain mental health reasons, a certificate issued within 30 days of the submission of the application on a form signed by a Maryland licensed physician who is board certified in psychiatry or psychology. Within 60 days after the receipt of a completed application, DHMH must provide the applicant with a certificate affirming the applicant's mental competence or a written statement that the applicant is mentally competent to possess a firearm.

Firearms Dealers

Chapter 427 required the disapproval of an application for a State-regulated firearms dealer's license if it is determined that the license applicant intends that a person not qualified for a license or whose license has been revoked or suspended will (1) participate in the management or operation of the business or (2) hold an interest in the business. DSP must inspect the inventory and records of a licensed dealer at least once every two years and may inspect the inventory and records at any time during the normal business hours of the licensed dealer's business.

Carrying a Firearm on School Property

Chapter 427 exempted from the prohibition against carrying a firearm, knife, or other deadly weapon on public school property an off-duty law enforcement officer who is a parent, guardian, or visitor of a student attending the school, provided that the officer is displaying the officer's badge or credential and the weapon is concealed.

Hunting Near Schools

Chapter 427 prohibited a person, while hunting for any wild bird or mammal, from shooting or discharging a firearm within 300 yards of a school during school hours or at a time when a school-approved activity is taking place.

Subsequent Legislative Proposals

Prior to and following passage of *Chapter 427*, the State saw an unprecedented surge in applications for firearms purchases. In addition, two lawsuits challenged the law. Not surprisingly, strong interest in adjusting firearms control laws carried into the 2014 session as legislators introduced dozens of bills to repeal, weaken, or enhance *Chapter 427*. All failed. The bills included *House Bill 60 of 2014 (failed)*, which would have repealed of *Chapter 427* in its entirety; *House Bill 42 of 2014 (failed)*, which would have prohibited a person, including a licensed firearm dealer, from selling, renting, or transferring a regulated firearm to a firearm applicant until receiving an approval notice from the Secretary of State Police; and *House Bill 62 (failed)*, which would have allowed a license issued by Delaware, Pennsylvania, Virginia, or West Virginia for an individual to carry a regulated firearm, including a concealed regulated firearm, to be valid in Maryland.

Sex Offenders

Two significant pieces of public safety legislation were enacted in 2011 concerning sexual offenders whose actual or intended victims were minors. For additional discussion of enactments involving sex offenders during the term, see subpart "Criminal Procedure" and "Criminal Law" of this Part E of this *Major Issues Review*.

Statute of Limitations

Chapters 192 and 193 of 2011 increased the statute of limitations from one to three years for the initiation of a prosecution for the fourth degree sex offense involving nonconsensual sexual contact, if the victim was a minor at the time of the offense.

Sex Offender Registry

Chapter 374 of 2011 clarified that a person convicted of sexual solicitation of a minor, under circumstances where the solicitation was directed at a law enforcement officer posing as a minor, must register with the State's sex offender registry.

Chapter 374 also made the retroactive application of sex offender registration requirements apply to a person who is convicted of a felony, rather than any crime, on or after October 1, 2010, and who had a prior conviction for an offense for which sex offender registration is required as well as a person convicted on or after October 1, 2010, of sexual solicitation of a minor, regardless of whether the victim was a minor.

Chapter 374 also increased, from 13 to 14 years of age, the age for inclusion on the registry of juvenile sex offenders, and limited the delinquent acts for which juvenile registration was required.

Correctional Facilities

Officers and Inspection Standards

In April 2013, a federal grand jury indictment alleged that correctional officers helped leaders of the Black Guerilla Family, a criminal street gang, smuggle contraband into State correctional facilities. In light of this indictment, a Special Joint Commission on Public Safety and Security in State and Local Correctional Facilities was created by Legislative Policy Committee. The commission made several specific recommendations in its December 2013 final report to the General Assembly. *Chapters 142 and 143 of 2014* authorized the appointing authority of a State correctional facility to impose an emergency suspension without pay on a State correctional officer if the officer is charged with a misdemeanor contraband violation involving an alcoholic beverage, a controlled dangerous substance, a telecommunication device, or contraband that is (1) money or a money equivalent or (2) an item or substance intended to cause physical injury. With certain exceptions, a correctional officer who is not convicted of the violation for which the emergency suspension was imposed must have the suspension rescinded and any lost time, compensation, status, and benefits restored.

Chapters 142 and 143 also required the Secretary of Public Safety and Correctional Services to require the Department of Public Safety and Correctional Services (DPSCS), by December 1, 2014, to study certain issues related to correctional standards, including standards set by the Maryland Commission on Correctional Standards and accreditation standards established by the American Correctional Association (ACA). The Secretary also was required to (1) adopt regulations amending the commission's standards in accordance with the results of

the study; (2) provide a proposed implementation schedule for ACA accreditation at each State correctional facility; and (3) report on the study findings and accompanying regulatory changes to the Governor and the General Assembly.

Polygraph Tests for Employees

The prohibition against requiring a current correctional officer to pass a polygraph test as a condition of continued employment was lifted under *Chapter 139 of 2014*. As a result, DPSCS may test an individual already employed as a correctional officer or other employee in a State correctional facility or in any other capacity involving direct contact with an inmate in a State correctional facility.

Internal Investigations

Chapter 217 of 2014 renamed the Internal Investigative Unit of DPSCS to be the Intelligence and Investigative Division (IID), expanded the scope of the division to oversee and coordinate all of the intelligence efforts within DPSCS under the authority of the Secretary, and charged IID with investigating all alleged criminal and professional misconduct violations committed by employees, as well as all criminal allegations made against inmates.

Correctional Officers' Bill of Rights

Chapter 252 of 2014 specified that, under the Correctional Officer's Bill of Rights (COBR), the 90-day limitation on bringing disciplinary charges against a State correctional officer does not apply to criminal activity if the criminal activity (1) relates to the correctional officer's official duties; (2) arises from events that occur at a correctional facility; or (3) involves an inmate or detainee at a correctional facility.

Chapter 257 of 2014 altered the definition of a State "correctional officer," for purposes of COBR, to exclude the classification of a Correctional Officer I, which is given to a person who is on probationary status with not more than one year of experience. Such officers were also eliminated from being eligible to serve on a hearing board for disciplinary proceedings under COBR.

Eyewitness Identification Procedures

The reliability of eyewitness identifications is a recurring issue in criminal justice discourse and practices across the country. Lineups and other extrajudicial identifications that are "unnecessarily suggestive and conducive to irreparable mistaken identification" violate a criminal defendant's due process rights.

To bolster the reliability of eyewitness identifications in Maryland, *Chapters 201 and 202 of 2014* required, by January 1, 2016, each law enforcement agency in the State to (1) adopt the Police Training Commission's Eyewitness Identification Model Policy or adopt and implement a written policy relating to "identification procedures" that complies with specified

requirements and (2) file a copy of the written policy with DSP, which must compile the written policies by February 1, 2016, and allow public inspection of each policy.

Under **Chapters 201 and 202**, an eyewitness identification procedure must be conducted by an administrator who is “blind” (*i.e.*, not knowing the identity of the suspect) or who is “blinded” (*i.e.*, knowing the identity of the suspect but not knowing which lineup member is being viewed by the eyewitness). The administrator may be blinded through the use of (1) an automated computer program or (2) a “folder shuffle method” in which photographs in randomly numbered folders are shuffled and then presented sequentially to the eyewitness so that the administrator cannot see or track which photograph is being viewed by the eyewitness until after the identification procedure is completed.

A “filler” is a person or a photograph of a person who is not suspected of an offense and is included in an identification procedure. Under **Chapters 201 and 202**, each filler must resemble the description of the perpetrator given by the eyewitness in significant physical features, including any unique or unusual features. At least five fillers, in addition to the perpetrator, must be included when an array of photographs is displayed to an eyewitness. At least four fillers, in addition to the perpetrator, must be included in a live lineup. The administrator is required to make a written record of the identification procedure including certain specific information, unless a video or audio record of the procedure is made.

These required eyewitness identification procedures may not have any effect on or application to any criminal case commenced before October 1, 2014.

Building and Safety Standards and Practices

Elevator Safety

The definition of “third-party qualified elevator inspector” was altered by **Chapter 441 of 2013** to mean a person who, in addition to meeting specified qualifications established by the Commissioner of Labor and Industry, is certified by a nationally recognized safety organization accredited by the National Commission for Certifying Agencies or the American National Standards Institute.

Chapters 306 and 307 of 2012 required the Elevator Safety Review Board to license accessibility lift mechanics and establish fees for the application, issuance, and renewal of lift mechanic licenses. **Chapters 306 and 307** defined the scope of the accessibility lift mechanic profession and license, established education and experience requirements for licensure, and prohibited a person from working as an accessibility lift mechanic without a license. Under **Chapters 306 and 307**, a person must be licensed as an accessibility lift mechanic before the person erects, constructs, wires, alters, replaces, maintains, repairs, dismantles, or services commercial stairway chairlifts, vertical platform lifts, or incline platform lifts.

The Elevator Safety Review Board must issue licensing certifications and reinstate expired licenses under specified circumstances under **Chapter 49 of 2012**. **Chapter 49** expanded the conditions under which the board may deny a new or renewal license to an applicant,

suspend or revoke a license, or reprimand a licensee. **Chapter 49** increased the sanctions available to the board to discipline a licensee and requires that a majority of board members currently serving approve a sanction or license denial.

Cliffside Elevators – The Jock Menzies Act

John “Jock” Menzies was an Anne Arundel County resident who died from injuries sustained in an accident involving a residential cliffside elevator located on his property in August 2013. Because the elevator unit was installed in a privately owned single-family residential dwelling, it was exempt from the State’s registration and inspection requirements for commercial elevators.

Filling that gap, **Chapter 155 of 2014** required “cliffside elevators” located on the property of a privately owned single-family residence to be registered with the Commissioner of Labor and Industry, inspected every two years by a third-party qualified inspector, and generally be subject to the laws related to registration and inspection requirements for most commercial elevators.

Balcony Railings – Jonathan’s Law

In a 2008 incident in Massachusetts, a 32-year-old man died after a railing on his apartment’s balcony collapsed. His death led to the passing of a law in Massachusetts requiring the inspection of balcony railings.

Chapters 494 and 495 of 2014 required a political subdivision to inspect each multifamily dwelling in which a unit in the dwelling has wooden balcony railings. The inspections must be conducted at least once every five years. A political subdivision may authorize a third party to conduct the inspections and may charge a property owner a fee for each periodic balcony inspection. The enactments do not authorize a political subdivision to inspect an owner-occupied dwelling unit.

Fire Safety

Chapter 596 of 2011 required, for fire safety purposes, the owner of a residential high-rise building with rental units to provide reasonable written notice annually to all residents of the building to inform residents who are mobility impaired of their right to request a rental unit on the first five floors of the building if one should become available. The measure defined being “mobility impaired” as unable to carry objects or to move or travel without the use of an assistive device or service animal.

State law requires that a sprinkler system be installed in every dormitory, hotel, lodging or rooming house, or multifamily residential dwelling which either received a permit or was constructed after July 1, 1990, as well as every townhouse which either received a permit or was constructed after July 1, 1992. **Chapters 265 and 266 of 2012** expanded this requirement by prohibiting, except under specified conditions, a local jurisdiction from adopting a local amendment to the Maryland Building Performance Standards if the amendment weakens the

automatic fire sprinkler systems provisions for townhouses and one- and two-family dwellings. The bills did not apply to standards governing issuance of a building permit for a property not connected to an electrical utility or, until January 1, 2016, standards governing issuance of a building permit for a new one- or two-family dwelling constructed on (1) a lot subject to a valid unexpired public works utility agreement executed before March 1, 2011, or (2) a lot served by a specified existing water service line from a water main to the property line.

Chapters 594 and 595 of 2013 generally clarified laws related to smoke alarms, specified technological and installation requirements for residential and nonresidential structures, and required that smoke alarm requirements be enforced by specified officials. Additional smoke alarm information was required to be included in a specified disclosure form in a contract of sale for single-family residential real property.

Under *Chapters 594 and 595*, by January 1, 2018, smoke alarm placement in existing residential occupancies must be upgraded to comply with minimum specified standards, which vary according to when each building was constructed and the type of residential occupancy. Smoke alarms must be (1) installed in accordance with specified codes; (2) listed and labeled by a nationally recognized testing laboratory to comply with specified safety standards; (3) suitable for sensing visible or invisible products of combustion; and (4) sound an alarm suitable to warn the occupants.

For all new residential units constructed after July 1, 2013, at least one smoke alarm must be installed in each sleeping room, in the hallway or common area outside of sleeping rooms, and in the hallway or common area on each level within a residential dwelling unit, including basements and excluding specified unoccupied spaces such as attics. Battery-operated smoke alarms must be sealed, tamper resistant units incorporating a silence/hush button and using long-life batteries. A smoke alarm may be combined with a carbon monoxide alarm if the device complies with the bill, Title 12 of the Public Safety Article, and other specified standards.

Finally, the residential property disclosure form provided to the purchaser of specified single-family residential real property must include whether the smoke alarms (1) are over 10 years old and (2) if battery operated, are sealed, tamper resistant units incorporating a silence/hush button and use long-long life batteries as required in all Maryland homes by 2018.

Hotel Master Control Devices

Chapters 606 and 607 of 2012 required each hotel guest room in a newly constructed hotel to be equipped with a master control device that automatically turns off the power to all of the lighting fixtures in the guest room no more than 30 minutes after the room has been vacated. In addition to controlling power to the lighting fixtures, a master control device may control the heating, ventilation, or air conditioning default settings in hotel guest rooms 30 minutes after a room has been vacated by increasing or decreasing the set temperature.

Next Generation 9-1-1 Services

In 2012, the General Assembly required Maryland's emergency 9-1-1 number system to adapt to the Internet age. Under **Chapter 425 of 2012**, the Emergency Number Systems Board was required to establish planning guidelines for Next Generation 9-1-1 services system plans and deployment of Next Generation 9-1-1 services. **Chapter 425** defined Next Generation 9-1-1 services to mean an Internet protocol-based system, comprised of hardware, software, data, and operational policies and procedures that:

- provides standardized interfaces from emergency call and message services to support emergency communications;
- processes all types of emergency calls, including voice, text, data, and multimedia information;
- acquires and integrates additional emergency call data useful to call routing and handling;
- delivers the emergency calls, messages, and data to the appropriate public safety answering point and other appropriate emergency entities;
- supports data or video communications needs for coordinated incident response and management; and
- provides broadband service to public safety answering points or other first responder entities.

Procedures and Reports

Race-based Traffic Stops

In 2001, law enforcement agencies in the State were required to collect certain data about traffic stops and to adopt a policy against traffic stops that were race based. This requirement lapsed in 2010, but **Chapters 172 and 173 of 2011** revived the requirement. **Chapters 172 and 173** required law enforcement agencies and law enforcement officers to take specific actions over three years, including the filing of reports regarding the race and ethnicity of drivers who were the subject of traffic stops, to evaluate the manner in which the vehicle laws were being enforced. Beginning on July 1, 2014, however, a law enforcement agency simply will be required to adopt a policy against race-based traffic stops that is to be used as a management tool to promote nondiscriminatory law enforcement and in the training and counseling of its officers.

Part F

Courts and Civil Proceedings

Judges and Court Administration

Creation of Judgeships

At the suggestion of the Legislative Policy Committee in January 1979, the Chief Judge of the Court of Appeals began an annual procedure of formally certifying to the General Assembly the need for additional judges in the State. The annual certification is prepared based upon a statistical analysis of the workload of the courts and the comments of the circuit administrative judges and the Chief Judge of the District Court. Although the statistical analysis consistently supported the need for new judges, no new judgeships were added between 2009 and 2012 due to the fiscal climate.

The 2012 *Joint Chairmen's Report* directed the Judiciary to develop a multiyear plan to request new judgeships so that workloads could be addressed gradually without a significant impact on State expenditures. In 2012, the Judiciary submitted the plan along with its certification of judgeships. From these certifications of need, the Judiciary also considered whether each jurisdiction had the required space available, as well as the necessary funding to support additional circuit court judges. Based on these considerations, the Judiciary developed a multiyear judgeship deployment plan that called for the addition of 25 circuit and District Court judges over the course of six legislative sessions.

Chapter 34 of 2013 altered the number of resident judges of the circuit courts by adding one additional judgeship each in Calvert, Carroll, Cecil, Frederick, and Wicomico counties. **Chapter 34** also created one additional District Court judgeship in each of the following four districts: District 1 (Baltimore City), District 4 (Calvert, Charles, and St. Mary's counties), District 5 (Prince George's County), and District 6 (Montgomery County). The Act further specified that the additional judge from District 4 must be from Charles County. The Act also added two judgeships in the Court of Special Appeals.

Senate Bill 167/House Bill 120 of 2014 (both failed) would have altered the number of resident judges of the circuit courts by adding one additional judgeship each in Baltimore City

and Anne Arundel, Baltimore, Charles, Montgomery, and Prince George's counties. The bills also would have created one additional District Court judgeship in District 5 (Prince George's County) and District 6 (Montgomery County).

Judicial Compensation and Retirement Benefits

Judicial Compensation

The Judicial Compensation Commission, established in 1980, is required to review judicial salaries and pensions and make recommendations to the Governor and the General Assembly once every four years. The commission's recommendations are required to be introduced as a joint resolution not later than the fifteenth day of the session. The General Assembly may amend a joint resolution from the commission to decrease, but not increase, any of the commission's salary recommendations. The General Assembly may not reduce a judge's salary below its current level. Failure to adopt or amend the joint resolution within 50 calendar days of its introduction results in adoption of the salaries recommended by the commission. If the General Assembly rejects any or all of the commission's recommendations, the affected judges' salaries remain unchanged, unless modified by other provisions of law.

In October 2011, the commission recommended a multiyear, phased-in increase of judicial salaries for fiscal 2014 through 2016. The commission proposed that judicial salaries remain at current levels in fiscal 2013 and increase by \$29,006 in fiscal 2014 through 2016. ***Senate Joint Resolution 3 of 2012*** increased the salaries of all Maryland judges by \$14,081 over a three-year period (fiscal 2014 through 2016). The increases were phased in as follows: (1) \$4,556 in fiscal 2014; (2) \$4,692 in fiscal 2015; and (3) \$4,833 in fiscal 2016.

Judges' Retirement System

Prior to July 1, 2012, Maryland judges contributed 6% of their annual salary for the first 16 years of service toward a full retirement benefit of two-thirds of the salary of an active judge in a comparable position to the retired judge. As part of the Judicial Compensation Commission's 2011 report to the Governor and the General Assembly, the commission recommended that the contribution rate for newly appointed judges be increased from 6% to 8%. ***Chapter 485 of 2012*** increased the pension contribution rate to 8% for both newly appointed and existing judges. ***Chapter 485*** also established a five-year judicial retirement vesting period for newly appointed judges.

Orphans' Court Judges – Qualifications

Under the Maryland constitution, each county and Baltimore City elects three judges to the orphans' court of their respective jurisdictions, with the exception of Montgomery and Harford counties, where a circuit court judge sits as the orphans' court.

Chapter 394 of 2011 and Chapter 146 of 2012 proposed amendments to the Maryland Constitution to require an orphans' court judge in Prince George's County and Baltimore

County, respectively, to be a member in good standing of the Maryland Bar who is admitted to practice law in the State, in addition to the requirement that the judges be citizens of the State and residents, for the preceding 12 months, in the city or county in which they may be elected. The proposed constitutional amendments were adopted by the voters in the November 2012 general election. (Baltimore City voters adopted an identical amendment in 2010).

Compensation of Court Personnel

Circuit court clerks and registers of wills are elected officials whose salaries are set by the Board of Public Works. The board determines the salary of each clerk based on the relative volume of business and receipts in that clerk's office. *Chapters 53 and 54 of 2013* increased the maximum salary that the board may set for a circuit court clerk from \$98,500 to \$114,500.

Similarly, the board determines the annual salary of each register of wills based on the population of the county and the dollar volume of total fees and taxes collected and excess fees turned over to the State by that register of wills. *Chapter 29 of 2013* increased the maximum salary for a register of wills from \$98,500 to \$114,500. These increases take effect following the November 2014 election.

Court Administration

Jury Service – Prohibited Acts by Employer

An employer may not deprive an individual of employment or coerce, intimidate, or threaten to discharge an individual because of employment time lost due to jury service. *Chapters 121 and 159 of 2012* prohibited an employer from requiring an employee who spends four or more hours in one day, including travel time, in jury service to start a work shift that begins on or after 5 p.m. on the day of jury service or before 3 a.m. on the following day.

Victims of Crime – Interpreters

If a party or witness in a judicial proceeding is deaf or cannot readily understand or communicate the spoken English language, any party may apply to the court for the appointment of a qualified interpreter to assist that person. On application of a party or witness who is deaf, the court is required to appoint a qualified interpreter for the applicant. In addition, the court is required to appoint a qualified interpreter to help a defendant in a criminal proceeding when the defendant is deaf or cannot readily understand or communicate the English language and cannot understand a charge or help present the defense. *Chapter 705 of 2012* authorized a victim or victim's representative to apply for, and required the court to appoint, a qualified interpreter if the person is deaf or cannot readily understand or communicate the spoken English language. The Act also required the court to maintain a directory of interpreters to assist persons who cannot readily understand or communicate the spoken English language.

Task Force on Military Service Members, Veterans, and the Courts

Chapters 160 and 161 of 2012 established the Task Force on Military Service Members, Veterans, and the Courts. The task force was charged with various responsibilities, including:

- studying military service-related mental health issues and substance abuse problems of members or veterans of the U.S. Armed Services that may appear in civil, family, and criminal cases;
- studying ways the courts may address violence, drug and alcohol use and addiction, mental health conditions, and crimes committed by U.S. Armed Service members or veterans; and
- making recommendations regarding the creation of a special court for defendants who are current or former service members and who may suffer from mental illness, substance abuse, or post-traumatic stress syndrome related to military service and the readjustment to civilian life.

The report of the task force, comprised of its findings and recommendations, was submitted on December 1, 2013. Among other things, the task force recommended that local jurisdictions strongly consider establishing veteran's treatment courts. Since Prince George's County had already received some training on the subject, the task force recommended that the pilot veteran's treatment court be established at the Prince George's County Circuit Court.

Publication of Court Documents

The Division of State Documents is required to publish, in an issue of the *Maryland Register*, the text of specified legislative documents, court documents, and Executive Branch documents that are submitted to the division. *Chapter 124 of 2014* provided an exception to the requirement that specified court documents be published in the *Maryland Register* if the documents are posted promptly on the website of the Maryland Judiciary. The following court documents are subject to the exception provided by the Act:

- each proposed rule of court that the Chief Judge of the Court of Appeals directs to be published;
- each rule of court that the Court of Appeals adopts or permits to be adopted;
- the hearing calendar of the Court of Appeals;
- each administrative order or memorandum of the Chief Judge of the Court of Appeals or of the Administrative Office of the Court that the Chief Judge directs to be published;
- the hearing calendar of the Court of Special Appeals; and

- each administrative regulation that the Chief Judge of the District Court adopts.

Access to Legal Services

Maryland Legal Services Corporation Fund

The Maryland Legal Services Corporation (MLSC) was established by the General Assembly in 1982 to receive and distribute funds to nonprofit grantees that provide civil legal services to low-income clients. MLSC's primary sources of revenue are from the Interest on Lawyer Trust Accounts (IOLTA) program and surcharges on filing fees in civil cases. In addition to these funds, MLSC receives an annual appropriation from the State Unclaimed Property Fund.

As a result of the economic recession and the subsequent decline in interest rates, revenues from IOLTA earnings began to decline in fiscal 2009. Due to declining IOLTA revenue, as well as an increasing demand for legal services, the General Assembly passed Chapter 486 of 2010, which increased the maximum surcharge on civil cases filed in circuit courts from \$25 to \$55. In the District Court, the maximum authorized surcharge also increased from \$5 to \$8 for summary ejectment cases and from \$10 to \$18 for all other civil cases. **Chapters 71 and 72 of 2013** extended the termination date of the surcharge increases established by Chapter 486 from June 30, 2013, to June 30, 2018. **Chapters 71 and 72** also continued the requirement for MLSC to submit, for informational purposes only, its budget to the General Assembly.

Due to fiscal projections that IOLTA revenues were likely to decline even further, coupled with a declining trend in the number of civil case filings eligible under the surcharge, the General Assembly passed **Chapters 552 and 553 of 2013** which increased, from \$500,000 to \$1.5 million, the amount the Comptroller is required to distribute from abandoned property funds to the MLSC Fund. The Acts also repealed provisions requiring the Governor to appropriate at least \$500,000 each year to the fund.

Civil Right to Counsel in Maryland

The Maryland Access to Justice Commission (MAJC) was created by the Chief Judge of the Court of Appeals in 2008 to develop, consolidate, coordinate, and implement policy initiatives to expand access to and enhance the quality of justice in civil legal matters for persons who encounter barriers in gaining access to the State's civil justice system. In 2011, MAJC published a report entitled *Implementing a Civil Right to Counsel in Maryland*. The report made recommendations on implementation strategies and approximated the costs associated with implementation.

Chapter 35 of 2013 established the Task Force to Study Implementing a Civil Right to Counsel in Maryland. The task force was charged with various responsibilities, including:

- studying the resources available to assist in providing counsel to low-income individuals in the State compared to the depth of the unmet need, including the resulting burden on the court system and other public resources;
- studying whether low-income individuals should have the right to counsel at public expense in basic human needs cases, such as those involving shelter, sustenance, safety, health, or child custody, including review and analysis of MAJC's 2011 report and any other related reports;
- studying how the right to counsel might be implemented in the State, including the costs and possible revenue sources required to provide meaningful access to counsel and the savings to the court system and other public resources; and
- making recommendations regarding the aforementioned matters.

The task force was required to report its findings and recommendations to the Governor, the Chief Judge of the Court of Appeals, and the General Assembly by October 1, 2014. The Act was to terminate September 30, 2014.

Civil Actions and Procedures

Personal Injury or Death Caused by Dog

In order to hold a dog owner strictly liable under the common law for an attack by the dog (regardless of breed), the victim was required to prove that the owner knew or should have known that the dog had vicious or dangerous propensities. On April 26, 2012, the Court of Appeals modified the common law by holding that a dog owner, or a landlord or other person having the right to control a dog's presence on the premises, is strictly liable on proof that (1) the dog that attacked the victim is a pit bull or a mixed-breed pit bull and (2) the owner, landlord, or other person knew or should have known that the dog is a pit bull or a mixed-breed pit bull. *Tracey v. Solesky*, 427 Md. 627 (2012). On August 21, 2012, the court reconsidered its decision and limited its application to purebred pit bulls.

The *Solesky* ruling drew criticism from dog owners, animal advocacy groups, landlords, and insurers as news reports emerged relating to landlords banning pit bulls and animal shelters preparing for an influx of pit bulls. In response, the General Assembly formed the Task Force to Study the Court Decision Regarding Pit Bulls, which held hearings in June 2012. Common themes in the testimony at the hearings included (1) the ineffectiveness of breed-specific laws; (2) criticism of the lack of guidance as to what constitutes a pit bull or a mixed-breed pit bull; and (3) the negative effects on the rental housing market, including higher rents for tenants, higher insurance premiums for landlords, and potential bans on all dogs or specific breeds.

The task force did not propose its own bill, but legislators introduced several different bills during the 2012 Second Special Session. Some bills would have restored the common law,

while others would have imposed strict liability for all breeds under specified circumstances. The General Assembly was unable to reach a consensus on legislation during the brief special session. During the 2013 session, legislators introduced bills that would have reversed the *Solesky* decision, but also would have established a rebuttable presumption that a dog owner knew or should have known that the dog had vicious or dangerous propensities if the dog caused an injury or death. Once again, the General Assembly could not reach a consensus, due in part to disagreement about the effect of proposed amendments on the availability and affordability of insurance for homeowners and renters.

The General Assembly finally reached consensus and passed ***Chapters 48 and 49 of 2014***, which established a rebuttable presumption that the owner of a dog that caused personal injury or death knew or should have known that the dog had vicious or dangerous propensities. In a jury trial, the judge may not rule as a matter of law that the presumption has been rebutted before the jury returns a verdict.

In addition, the Acts established that the owner of a dog is strictly liable under the Acts for any injury, death, or loss to person or property that is caused by the dog while the dog was running at large unless the injury, death, or loss was caused to the body or property of a person who was (1) committing or attempting to commit a trespass or other criminal offense on the property of the owner; (2) committing or attempting to commit a criminal offense against any person; or (3) teasing, tormenting, abusing, or provoking the dog.

The Acts established that the common law of liability as it existed on April 1, 2012, applies to an action for personal injury or death caused by a dog against a person other than the dog's owner, regardless of the dog's breed or heritage. The Acts do not affect any other common law or statutory cause of action, defense, or immunity.

The Acts' provisions apply to causes of action arising on or after April 8, 2014.

Lead Poisoning

Chapter 114 of 1994 established the Lead Poisoning Prevention Program within the Maryland Department of the Environment (MDE). Chapter 114 established a comprehensive plan to provide compensation for children who are poisoned by lead paint, require landlords to treat affected residential rental properties to reduce risks, and limit the liability of landlords who act to reduce lead hazards in accordance with various regulatory requirements.

If a landlord complied with the regulatory provisions, Chapter 114 provided liability protection, through a qualified offer, by limiting compensation to children who resided in the rental unit to not more than \$7,500 for all medically necessary treatments and to not more than \$9,500 for relocation benefits, for a total of \$17,000. Compliance with Chapter 114 includes registering with MDE, implementing all lead risk reduction treatment standards, and providing notice to tenants about their legal rights and specified lead poisoning prevention information.

In a decision filed October 24, 2011 (*Jackson, et al., v. Dackman Co. et al.*, 422 Md. 357), the Court of Appeals ruled that the limits on landlord liability under Chapter 114 were

unconstitutional because the provisions violated Article 19 of the Maryland Declaration of Rights. Article 19 protects a right to a remedy for an injury and a right of access to the courts. The court stated that the test to be applied under an Article 19 challenge is whether the restriction on a judicial remedy was reasonable. The court found that the \$17,000 remedy available under Chapter 114 was “miniscule” and not reasonable compensation for a child permanently damaged by lead poisoning. Therefore, the court held the limited liability provisions under Chapter 114 to be invalid under Article 19 because a qualified offer does not provide a reasonable remedy.

The court’s decision generated the introduction of several lead poisoning related bills during the 2012 session.

Chapter 387 of 2012 made various changes to the Reduction of Lead Risk in Housing Law (“lead law”) administered by MDE. Among other things, the changes:

- expanded the application of the law to residential rental property built between 1950 and 1978 (beginning January 1, 2015);
- repealed a rebuttable presumption that an owner of an affected property that is not in compliance with the lead law is presumed to have failed to exercise reasonable care with respect to lead hazards;
- provided that evidence that an owner of an affected property was or was not in compliance with the lead law is admissible to prove that the owner exercised or failed to exercise reasonable care; and
- required a court, in an action for damages arising from the ingestion of lead in an affected property, to require a party who alleges or denies time and place of residence or visitation by a person at risk without a good faith basis, the party’s attorney, or both to pay reasonable costs, including attorney’s fees, incurred by the adverse party in opposing the allegation or denial.

For an additional discussion of lead poisoning legislation, see the subpart “Environment” of Part K – Natural Resources, Environment, and Agriculture of this *Major Issues Review*.

Practice and Procedure

Prelitigation Disclosure of Insurance Coverage to Claimant

The Maryland Rules authorize a party in a circuit court case to obtain discovery of the existence and contents of any insurance agreement under which a person carrying on an insurance business might be liable to satisfy part or all of a judgment or to indemnify or reimburse for payments made to satisfy the judgment. The party may obtain discovery by several methods, including written interrogatories, requests for production of documents, and depositions. The Maryland Rules authorize a party in a District Court case to obtain discovery of

such information by written interrogatories. However, the Maryland Rules have no application to a claim before an action is filed in a circuit court or the District Court.

Chapters 76 and 77 of 2011 required an insurer to provide a claimant, who files a written tort claim concerning a vehicle accident and provides specified documentation of damages or a death in the accident to the insurer, with documentation of the applicable limits of coverage in any insurance agreement under which the insurer may be liable to (1) satisfy all or part of the claim or (2) indemnify or reimburse for payments made to satisfy the claim. The insurer must provide the claimant with this documentation within 30 days after receipt of the claimant's written request, regardless of whether the insurer contests the applicability of coverage to a claim.

An insurer, and the employees and agents of an insurer, may not be civilly or criminally liable for the disclosure of this documentation, and disclosure in accordance with the Acts does not constitute (1) an admission that a claim is subject to the applicable agreement between the insurer and the alleged tortfeasor or (2) a waiver of any term or condition of the applicable agreement between the insurer and the alleged tortfeasor or any right of the insurer, including any potential defense concerning coverage or liability. Documentation of the applicable limits of coverage provided by an insurer in accordance with the Acts is not admissible as evidence at trial by reason of its mandatory disclosure under the Acts.

Disclosure of Defendant's Addresses by Insurer

On written request of a party to a lawsuit, an insurer or a person that has a self-insurance plan must provide to the party the defendant's last known home and business address, if known. Previously, the information was required to be provided only if the plaintiff filed a certification that (1) stated that the defendant had applicable insurance coverage at the time the alleged liability was incurred; (2) set forth the reasonable efforts made, in good faith, by the plaintiff to locate the defendant; and (3) stated either that the defendant was evading service of process or the whereabouts of the defendant were unknown to the plaintiff. The plaintiff must file the certification with the court and serve it on the insurer or person that has a self-insurance plan.

Chapter 184 of 2011 repealed the requirement that a plaintiff's certification include detailed information on the plaintiff's efforts to locate the defendant before an insurer or self-insured person is required to disclose the information.

Nuisance Actions – Commercial Fishing and Seafood Operations

As urban and suburban residential development spreads, land use conflicts may arise between new residents and existing businesses. For example, agricultural operations can impact the air and water of adjacent properties in a manner that would ordinarily constitute a common law nuisance or trespass or violate residential land use standards. Maryland, like other states, has responded to this potential conflict by enacting so-called "right-to-farm" laws, which protect agricultural and silvicultural operations from nuisance actions under certain circumstances.

Chapter 642 of 2014 expanded existing provisions of law protecting agricultural and silvicultural operations from nuisance actions to also apply to commercial fishing and seafood operations. The Act also generally excluded conditions resulting from a commercial fishing and seafood operation from a definition of “nuisance” under provisions authorizing or requiring actions to be taken by the Secretary of Health and Mental Hygiene and local health officers to control and abate nuisances. To qualify for these protections, a commercial fishing or seafood operation must have been under way for a period of one year or more and must be in compliance with applicable federal, State, and local health, environmental, zoning, and permit requirements, and not be conducted in a negligent manner.

Bankruptcy

In any federal bankruptcy proceeding under Title 11 of the U.S. Code (the federal Bankruptcy Code), an individual debtor in Maryland may exempt up to \$5,000 of personal property and the debtor’s aggregate interest, up to the amount allowed under federal bankruptcy law, in owner-occupied residential real property. This homestead exemption (1) may be claimed if the individual debtor and specified family members have not successfully claimed the exemption on the property within eight years prior to the filing of the bankruptcy proceeding in which the exemption is claimed and (2) may not be claimed by both a husband and wife in the same bankruptcy proceeding.

While a condominium is considered real property, a cooperative (often referred to as a “co-op”) is typically treated as personal property. An individual who purchases a condominium buys an individual apartment or townhouse. An individual who purchases a cooperative apartment buys shares in the cooperative housing corporation that owns the building, not the actual apartment. **Chapter 32 of 2011** clarified that under the homestead exemption (1) “owner-occupied residential real property” includes a condominium unit and (2) a debtor may claim his or her aggregate interest in a cooperative housing corporation that owns property that the debtor occupies as a residence.

Chapter 109 of 2014 added a manufactured home that has been converted to real property to the types of real property for which a debtor may claim the homestead exemption in a bankruptcy proceeding. In general, a “manufactured home” is a structure, transportable in one or more sections, which, in the traveling mode, is 8 body feet or more in width or 40 body feet or more in length, or, when erected on site, is 320 or more square feet. A manufactured home is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the installed plumbing, heating, air-conditioning, and electrical systems.

As of April 1, 2013, the amount of the homestead exemption allowed under the federal bankruptcy law is \$22,975. The amount of the exemption is adjusted every three years.

Money Judgments

Personal Injury Exemption – Exception for Child Support Arrearage

A “money judgment” is a court order stating that a specified amount of money is immediately payable to the judgment creditor. Upon the issuance of a writ of execution, a sheriff or constable may seize and sell the debtor’s legal or equitable interest in real or personal property to satisfy a judgment. The sheriff or constable must execute the writ, conduct the sale, and distribute the proceeds pursuant to the Maryland Rules. In general, several types of property are exempt from execution on a money judgment, including money payable in the event of the sickness, accident, injury, or death of any person, including compensation for loss of future earnings. The exemption includes money payable on account of judgments, arbitrations, compromises, insurance benefits, compensation, and relief; it does not include disability income benefits if the judgment is for necessities contracted for after the occurrence of the disability.

Chapter 603 of 2011 established that 25% of the net recovery by a person on a claim for personal injury is subject to execution on a judgment for a child support arrearage. For an additional discussion of *Chapter 603*, see the subpart “Family Law” of this Part F.

Enforcement of Money Judgments

A judgment creditor, in aid of enforcement of a money judgment, may file a request for answers to interrogatories or for the judgment debtor to appear in court for an examination at least 30 days after the entry of a money judgment. If the order has been properly served on the defendant and the defendant does not cooperate with attempts to discover his or her assets, the judgment creditor can file a request for a show cause order. If the defendant fails to appear in court for the show cause hearing, the judgment creditor is authorized to file an attachment for contempt. If the judge chooses to issue the attachment, the defendant is taken into custody by the sheriff’s office and is brought before the court to explain the failure to appear. The defendant may be required to post a bond as a condition of release, which is forfeited should the defendant fail to appear at the next hearing.

Chapter 622 of 2013 required that an individual, arrested for failure to appear in court to show cause why the individual should not be found in contempt for failure to answer interrogatories or appear for an examination in aid of enforcement of a money judgment, be taken immediately before the court that issued the order that resulted in the arrest. If that court is not in session, then the individual must be taken immediately before a judicial officer of the District Court for a determination of appropriate conditions of release to ensure the individual’s appearance at the next session of the court that issued the order that resulted in the arrest.

If a judicial officer determines that the individual should be released on other than personal recognizance without any additional conditions, the judicial officer must impose on the individual the least onerous condition or combination of conditions that will reasonably ensure the appearance of the individual as required.

Accrual of Causes of Action and Statutes of Limitation

Wrongful Death and Survival Causes of Action

A survival action is a lawsuit brought on behalf of a decedent's estate for injuries or damages sustained by the decedent prior to his or her death – damages that the decedent would have been able to recover if he or she had survived. In contrast, a wrongful death action is a lawsuit brought by a decedent's *survivors* for their damages resulting from the wrongful act that caused the decedent's death. In general, a civil wrongful death or survival action must be filed within three years after the death of the injured person.

Chapters 239 and 240 of 2012 delayed the accrual of the cause of action in civil wrongful death and survival actions arising from a criminal homicide under specified circumstances. Under the Acts, if the conduct of an adverse party or an accessory or accomplice of an adverse party prevents a party from acquiring knowledge of a cause of action or the identity of the person whose wrongful act contributed to the homicide, the statutory period of limitations begins to run at the time the party discovered the homicide and the identity of the person who contributed to the homicide or the time at which the party should have discovered this information through ordinary diligence. A civil wrongful death or survival action meeting these criteria must be filed within three years after the cause of action accrues. The Acts also created a presumption that a party exercising ordinary diligence should have discovered the identity of the person who contributed to the homicide after (1) a charging document is filed against the person alleged to have participated in the homicide and (2) the charging document is unsealed and available to the public.

Specialties and Deficiency Judgments

In general, a civil action must be filed within three years from the date it accrues. However, there are several exceptions to this general rule, including causes of action on specified specialties, which carry a 12-year statute of limitations. *Chapter 592 of 2014* reduced the time period allowed for the filing of a civil action, from 12 to 3 years, for the specialties of a deed of trust, a mortgage, or a promissory note that has been signed under seal and secures or is secured by owner-occupied residential property. For an additional discussion of specialties and deficiency judgments, see the subpart "Real Property" of this Part F.

Privilege and Confidentiality

Communications between Employees and Labor Organizations

There are several instances under State law in which a person may not be compelled to testify regarding information obtained in the course of his or her profession. Examples include the attorney-client privilege and the psychiatrist/psychologist-patient privilege. *Chapter 304 of 2012* prohibited a labor organization or an agent of a labor organization (labor organization/agent) from being compelled to disclose any communication or information the labor organization/agent received or acquired in confidence from an employee while the labor organization/agent was acting in a representative capacity concerning an employee grievance.

An “employee” is defined as an individual represented by a labor organization regardless of whether the individual is a member of the labor organization.

The Act specified (1) that the privilege does not apply to a criminal proceeding; (2) the extent to which the privilege applies; (3) situations under which a labor organization/agent *must* disclose a privileged communication or information; and (4) situations under which a labor organization/agent *may* disclose a privileged communication or information.

Communications between Patients and Mental Health Professionals

Under testimonial privileges pertaining to communications between a patient or client and several types of professionals who provide treatment or counseling for a mental or emotional disorder, a patient/client or the patient/client’s authorized representative has a privilege to refuse to disclose and prevent a witness from disclosing communications relating to the diagnosis and treatment of the patient/client or information that would show a medical record of diagnosis or treatment in specified proceedings, including all judicial or administrative proceedings. With respect to licensed certified social workers, the privilege applies to communications made while the client was receiving counseling or any information that by its nature would show that such counseling occurred. State law specifies several circumstances under which the privileges do not apply.

Chapters 195 and 196 of 2014 created an exception to the privilege applicable to communications between a patient or former patient and a psychiatrist or licensed psychologist if the disclosure is necessary to (1) prove a charge in a criminal proceeding against a patient or former patient alleging that the patient or former patient has harassed or threatened or committed another criminal act against the psychiatrist or licensed psychologist or (2) obtain relief in a peace order proceeding in which the psychiatrist or licensed psychologist is a petitioner and a patient or former patient is a respondent. The Acts applied the same exception to privileges applicable to communications between a client or former client and a psychiatric-mental health nursing specialist, professional counselor, or licensed certified social worker.

News Media Privilege

State law prohibits the compelled disclosure of specified information from individuals employed by news media or engaged in specified news-related activity while enrolled as a postsecondary student. **Chapter 226 of 2014** expanded eligibility for the privilege against compelled disclosure of (1) the source of news or information, regardless of whether the source has been promised confidentiality or (2) news or information not communicated to the public that was procured by a person while employed by the news media or enrolled as a student during the course of the person’s professional or scholastic activities. Under **Chapter 226**, the privilege was extended to a person who is, or has been, an independent contractor of the news media acting within the scope of a contract in any news gathering or news disseminating capacity.

Alternative Dispute Resolution

Collaborative Law

Collaborative law is a voluntary process in which the lawyers and parties agree that the lawyers will represent the parties solely for purposes of settlement and that parties will hire new representation if the case does not settle. The collaborative law process is intended to provide lawyers and clients with an option for amicable, nonadversarial dispute resolution. As with mediation, it promotes problem solving and permits solutions not possible in litigation or arbitration. The process is intended to promote full and open disclosure, as information disclosed in a collaborative law process, if not otherwise discoverable, is privileged against use in any subsequent litigation.

Chapter 342 of 2014 established the Maryland Uniform Collaborative Law Act and set forth requirements for the collaborative law process. A “collaborative law process” means a procedure intended to resolve a collaborative matter without intervention by a tribunal in which persons sign a collaborative law participation agreement and are represented by collaborative lawyers.

Chapter 342 also (1) specified the required contents of a collaborative law participation agreement; (2) established how a collaborative law process begins and ends; (3) authorized the issuance of an emergency order by a tribunal under specified circumstances; (4) required a party to make specified disclosures during the collaborative law process; (5) provided for confidentiality of collaborative law communications; and (6) authorized a tribunal to find that parties intended to enter into a collaborative law participation agreement so long as specified criteria are met.

Mediations

The Maryland Rules establish confidentiality in mediations only when a court refers all or part of a civil action to mediation. *Chapter 309 of 2012*, also known as the Maryland Mediation Confidentiality Act (MMCA), extended to mediations that occur outside the court system the same confidentiality protections that apply to court-ordered mediations. As originally enacted, the provisions of the MMCA applied to specified mediations in which the parties were required to mediate by law or were referred to mediation by an administrative agency or arbitrator or agreed in writing that the mediation communications would remain confidential. The Act also required the mediator to state in writing to all parties that the mediator has read, and will abide by, the Maryland Standard of Conduct for Mediators during the mediation.

Except for certain disclosures required under the MMCA or otherwise by law or agreed upon in writing by the parties, a mediator, a party to a mediation, and any other person present or otherwise participating in the mediation at the request of a party may not disclose or be compelled to disclose mediation communications in any judicial, administrative, or other proceeding. The parties may also enter into a written agreement to maintain the confidentiality of all mediation communications and may require any person present or otherwise participating

in the mediation at the request of a party to maintain the confidentiality of all mediation communications.

A court may order mediation communications to be disclosed only to the extent that the court determines that disclosure is necessary to prevent an injustice or harm to the public interest that is of sufficient magnitude in the particular case to outweigh the integrity of mediation proceedings.

Mediation communications that are confidential under the MMCA are not subject to discovery, but information that is otherwise admissible or subject to discovery does not become inadmissible or protected from disclosure solely by reason of its use in mediation.

As previously stated, the MMCA, as enacted by **Chapter 309**, required parties to a mediation to enter into a written agreement that mediation communications would remain confidential in order for the Act to apply. **Chapter 634 of 2013** amended the MMCA to make it self-executing. Under **Chapter 634**, the MMCA applies to all mediation communications, unless the parties and the mediator opt out by a written agreement.

Family Law

Marriage and Divorce

Same-sex Marriage

Prior to this term, Maryland law provided that only a marriage between a man and a woman is valid in this State. In 2007, the Court of Appeals upheld the State's marriage statute as constitutional, but 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." *See Conaway, et al. v. Deane, et al.* 401 Md. 219 (2007) at 325.

In 2010, the Attorney General issued a formal opinion on the question of State recognition of same-sex marriages legally entered into in other states and concluded that although not free of all doubt, the Court of Appeals "... is likely to respect the law of other states and recognize a same-sex marriage contracted validly in another jurisdiction." (*See* 95 Op. Att'y Gen. 3 (2010) at 54.) As a result of the opinion, State agencies began to alter policies and actions to recognize same-sex spouses married in other jurisdictions who enter, visit, or reside in Maryland.

Chapter 2 of 2012, the Civil Marriage Protection Act, legalized same-sex marriage by repealing the reference to a man and a woman in the current statute and specifying instead that a marriage between two individuals who are not otherwise prohibited from marrying is valid in Maryland.

Numerous exemptions for religious entities were included in the Act. A religious organization, association, or society, or a nonprofit institution or organization operated, supervised, or controlled by a religious organization, association, or society may not be required to provide services, accommodations, advantages, facilities, goods, or privileges if they are related to (1) the solemnization of a marriage or its celebration that it is in violation of the entity's religious beliefs or (2) the promotion of marriage through any social or religious programs or services, in violation of the entity's religious beliefs, unless State or federal funds are received for that specific program or service. A refusal by such an entity or any individual employed by such an entity to provide any of the services, accommodations, facilities, advantages, goods, or privileges may not create a civil claim or cause of action, or result in State action to penalize, withhold benefits from, or discriminate against the entity or individual. Nothing in the Act may be deemed or construed to prohibit any such entity from limiting admission to or giving preferences to individuals of the same religion or denomination when otherwise permitted by law.

The Act further specified that each religious organization, association, or society has exclusive control over its own theological doctrine, policy teachings, and beliefs regarding who may marry within that faith. Also, a fraternal benefit society that is operated, supervised, or controlled by a religious organization may not be required to admit an individual or provide insurance benefits if doing so would violate the society's religious beliefs. Such a refusal may not create a civil claim or cause of action or constitute the basis for the withholding of governmental benefits or services from the fraternal benefit society.

Divorce

Period of Separation: Formerly, a court was authorized to grant an absolute divorce, among other grounds, on the grounds of (1) voluntary separation, if the parties have voluntarily lived separate and apart without cohabitation for 12 months without interruption and there is no reasonable expectation of reconciliation and (2) two-year separation, known as "involuntary separation," when the parties have lived separate and apart without cohabitation for two years without interruption before the filing of the divorce application.

Chapters 423 and 424 of 2011 reduced, from two years to 12 months, the required period of time the parties must have lived separate and apart without cohabitation and without interruption before the filing of an application for absolute divorce on the ground of involuntary separation. The Acts also repealed the ground of voluntary separation.

Collaborative Law: Collaborative law is a voluntary process intended to resolve a legal matter without court intervention in which the parties sign a collaborative law participation agreement and are represented by collaborative lawyers. The collaborative law process provides lawyers and clients with an option for amicable, nonadversarial dispute resolution. As with mediation, it promotes problem solving and permits solutions not possible in litigation or arbitration. The process is intended to promote full and open disclosure, as information disclosed in a collaborative law process, if not otherwise discoverable, is privileged against use in any subsequent litigation. The Maryland Judiciary estimates that more than 90% of divorces

handled through the collaborative law process settle out of court and require no further court intervention.

Chapter 342 of 2014 established the Maryland Uniform Collaborative Law Act and set forth requirements for the collaborative law process. For a further discussion of **Chapter 342**, see the subpart “Civil Actions and Procedures” under Part F – Courts and Criminal Proceedings of this *Major Issues Review*.

Domestic Violence

During the 2011-2014 term, the General Assembly passed a number of measures concerning the State’s domestic violence laws. The most significant of these included (1) lowering the standard of proof required to obtain a final protective order; (2) extending the duration of peace and protective orders in specified circumstances; (3) strengthening the penalties for violations of peace and protective orders; (4) expanding provisions relating to the shielding of domestic violence court records; (5) establishing enhanced penalties for individuals who commit a crime of violence in the presence of a minor; (6) establishing protection for pets of domestic violence victims; and (7) expanding recording of domestically related crimes.

Burden of Proof in Peace Orders and Protective Orders

Prior to 2014, in order to grant a final protective order, a judge was required to find by clear and convincing evidence that the alleged abuse had occurred. In order to grant a final peace order, a judge was required to find by clear and convincing evidence that the respondent had committed, and is likely to commit in the future, one of specified acts against the petitioner. The “clear and convincing” evidentiary standard also was used in evaluating whether mutual peace or protective orders may be issued and in determining whether a final protective order may be extended under specified circumstances.

“Preponderance of the evidence” is the evidentiary standard applicable in most civil cases and has been described as requiring evidence sufficient to establish that a fact is “more likely true than not true,” “more probable than not,” or that amounts to at least 51% of the evidence. “Clear and convincing evidence” is more than a preponderance of the evidence and less than would be required for the evidentiary standard “beyond a reasonable doubt.” According to a 2012 report from the Department of Legislative Services, *How States Address Domestic Violence in Selected Areas*, 29 states use the “preponderance of the evidence” standard. According to the report, Maryland was the only state that specifically required a petitioner to meet the higher burden of “clear and convincing evidence” to receive a final protective order.

Chapters 111 and 112 of 2014 altered, from clear and convincing evidence to a preponderance of the evidence, the standard of proof by which a judge must make specified findings before (1) granting a final protective order or mutual protective orders; (2) extending a final protective order under specified circumstances; or (3) issuing a final peace order or mutual peace orders.

Duration of Peace Orders and Protective Orders

Permanent Final Protective Orders: Chapters 397 and 398 of 2008 established provisions for the issuance of a permanent final protective order. A victim of abuse who was the person eligible for relief in an original final protective order may request the issuance of a permanent final protective order. A court is required to issue a permanent final protective order against an individual if (1) the individual was previously a respondent against whom a final protective order was issued and (2) the individual was convicted and *served* a term of imprisonment of at least five years for 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. One of the specified crimes must have been the act of abuse that led to the issuance of the original final protective order. A permanent final protective order may contain only the relief that was granted in the original order that required the respondent to refrain from abusing or threatening to abuse the person eligible for relief or to refrain from contacting, attempting to contact, or harassing the person eligible for relief.

Chapters 113 and 114 of 2014 expanded the circumstances under which a permanent final protective order must be issued by requiring a court to issue an order against an individual who is *sentenced to serve* a term of imprisonment of at least five years for specified underlying acts of abuse and has served at least 12 months. The Acts also added the crime of second degree assault to the list of crimes, the commission of which subjects an individual to the issuance of a permanent final protective order.

Extensions of Peace Orders: An individual who does not meet specified relationship requirements under protective order statutes in the Family Law Article may file a petition for a peace order that alleges the commission of specified acts against the petitioner by the respondent, if the act occurred within 30 days before the filing of the petition.

After a final peace order hearing, the court may issue a final peace order to protect the petitioner. A final peace order may order the respondent to refrain from committing specified acts, refrain from contacting the petitioner, or stay away from specific locations. The order must contain only the relief that is minimally necessary to protect the petitioner. Relief granted in a final peace order is effective for the period stated in the order, but may not exceed six months. ***Chapters 57 and 58 of 2011*** authorized a judge, for good cause shown, to extend the term of a final peace order for an additional six months after (1) giving notice to the petitioner and the respondent and (2) a hearing.

Extensions of Peace Orders and Protective Orders: In *La Valle v. La Valle*, 432 Md. 343 (2013), the Court of Appeals held that if a motion to extend a protective order is filed before its expiration, but, for any reason, the hearing on the motion is delayed beyond the expiration of the protective order, that order can no longer be extended.

Chapter 164 of 2014 required a court to extend a final peace order or a final protective order if, during the term of the order, the petitioner or person eligible for relief files a motion for extension, and to hold a hearing within 30 days after the motion is filed.

Violations of Peace Orders and Protective Orders

Chapters 68 and 69 of 2011 increased the penalties for a second or subsequent offense for violating an interim, temporary, or final peace order from maximum penalties of imprisonment for 90 days and/or a \$1,000 fine to maximum penalties of imprisonment for one year and/or a \$2,500 fine, which made the penalties for violations of peace orders the same as the penalties for violations of protective orders.

Chapter 159 of 2014 established that a prior conviction for failing to comply with specified provisions of an interim, temporary, or final peace order qualifies as a prior offense for the purpose of determining penalties for a second or subsequent violation of an interim, temporary, or final protective order. *Chapter 159* also established that a prior conviction for failing to comply with specified provisions of an interim, temporary, or final protective order qualifies as a prior offense for the purpose of determining penalties for a second or subsequent violation of an interim, temporary, or final peace order.

Shielding of Records

Court records, including those relating to a domestic violence proceeding that are maintained by a court, are generally presumed to be open to the public for inspection. However, Chapters 361 and 362 of 2010 established provisions that authorized a respondent in a peace order or protective order proceeding to file a written request to “shield” all court records related to the proceeding if a petition for a peace order or protective order was denied or dismissed. “Shield” is defined as removing information from public inspection. “Shielding” means (1) with respect to a record kept in a court house, removing to a separate secure area to which persons who do not have a legitimate reason for access are denied access and (2) with respect to electronic information about a proceeding on the website maintained by the Maryland Judiciary (*i.e.*, “CaseSearch”), removing the information from the public website.

Chapter 227 of 2014 made provisions of law concerning the shielding of peace orders and protective orders applicable to cases in which the respondent has consented to the entry of the orders, by authorizing the court to shield such records under specified circumstances. It also extended eligibility to file a written request to shield court records relating to a peace order or protective order proceeding to petitioners in those proceedings.

Minor Who Witnesses Domestic Violence

Studies have shown that minors who witness domestic violence may suffer emotional and developmental difficulties that are similar to those suffered by minors who have been directly abused. *Chapters 115 and 116 of 2014* prohibited a person from committing a crime of violence when the person knows or reasonably should know that a minor, who is at least two years old, is present in a residence within sight or hearing of the crime of violence. A violator is subject to an enhanced penalty of imprisonment for up to five years in addition to any other sentence imposed for the crime of violence. An enhanced penalty imposed under the legislation must be separate from and consecutive to any sentence for the crime of violence. For a further discussion of

Chapters 115 and 116, see the subpart “Criminal Law” within Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Protection for Pets

According to the American Humane Association, up to 71% of battered women report that their pet was threatened, harmed, or killed by their partners and 25% to 40% of women delay leaving a dangerous domestic situation due to fear that their partners will harm or kill the family pet. *Chapters 283 and 284 of 2011* authorized a District Court Commissioner, when issuing an interim protective order, or a court, when issuing a temporary or final protective order, to award temporary possession of any pet of a person eligible for relief or a respondent.

Reporting Domestically Related Crimes

Chapters 554 and 555 of 2012 required the court, on request of a State’s Attorney, to make a finding of fact, based on evidence produced at trial, as to whether a crime for which a defendant is convicted or receives a probation before judgment disposition is a “domestically related crime.” A “domestically related crime” is a crime committed by a defendant against a victim who is a “person eligible for relief,” as defined under the domestic violence statute or who had a sexual relationship with the defendant within 12 months before the commission of the crime. The State must prove by a preponderance of the evidence that the crime is a domestically related crime. If the court finds that the crime is a domestically related crime, that finding must become part of the court record for purposes of reporting to the Criminal Justice Information System Central Repository.

Child Abuse and Neglect

During this term, the General Assembly passed numerous measures designed to strengthen laws to protect children from child abuse and neglect, including (1) criminalizing child neglect; (2) establishing an alternative response system for certain reports of suspected child abuse and neglect; (3) authorizing the disclosure of child abuse and neglect records to institutions of higher education in specified circumstances; (4) establishing criminal penalties for intentionally interfering with the making of a child abuse or neglect report; (5) requiring criminal history records checks for certain individuals providing informal care to children; (6) expanding the jurisdiction of the equity court to include custody or guardianship of certain abused or neglected immigrant children for certain purposes; (7) requiring health care practitioners involved in the delivery of a substance-exposed newborn to make a report to the local departments of social services; (8) increasing the penalties for child abuse resulting in death; and (9) altering evidentiary provisions relating to the admissibility of out of court statements made by child victims.

Criminalization of Child Neglect

Although individuals are required to report suspected child neglect and the State is required to intervene to protect the child, child neglect was not a crime in Maryland prior to 2011. *Chapters 398 and 399 of 2011* established the crime of child neglect. A parent, family

member, household member, or other person who has permanent or temporary care or custody or responsibility for the supervision of a minor may not neglect a minor. “Neglect” means the intentional failure to provide necessary assistance and resources for the physical needs or for the mental health of a minor that creates a substantial risk of harm to the minor’s physical health or a substantial risk of mental injury to the minor. “Mental injury” means the substantial impairment of a minor’s mental or psychological ability to function. “Neglect” does not include the failure to provide necessary assistance and resources for the physical needs or mental health of a minor when the failure is due solely to a lack of financial resources or homelessness.

A violator is guilty of the misdemeanor of child neglect and on conviction is subject to maximum penalties of five years imprisonment and/or a \$5,000 fine. A sentence imposed for the crime of child neglect is in addition to any other sentence imposed for a conviction arising from the same facts and circumstances unless the evidence required to prove each crime is substantially identical. The Acts conformed the reporting and investigation requirements for child neglect to the reporting and investigation requirements for child abuse.

Alternative Response

An “alternative response” program is an intervention different from a traditional child protective services investigation. Allegations referred for an alternative response represent substantially lower concerns for a child’s safety compared to the concerns requiring a traditional investigation. An alternative response program is intended to replace adversarial intervention and instead provides assessment and refers families to supportive services rather than initiating an investigation.

Chapter 397 of 2012 authorized the Secretary of Human Resources to establish an alternative response system, instead of a traditional investigation, for selected reports of suspected abuse or neglect. “Alternative response” means a component of the child protective services program that provides for a comprehensive assessment of (1) the risk of harm to the child; (2) the risk of subsequent child abuse or neglect; (3) family strengths and needs; and (4) the provision of or referral for necessary services. An alternative response does not include an investigation or a formal determination as to whether child abuse or neglect has occurred. Only a low-risk report of abuse or neglect may be considered for an alternative response. Reports that are not assigned for an alternative response must be assigned for investigation in accordance with existing statutory provisions.

Child Abuse Records and Reporting

Disclosure to Institutions of Higher Education: All records and reports about child abuse and neglect are confidential; however, records of child abuse or neglect must be disclosed pursuant to an order of a court or an administrative law judge. Child abuse and neglect records may be disclosed on request to employees or persons of interest as specified in statute, including specified personnel of the Department of Human Resources (DHR) and local departments of social services, law enforcement personnel, individuals who are providing treatment or care to a child who is the subject of a report of child abuse or neglect, and school superintendents and principals under specified circumstances.

Chapter 114 of 2013 authorized the disclosure of reports or records concerning child abuse or neglect to the president of a State public institution of higher education or the Chancellor of the University System of Maryland for the purpose of carrying out appropriate personnel or administrative actions following a report of child abuse committed by (1) an employee of the institution who has on-campus contact with children or (2) a contractor, an employee of a contractor, or a volunteer of the institution who has on-campus contact with children.

Mandatory Reporting: Health care practitioners, police officers, educators, and human service workers who are acting in a professional capacity, and who have reason to believe that a child has been subjected to abuse or neglect, must notify the local department of social services or the appropriate law enforcement agency. An “educator or human service worker” includes any teacher, counselor, social worker, caseworker, and parole or probation officer. If the worker is acting as a staff member of a hospital, public health agency, child care institution, juvenile detention center, school, or similar institution, then the individual must also notify the head of the institution or the designee of the head.

Chapter 380 of 2013 prohibited an individual from intentionally preventing or interfering with the making of a mandatory report of suspected child abuse or neglect by a professional specified above. An individual is also prohibited from intentionally preventing or interfering with the making of a mandatory report of suspected abuse or neglect of a child who lives outside of this State that is alleged to have occurred outside the State. A person who violates these provisions is guilty of a misdemeanor and subject to maximum penalties of five years imprisonment and/or a \$10,000 fine.

Chapter 366 of 2013 created several reporting requirements relating to the disappearance or death of a minor and established criminal penalties for the failure to report the disappearance or death of a minor. For a further discussion of **Chapter 366**, see the subpart “Criminal Law” within Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Criminal History Records Checks – Informal Child Care Providers

The child care subsidy program provides child care subsidies for recipients of Temporary Cash Assistance and low-income families who meet eligibility requirements. In addition to providing vouchers for child care that may be used at registered family child care homes or licensed child care centers, an informal child care voucher may be provided and used when care is provided by (1) a relative in the relative’s home or in the child’s home; (2) a nonrelative in the child’s home; or (3) a nonrelative in the nonrelative’s home for less than 20 hours per month. Informal child care providers are not required to be licensed or regulated under State law. A local department of social services is required to deny payment to an informal provider if it has documented information indicating a risk to the health and safety of the child.

Chapters 49 and 50 of 2013 required individuals to obtain a criminal history records check before being approved to provide or to continue to provide informal child care. Any adult residing in a home where informal child care is being provided or will be provided must also obtain a criminal history records check.

Immigrant Children

Special Immigrant Juvenile Status (SIJS) is a designation under the federal Immigration and Nationality Act (INA) to assist certain undocumented children in obtaining lawful permanent residency. To qualify, one must have been abused, abandoned, or neglected by at least one of the parents. Youth qualify for SIJS until their twenty-first birthday. INA delegates to state courts the authority to make specific findings of fact regarding eligibility for SIJS. To obtain SIJS, an individual must initiate the process in state court by obtaining a court order containing specific factual findings, including that the child cannot be reunited with one or both parents because of abuse, abandonment, or neglect.

Chapter 96 of 2014 expanded the jurisdiction of an equity court to include custody or guardianship of an immigrant “child” pursuant to a motion for Special Immigrant Juvenile factual findings requesting a determination that the child was abused, neglected, or abandoned before age 18 for purposes of INA. To conform to the requirements of INA, under the Act, a “child” is defined as an unmarried individual younger than age 21.

Substance-exposed Newborns

The federal Child Abuse Prevention and Treatment (CAPTA), re-authorized in 2010, was intended in part to promote a more consistent approach to states’ responses to infants exposed to alcohol and drugs. Under CAPTA, a governor must certify that the state has in effect and is enforcing a state law or has in effect and is operating a statewide program relating to referrals made to child protective services systems to address the needs of alcohol and substance-exposed newborns.

Chapter 90 of 2013 was enacted to bring Maryland into compliance with federal law by requiring each health care practitioner involved in the delivery or care of a substance-exposed newborn to make a report to the local department of social services. A newborn is “substance-exposed” if the newborn displays (1) a positive toxicology screen for a controlled drug as evidenced by any appropriate test after birth; (2) the effects of controlled drug use or symptoms of withdrawal resulting from prenatal controlled drug exposure as determined by medical personnel; or (3) the effects of a fetal alcohol spectrum disorder. A newborn is also “substance-exposed” if the newborn’s mother had a positive toxicology screen for a controlled drug at the time of delivery. A “newborn” is a child younger than the age of 30 days who is born or receives care in the State.

Within 48 hours after receiving the notification from a health care practitioner, the local department must (1) see the newborn in person; (2) consult with a health care practitioner with knowledge of the newborn’s condition and the effects of any prenatal alcohol or drug exposure; and (3) attempt to interview the newborn’s mother and any other individual responsible for care of the newborn.

Promptly after receiving a report, a local department must assess the risk of harm to and the safety of the newborn to determine whether any further intervention is necessary. If the local department determines that further intervention is necessary, the local department must

(1) develop a plan of safe care; (2) assess and refer the family for appropriate services, including alcohol or drug treatment; and (3) as necessary, develop a plan to monitor the safety of the newborn and the family's participation in appropriate services. A report made under these provisions does not create a presumption that a child has been or will be abused or neglected.

“Justice’s Law”

Chapters 249 and 250 of 2012 expanded the list of persons who may be convicted of first degree child abuse to include a family member or household member of the child. The Acts also increased the maximum penalties for first degree child abuse resulting in the death of the victim and for a subsequent conviction for child abuse resulting in the death of the victim from 30 years imprisonment to 40 years imprisonment. The Acts, referred to as “Justice’s Law,” were named for Justice Christopher Calvin Myers-Cannon, a baby boy who died due to injuries sustained as a result of child abuse in January 2007. For a further discussion of *Chapters 249 and 250*, see the subpart “Criminal Law” within Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Out of Court Statements of Child Victims

A court is authorized to admit into evidence in a juvenile court proceeding or in a criminal proceeding an out of court statement to prove the truth of the matter asserted in the statement made by a child victim under specified circumstances. An out of court statement made by a child victim may be admissible only if the statement was made to and is offered by specified individuals, including a physician, psychologist, nurse, social worker, or certain school personnel, while the individual was acting lawfully in the course of the his/her profession.

This provision for out of court statements of child victims, sometimes referred to as the “tender years statute,” is a statutory exception to the hearsay rule, which generally prohibits the admission into evidence of an out of court statement offered to prove the truth of the matter asserted in the statement. *Chapters 87 and 88 of 2011* made several changes to the statute governing the admission of out of court statements made by a child victim in a juvenile court or criminal proceeding. The Acts authorize a court to admit an out of court statement made by a victim who is younger than the age of 13, rather than the former age limit of 12 years. The Acts also add counselors and therapists who are licensed or certified under Title 17 of the Health Occupations Article to the list of professionals, to whom a child victim’s out of court statement was made, who may testify concerning the statement.

Children in Out-of-home Placement

Legislation was enacted this term to improve the welfare of children in out-of-home placement. Such measures included expanding adoption search, contact, and reunion services to include siblings and other relatives of minors in out-of-home placement, altering the age at which an individual may serve as a kinship parent, and expanding the jurisdiction of the juvenile court to include jurisdiction over a former child in need of assistance (CINA) under specified circumstances. Legislation was also enacted to conform State law to federal requirements relating to court proceedings regarding children in out-of-home placement.

Adoption Search, Contact, and Reunion Services

Chapter 679 of 1998 required DHR to provide adoption “search, contact, and reunion services.” These are services to (1) locate adopted individuals, siblings, and biological parents of adopted individuals, and other relatives and members of the adoptive family as specified in statute; (2) assess the mutual desire for communication or disclosure of information between adopted individuals and biological parents and siblings and, as specified in statute, between adopted individuals and relatives and between biological parents and members of the adoptive family; and (3) provide counseling for adopted individuals, siblings, and biological parents of adopted individuals and members of the adoptive family or to provide referral to counseling.

Chapter 326 of 2011 expanded the program to include contacting the siblings of a minor in out-of-home placement, if the siblings were adopted through a local department of social services, to develop a placement resource or facilitate a family connection with the siblings of the minor.

Chapter 86 of 2014 further expanded the program to include contacting relatives of a minor in out-of-home placement to develop a placement resource or facilitate a family connection with the relatives if the minor was adopted through a local department and the local department has determined that reunification with the minor’s adoptive parents is not in the minor’s best interests. **Chapter 86** was intended to give youth who were adopted and subsequently re-entered care due to a failed adoption another chance to reconnect with their birth parents or relatives whose situation may have changed since the time parental rights were terminated.

Kinship Care

A “kinship parent” is an individual who is related by blood or marriage within five degrees of consanguinity or affinity under the civil law rule to a child who is in the care, custody, or guardianship of a local department of social services and with whom the child may be placed for temporary or long-term care other than adoption. Kinship care is designed to preserve family ties by assisting with the needs of children, the biological parents, and the relative providing care to the child.

In selecting a placement that is in the best interests of a child in need of out-of-home placement, a local department of social services must, as a first priority, attempt to place the child with a kinship parent. The local department must exhaust all reasonable resources to locate a kinship parent for initial placement of the child. If no kinship parent is located at the time of the initial placement, the child must be placed in a foster care setting. If a kinship parent is located after the child is placed in foster care, the local department may, if it is in the best interest of the child, place the child with the kinship parent. **Chapter 39 of 2014** lowered, from 21 to 18, the minimum age required to serve as a kinship parent for a child in need of out-of-home placement.

Voluntary Placement for Former CINAs

A juvenile court has jurisdiction over a CINA until the child reaches the age of 21, unless the court terminates the case. DHR permits CINAs who leave foster care after age 18, but before age 21, to re-enter the child welfare system through its “Enhanced After Care” program. This program provides former CINAs with services, including assistance with living arrangements.

Chapter 22 of 2013 was enacted to enable the State to become eligible for federal Title IV-E funds to further support the program and provide a broader array of services to former CINAs by expanding the jurisdiction of the juvenile court to include jurisdiction over a former CINA whose commitment to the local department was rescinded after the individual reached the age of 18, but before the individual reached the age of 20 years and 6 months. The former CINA must not have exited foster care due to reunification, adoption, guardianship, marriage, or military duty. The Act authorized juvenile court jurisdiction over a former CINA through a voluntary placement agreement between the former CINA and the local department of social services.

Court Hearings

Consultation with Child: At least every 12 months at a permanency planning or guardianship review hearing for a child in an out-of-home placement, the court is required to consult on the record with the child in an age-appropriate manner. **Chapter 169 of 2012** specified that the juvenile court may satisfy the requirement to consult on the record with a child who is medically fragile or whose placement is out-of-state by (1) visiting the child at the child’s placement and using appropriate technology to document the consultation for the record or (2) using video conferencing to consult with the child on the record during the hearing.

Review Hearings: Federal law requires a review hearing in CINA cases at least every six months after a child has entered foster care. A child is considered to have entered foster care on the earlier of the date of the first judicial finding that the child has been subjected to child abuse or neglect or the date that is 60 days after the date on which the child is removed from the home. **Chapter 36 of 2013** conformed State law to these federal requirements, by requiring the juvenile court to conduct a hearing to review the status of each child under its jurisdiction within six months after the filing of the first CINA petition and at least every six months thereafter.

At the review hearing, the court must (1) evaluate the safety of the child; (2) determine the continuing necessity for and appropriateness of any out-of-home placement; (3) determine the appropriateness of and extent of compliance with the case plan for the child; (4) determine the extent of progress that has been made toward alleviating or mitigating the causes necessitating the court’s jurisdiction; and (5) project a reasonable date by which the child may be returned to and safely maintained in the home or placed for adoption or under a legal guardianship. If a permanency plan for the child has been determined, a permanency plan review hearing conducted by the court satisfies the above requirements.

Educational Stability: Federal law requires that in making placement decisions regarding a CINA, the proximity to the child’s school and the appropriateness of the educational

setting must be considered. It also mandates that certain “educational stability” requirements be incorporated into each case plan. **Chapter 468 of 2014** was intended to ensure compliance with federal law by requiring the juvenile court to inquire as to the “educational stability” of a CINA at shelter care, adjudicatory, and disposition hearings, and change of placement proceedings.

“Educational stability” is defined as the continuous process of identifying and implementing the appropriate educational placement, training, resources, services, and experiences that will address the fundamental needs necessary to ensure the successful educational outcome of a child and contribute to the child’s overall well being. In determining educational stability, the court may consider the following factors: (1) the appropriateness of the child’s current school placement; (2) the school placement of the child’s siblings; (3) the minimization of school changes; (4) the proximity of the school to the child’s placement; (5) transportation to and from school; (6) the proper release and prompt transfer of the child’s education records; (7) the child’s school attendance; (8) the identification of and consultation with the child’s educational guardian; (9) the maintenance of any individual education plan; and (10) the child’s appropriate grade level progress or progress toward graduation.

Rights of Foster Parents, Pre-adoptive Parents, and Caregivers: Chapter 37 of 2013 expanded to any juvenile court proceeding involving a CINA, unless waived for good cause, a requirement that the local department of social services provide at least 10 days’ written notice to pre-adoptive parents, foster parents, and caregivers of a child or their attorney, of the proceeding and the right to be heard at the proceeding. The Act is intended to conform to federal law, which requires that these individuals be provided with notice of, and a right to be heard at, any proceeding to be held with respect to the child.

Child Support

The General Assembly passed several measures designed to improve child support collection in the State, including legislation to (1) establish that a percentage of the net recovery by a person on a claim for personal injury is subject to execution on a judgment for a child support arrearage; (2) expand the State’s child support intercept programs to include specified payouts from a video lottery facility; and (3) establish that provisions governing the denial or suspension of licenses for failure to pay child support apply to recreational hunting and fishing licenses. The General Assembly also passed legislation concerning the accrual of child support arrearages by incarcerated parents.

Personal Injury Awards and Child Support Arrearage

Statutory provisions specify numerous items that are exempt from execution on a money judgment, including money payable in the event of the sickness, accident, injury, or death of any person, including compensation for loss of future earnings. **Chapter 603 of 2011** established that 25% of the net recovery by a person on a claim for personal injury is subject to execution on a judgment for a child support arrearage. “Net recovery” is defined as the sum of money to be distributed to the debtor after deduction of attorney’s fees, expenses, medical bills, and satisfaction of any liens or subrogation claims arising out of the claims for personal injury.

The Act also authorized the withholding of a portion of a personal injury award or settlement to pay a child support arrearage. It was in response to a Court of Appeals decision, *Curtis O. Rosemann v. Salsbury, Clements, Bekman, Marder & Atkins, LLC*, 412 Md. 308 (2010), in which the court held that the law did not authorize the withholding of a personal injury judgment to satisfy a child support arrearage.

Child Support Intercept

The State operates several intercept programs to collect delinquent child support including the interception of tax refunds, lottery prizes, and vendor payments. **Chapter 622 of 2014** extended the application of the child support intercept program to certain payouts from a video lottery facility. Specifically, if a child support obligor wins a prize at a video lottery facility requiring the issuance of Internal Revenue Service form W-2G (forms required to be provided to individuals who receive specified winnings from gambling) or a substantially equivalent form, the video lottery operation licensee must provide notice to the obligor that the obligor's child support arrearage has been certified and the prize is being intercepted. The bill also extends the right to appeal to the Child Support Enforcement Administration (CSEA) to obligors whose prizes are intercepted by the video lottery facilities. A video lottery operation licensee may not be held liable for an act or omission taken in good faith to comply substantially with the requirements of the Act.

Recreational Licenses of Child Support Obligor

The federal Social Security Act, under which federal funding is provided to states for child support program operations, includes various requirements that states must comply with, including having laws in effect that authorize the State to withhold or suspend, or to restrict the use of, professional, driver's, occupational, and recreational licenses of individuals owing overdue support or failing, after receiving appropriate notice, to comply with subpoenas or warrants relating to paternity or child support proceedings.

Prior to 2014, provisions relating to the suspension or denial of licenses for child support arrearages applied only to professional, driver's, and occupational licenses. To bring Maryland into full compliance with federal law, **Chapter 448 of 2014** established that provisions governing the denial or suspension of licenses for failure to pay child support apply to recreational hunting and fishing licenses.

Incarcerated Parents

Under State law, a court may modify a child support award subsequent to a motion for modification and on a showing of a material change in circumstances. However, a court may not retroactively modify a child support award prior to the date that the motion for modification was filed. In *Wills v. Jones*, 340 Md. 480 (1995), the Court of Appeals ruled that incarceration of an obligor parent may constitute a material change in circumstances that could justify a downward adjustment of the child support obligation if the effect on the prisoner's ability to pay child support is sufficiently reduced due to incarceration.

Chapter 670 of 2012 stemmed from a legislative recommendation made by the Task Force on Prisoner Re-entry. The Act established that a child support payment is not past due and arrearages may not accrue during any period when the obligor is incarcerated, and continuing for 60 days after the obligor's release if (1) the obligor was sentenced to a term of imprisonment for 18 consecutive months or more; (2) the obligor is not on work release and has insufficient finances to make child support payments; and (3) the obligor did not commit the crime with the intent of being incarcerated or otherwise becoming impoverished.

In any case in which CSEA is providing child support services, CSEA, without filing a motion with the court, may adjust the incarcerated obligor's account to reflect suspension of the accrual of arrearages. Before making such an adjustment, CSEA must send written notice of the proposed action to the obligee, including the obligee's right to object to the proposed action, and an explanation of the procedures for filing an objection.

Human Relations

Gender Identity

Seventeen states, the District of Columbia, and over 140 local jurisdictions have passed laws prohibiting discrimination based on gender identity. In the State, Hyattsville, Baltimore City, Baltimore County, Howard County, and Montgomery County have laws prohibiting discrimination based on gender identity. Additionally, Governor Martin O'Malley issued an executive order in August 2007 that included gender identity and expression as a prohibited basis for employment discrimination in the Executive Branch. Maryland law prohibits discrimination in labor and employment, housing, and public accommodations on the basis of race, sex, creed, color, religion, national origin, marital status, disability, and sexual orientation.

After unsuccessful attempts in 2011, 2012, and 2013, the General Assembly passed **Chapter 474 of 2014** to prohibit discrimination based on "gender identity" in public accommodations, labor and employment, housing, and discrimination by persons licensed or regulated by a unit of the Department of Labor, Licensing, and Regulation. The measure further prohibited discrimination based on gender identity and sexual orientation in State personnel actions and in the leasing of property for commercial use.

The Act defined "gender identity" as the gender-related identity, appearance, expression, or behavior of a person, regardless of the person's assigned sex at birth, which may be demonstrated by (1) consistent and uniform assertion of the person's gender identity or (2) any other evidence that the gender identity is sincerely held as part of the person's core identity. The Act provided exemptions from provisions relating to housing discrimination for the rental of rooms or apartments in an owner's principal residence in a building with no more than five rental units. Additionally, religious corporations, associations, educational institutions, and societies were exempted from the employment discrimination provisions of the Act with respect to the employment of individuals of a particular gender identity to perform work connected with the

activities of the religious entity. The Act also specified that it is not unlawful for an employer to establish and require an employee to adhere to certain reasonable workplace appearance, grooming, and dress standards as long as the employee is allowed to appear, groom, and dress consistent with the employee's gender identity.

Further, *Chapter 474* does not apply to a private facility in a place of public accommodation if the place of public accommodation makes available, for the use of persons whose gender identity is different from their assigned sex at birth, a space that is functionally equivalent to the space made available to users of the private facility. The Act defined "private facility" as a facility (1) that is designed to accommodate only a particular sex; (2) that is designed to be used simultaneously by more than one user of the same sex; and (3) in which it is customary to disrobe in view of other users of the facility.

Same-sex Marriage

Chapter 2 of 2012 legalized same-sex marriage in the State by altering the definition of a valid marriage to repeal the reference to a man and a woman and specifying instead that only a marriage between two individuals who are not otherwise prohibited from marrying is valid in Maryland. An official of a religious order or body authorized to solemnize marriages may not be required to solemnize or officiate any particular marriage or religious rite of marriage in violation of the right to the free exercise of religion as guaranteed by the United States and Maryland Constitutions and is not subject to any fine or other penalty for the failure or refusal to do so. For a more detailed discussion of this issue, see the subpart "Family Law" of this Part F.

Reasonable Accommodations for Disabilities Due to Pregnancy

Disabilities caused or contributed to by pregnancy or childbirth are temporary disabilities for all job-related purposes and must be treated as such under any health or temporary disability insurance or sick leave plan available in connection with employment. Employers are prohibited from failing or refusing to make a reasonable accommodation for the known disability of an otherwise qualified employee unless the accommodation would cause undue hardship to the employer's business. *Chapters 547 and 548 of 2013* required an employer, if an employee requests a reasonable accommodation for a disability caused or contributed to by pregnancy, to explore all possible means of providing the reasonable accommodation, including (1) changing the employee's job duties or work hours; (2) relocating the employee's work area; (3) providing mechanical or electrical aids; (4) transferring the employee to a less strenuous or less hazardous position; or (5) providing leave.

Commission Name Change

The Maryland Commission on Civil Rights originated in 1927 as the Interracial Commission. In 1943, it became the Commission to Study Problems Affecting the Colored Population. It was renamed the Commission on Interracial Problems and Relations in 1951, and then reorganized as the Commission on Human Relations in 1969. *Chapter 580 of 2011*

changed the name of the commission to the Maryland Commission on Civil Rights to better reflect the work being done by the commission.

Housing Discrimination Based on Source of Income

State law prohibits housing discrimination because of race, sex, color, religion, national origin, marital status, familial status, sexual orientation, or disability. *Senate Bill 643/House Bill 902 of 2011 (both failed)* and *House Bill 928 of 2011 (failed)* would have added discrimination based on a person's source of income to this list under specified circumstances. Similar bills to prohibit housing discrimination based on source of income were also unsuccessful in 2012, 2013, and 2014. (*Senate Bill 277/House Bill 168 of 2012 (both failed)*, *Senate Bill 487/House Bill 603 of 2013 (both failed)*, *House Bill 366 of 2014 (failed)*, and *House Bill 1098 of 2014 (failed)*).

Real Property

Ground Leases

Background

Ground leases have been a form of property holding in Maryland since colonial times. A ground lease creates a leasehold estate in the grantee that is personal – not real – property. The grantor (the ground lease holder) retains a reversion in the ground lease property and fee simple title to the land. Ground rent is paid to the grantor for the use of the property for the term of the lease in annual or semi-annual installments. Prior to 2007, when a tenant failed to pay rent, the ground lease holder could bring an action for the past-due rent or for possession of the premises. Because the tenant had a leasehold estate, a tenant whose property was seized in an ejectment action received no other compensation.

After a series of news articles in 2006 chronicled serious problems with the ground rent system, the General Assembly passed several bills addressing ground leases during the 2007 session. During the 2011-2014 term, the General Assembly revisited two of the laws enacted in 2007.

Registration and Extinguishment

Chapter 290 of 2007 required ground lease holders to register their ground leases with the State Department of Assessments and Taxation (SDAT) by September 30, 2010. If a ground lease holder failed to register, the holder's reversionary interest was extinguished and ground rent would no longer be payable. SDAT was then required to issue a ground lease extinguishment certificate to the tenant. The extinguishment conclusively vested a fee simple title in the leasehold tenant, free and clear of any and all right, title, or interest of the ground lease holder, the ground lease holder's lienholders, and any person claiming by, through, or under the ground lease holder when the certificate was recorded in the land records. According to SDAT, 85,000 ground leases were registered prior to the September 30, 2010 deadline and

SDAT issued 1,160 extinguishment certificates to tenants of the ground lease holders who had not registered.

In 2011, the Maryland Court of Appeals held that the retrospective extinguishment and transfer provisions of Chapter 290 of 2007 violated the due process and takings provisions under Maryland's Declaration of Rights and Constitution and were, therefore, unconstitutional. *Muskin v. State Dept. of Assessments and Taxation*, 422 Md. 544 (2011). However, the court held that the registration requirement was valid. The court suggested that alternative statutory approaches might include one where failure to register a ground lease triggers an interim consequence, such as restrictions on collecting ground rents prospectively or a denial of access to the courts for collection of unregistered ground rents.

In response to the *Muskin* decision, **Chapters 464 and 465 of 2012** required a holder of a ground lease to comply with the existing requirement to register with SDAT before the holder may (1) collect any ground rent payments due under the ground lease; (2) bring a civil action against the leasehold tenant to enforce any rights the ground lease holder may have under the ground lease; or (3) obtain a lien on the property. **Chapters 464 and 465** also repealed provisions relating to the extinguishment of a ground lease not registered with SDAT prior to September 30, 2010, and voided any extinguishment certificates issued by SDAT for failure to register. On request of the ground lease holder or the leasehold tenant, SDAT is required to file a notice in the county land records where an extinguishment certificate was filed stating that the certificate is void and the underlying leasehold interest is in full effect unless otherwise redeemed.

Remedy for Nonpayment

Chapter 286 of 2007 altered the remedy for nonpayment of ground rent on residential property, by abolishing ejectment and providing for the creation of a lien if ground rent is unpaid at least six months after its due date, notwithstanding any provision in a ground lease giving the ground lease holder the right to reenter the property. In February 2014, the Maryland Court of Appeals invalidated key provisions of Chapter 286 of 2007 in *State v. Goldberg*, 437 Md. 191. In *Goldberg*, the Court of Appeals held that the right to re-entry in a ground lease is a vested right that cannot be abrogated by the General Assembly and that the retroactive elimination of the remedy of ejectment under Chapter 286 of 2007 amounted to a taking of private property without just compensation, violating both the Maryland Declaration of Rights and the Maryland Constitution.

During the 2014 session, the General Assembly considered emergency legislation to address the *Goldberg* decision. **Senate Bill 1095/House Bill 1529 (both failed)** would have repealed the foreclosure-and-lien remedy established by Chapter 286 and substituted an action for possession of the property as the remedy. As introduced, the bills largely reinstated the pre-2007 law with several modifications, including the addition of language specifying that a ground lease holder could be reimbursed for the costs of collecting past-due ground rent "if authorized under the ground lease."

Residential Foreclosures

Background

The State's multipronged approach to the residential foreclosure crisis since 2008 has involved legislative reforms of mortgage lending and foreclosure laws, extensive consumer outreach efforts, and enhanced mortgage industry regulation and enforcement. After a period of high foreclosure rates in 2009, the number of property foreclosures in Maryland decreased significantly from 42,446 in 2010 to 14,321 in 2011. However, property foreclosures rose in 2012, totaling 17,126, up 18.8% from 2011 levels. Foreclosure activity began a more rapid increase in the fourth quarter of 2012, with the number of foreclosure events totaling 6,381. This rapid increase in foreclosure activity continued in 2013 with foreclosure activity reaching the highest level in three years during the fourth quarter.

The dramatic decrease in 2011 was due, in part, to two factors: (1) Maryland's legislative response to the foreclosure crisis, which provided additional protections to homeowners at risk of losing their homes; and (2) a delay by mortgage servicers in beginning foreclosure procedures until the results of the foreclosure settlement between five of the largest lenders and the U.S. government were known (which was expected to be announced in early 2012). With this background in mind, the General Assembly considered several measures in the 2011-2014 term to strengthen the foreclosure protections passed in the prior term in an effort to address the ongoing challenges with residential foreclosures in the State.

Foreclosure Procedures

Notice of Intent to Foreclose: In October 2010, the Maryland Court of Appeals approved an emergency rule allowing circuit courts to appoint independent attorneys to assess foreclosure documents for problems, including the authenticity of a signature or the veracity of an attestation. The rule was adopted following published revelations that two Maryland attorneys had not personally signed foreclosure affidavits that bore their names. To further ensure the accuracy of foreclosure documents, ***Chapters 36 and 37 of 2011*** required that an affidavit accompanying an order to docket or a complaint to foreclose a mortgage or deed of trust on residential property state, if applicable, that the contents of the notice of intent (NOI) to foreclose were accurate at the time the NOI was sent.

Required Documents and Timing of Mediation: Chapter 485 of 2010 significantly expanded the protections for owners of residential property in foreclosure, including requiring certain documents to be filed with the court and served on the mortgagor or grantor. ***Chapter 355 of 2011*** clarified that law by reducing the number of documents that must accompany an order to docket or complaint to foreclose on residential property that is filed with a court and requiring that certain documents accompany the copy of the order to docket or complaint to foreclose that is served on a mortgagor or grantor, including a notice about the foreclosure action and, if appropriate, a loss mitigation application with supporting documents and a request for foreclosure mediation form with supporting documents. The Act also extended the amount of time (1) from 15 to 25 days, in which a mortgagor or grantor may file with the

court a completed request for mediation in a foreclosure action on owner-occupied residential property; and (2) from five to seven days, in which the Office of Administrative Hearings (OAH) must file a report on the outcome of a request for mediation. Additionally, the Act authorized OAH to extend the time for completing foreclosure mediation for more than 30 days if all parties agree.

Lost Note Affidavit: Often when an original debt instrument is lost, destroyed, or stolen and cannot be found, the attorney for the party filing a foreclosure action makes a motion for acceptance of a lost note affidavit. ***Chapters 477 and 478 of 2011*** required specific information to be included in a lost note affidavit. The Acts prohibited a court from accepting a lost note affidavit unless the affidavit (1) identifies the owner of the debt instrument and states from whom and the date on which the owner acquired ownership; (2) states why a copy of the debt instrument cannot be produced; and (3) describes the good faith efforts made to produce a copy of the debt instrument.

Tenants in Foreclosure

Chapters 614 and 615 of 2009 required notices of foreclosure to be sent to all occupants of a residential property (1) when a foreclosure action is filed; (2) no earlier than 30 days and no later than 10 days prior to the foreclosure sale; and (3) after the entry of a judgment awarding possession of the property and before any attempt to execute the writ of possession. Chapters 587 and 588 of 2010 altered these notice requirements by conforming to the federal Protecting Tenants at Foreclosure Act of 2009 and incorporating the federal definition of a “bona fide” tenant.

Chapters 245 and 246 of 2011 added further protections for tenants in foreclosed property with regard to the collection of rent. Specifically, the Acts prohibited a foreclosure sale purchaser from asserting a claim to rent payments from a bona fide tenant in possession of residential property, unless the purchaser has (1) conducted a reasonable inquiry into the property’s occupancy status and whether any individual in possession is a bona fide tenant and (2) served on each bona fide tenant, by first-class mail with a certificate of mailing, a notice containing the contact information of the purchaser or the purchaser’s agent responsible for managing and maintaining the property and stating that the tenant must direct rent payments to this person.

Enforcement Authority of Commissioner of Financial Regulation

Chapters 5 and 6 of 2008 enacted the Protection of Homeowners in Foreclosure Act (PHIFA) to address the growing problem of foreclosure “rescue” scams. It required “foreclosure consultants” to enter into consulting contracts with homeowners that set forth the terms of their agreements, give disclosures, and afford basic consumer protections such as a three-day rescission period. Chapters 3 and 4 of 2008 created the Maryland Mortgage Fraud Protection Act (MMFPA). The MMFPA prohibited specified actions made with the intent to defraud, including knowingly making, using, or facilitating the use of any deliberate misstatement, misrepresentation, or omission during the mortgage lending process with the intent that it be relied upon by a mortgage lender, borrower, or any other party to the lending process.

Chapter 127 of 2011 clarified the authority of the Commissioner of Financial Regulation to enforce and investigate the PHIFA and the MMFPA. The law authorized the commissioner to enforce these Acts by exercising any of the commissioner's general enforcement powers, seeking an injunction, or requiring a violator to take affirmative action to correct a violation, including the restitution of money or property to any person aggrieved by the violation. Additionally, the commissioner is authorized to cooperate with any unit of law enforcement in the investigation and prosecution of a violation of the PHIFA and the MMFPA, investigate violations, and aid any unit of the State government with regulatory jurisdiction over the business activities of the violator.

Foreclosed Property Registry

The Governor convened the Maryland Foreclosure Task Force in the fall of 2011. In January 2012, the task force issued its report, including 12 recommendations aimed at further addressing the foreclosure crisis in Maryland.

According to the task force, during the period of time between a foreclosure sale and the recordation of a deed transferring title to the property, local governments were having difficulty in knowing who to contact about issues that may arise with the property. This is of special concern when the property was vacant. One of the task force's recommendations was the creation of a registry in order to allow government officials to identify parties responsible for the maintenance of foreclosed property during this "limbo period." **Chapter 155 of 2012** required the Department of Labor, Licensing, and Regulation to establish and maintain an Internet-based Foreclosed Property Registry for information relating to foreclosure sales of residential property. The measure also established the Foreclosed Property Registry Fund to support the registry's development, administration, and maintenance. **Chapter 155** also authorized a local jurisdiction to enact a local law imposing a maximum \$1,000 fine for failure to register. Additionally, a local government that abates a nuisance on or maintains a registered property may collect any incurred costs as a charge included on the property's tax bill, as long as specified notice requirements are met.

Foreclosure Profile Mediation

Another recommendation of the Governor's 2011 task force was the introduction of prefile mediation, because the task force found that the then existing postfile mediation process was often unable to produce an acceptable retention option. **Chapter 156 of 2012** authorized a secured party to offer prefile mediation to a mortgagor or grantor to whom the secured party has delivered a notice of intent to foreclose. If the mortgagor or grantor elects prefile mediation, an order to docket or complaint to foreclose may not be filed until the completion of the mediation. In addition, **Chapter 156** exempted from the State income tax any payment to an individual made as a result of the nationwide foreclosure settlement negotiated in February 2012 by the U.S. Department of Justice, U.S. Department of Housing and Urban Development, and 49 state Attorneys General, which provided relief to states and homeowners from improper foreclosure procedures and underwater mortgages.

Notice to Local Supervisor of Assessments of Residential Property Foreclosure Sale

Chapter 461 of 2012 required a purchaser of residential property sold in an action to foreclose a mortgage or deed of trust on the property to provide a copy of the court order ratifying the foreclosure sale to the supervisor of assessments for the county in which the residential property is located within specified time periods. By requiring the purchaser to provide the supervisor of assessments with this information, *Chapter 461* was intended to allow the State Department of Assessments and Taxation to more efficiently remove any improper tax credits.

Acquisition and Transfer of Mortgages by Certified CDFIs

Community development financial institutions (CDFIs) work in market niches that are underserved by traditional financial institutions. They provide financial products and services in economically distressed target markets, such as mortgage financing for low-income and first-time homebuyers and not-for-profit developers; flexible underwriting and risk capital for needed community facilities; and technical assistance, commercial loans, and investments to small start-up or expanding businesses in low-income areas. A CDFI may be certified by the Community Development Financial Institutions Fund in the U.S. Department of the Treasury. As of 2013, there were 808 certified CDFIs in the nation, including 11 with headquarters in Maryland.

Chapter 233 of 2014 aimed to improve the ability of certified CDFIs to assist homeowners facing foreclosure by authorizing a certified CDFI to buy an owner-occupied residential property from a lender before foreclosure and subsequently transfer the property back to the immediately preceding homeowner. *Chapter 233* also exempted a certified CDFI that purchases owner-occupied residential property under specified circumstances from the requirements of the Protection of Homeowners in Foreclosure Act, and provided exemptions from the recordation tax and State transfer tax for an instrument of writing relating to a transfer from a certified CDFI to the immediately preceding mortgagor or grantor of the property.

Prohibition against Acquisition of Mortgages through Condemnation

According to reports by *The New York Times* in 2013 and 2014, several cities across the country had considered using their eminent domain power to help homeowners reduce debt on mortgages, with the goal of reducing the risks of foreclosure, blight, and falling property values.

Because the legal authority for and financial consequences of the acquisition of mortgages through condemnation were unclear, *Chapter 561 of 2014* prohibited the State or any of its instrumentalities or political subdivisions from acquiring mortgages or deeds of trust by condemnation from June 1, 2014, to May 30, 2016, inclusive. The Act also instructed the Department of Housing and Community Development to conduct a study of methods, including the use of eminent domain by local governments, of restoring equity for underwater homeowners with private label securities. The results of the study were required to be submitted to the General Assembly on or before November 1, 2015.

Motions for Deficiency Judgment and Statute of Limitations for Certain Specialties

While secured parties in many states may file for a deficiency judgment after a foreclosure sale, short sale, or deed in lieu sale on residential property, Maryland's 12-year statute of limitations for mortgages, deeds of trust, or promissory notes signed "under seal" (a type of "specialty," which covers virtually all mortgages, deeds of trust, or promissory notes on residential property in the State), was one of the longest periods in the country. This lengthy statute of limitations was found to have created undue legal, financial, and emotional uncertainty for homeowners who were already trying to recover from having lost their home.

To address this growing concern, **Chapter 592 of 2014** reduced the time period allowed for the filing of a civil action, from 12 years (applicable to specified "specialties") to 3 years (applicable to most civil actions), for an action to collect the unpaid balance due on a deed of trust, a mortgage, or a promissory note that has been signed under seal and secures or is secured by owner-occupied residential property. In addition, in order to add more certainty if a deficiency judgment is pursued as part of a foreclosure process, **Chapter 592** authorized a secured party, or an appropriate party in interest, within three years after the final ratification of the auditor's report following a foreclosure sale, to file a motion for a deficiency judgment if the proceeds of the sale, after deducting all costs and expenses allowed by the court, are insufficient to satisfy the debt and accrued interest. The filing of a motion for deficiency judgment constitutes the sole post-ratification remedy available to a secured party or party in interest for breach of a covenant contained in a deed of trust, mortgage, or promissory note that secures or is secured by owner-occupied residential property.

Maryland Mortgage Assistance Relief Services Act

Mortgage assistance relief service providers offer consumers a variety of services, ranging from negotiating reduced mortgage payments to helping avoid foreclosure. Under federal regulations issued by the Consumer Financial Protection Bureau, a mortgage assistance relief service provider may not misrepresent any material aspect of any mortgage assistance relief service and must comply with specified requirements for communications with borrowers and the collection of advance payments. **Chapters 464 and 465 of 2013** made it a violation of State law if a mortgage assistance relief service provider offering mortgage assistance relief services in connection with a dwelling in the State fails to comply with the Consumer Financial Protection Bureau's regulations. The Acts also gave the Commissioner of Financial Regulation, the Attorney General, and State's Attorneys investigatory and enforcement authority over violations of these regulations.

Nonjudicial Evictions

The common law remedy of self-help allows a titleholder to peaceably enter and repossess property that is being unlawfully occupied by another. Over time, the State and local governments developed statutory alternatives to self-help evictions that have been more typically utilized for the past several decades. However, in 2012, the Maryland Court of Appeals held that

a foreclosure purchaser may exercise the common law remedy of peaceable self-help to repossess property from a defaulted mortgagor or other illegal occupant. *Nickens v. Mount Vernon Realty Group, et al.*, 429 Md. 53 (2012). In reaching its decision, the court found that this remedy was not superseded by a Baltimore City ordinance establishing a statutory process for repossession by a foreclosure purchaser. Although *Nickens* dealt specifically with a foreclosure purchaser's right to self-help, the case suggested that this common law remedy was available wherever it is not clearly abrogated or superseded by statute.

Chapters 514 and 515 of 2013 addressed the *Nickens* ruling by restricting the common law right to self-help eviction in the context of foreclosures, landlord-tenant actions, and mobile home park actions. The measures prohibited a party claiming the right to possession from taking possession or threatening to take possession of residential property from a protected resident by (1) locking the resident out of the residential property; (2) engaging in willful diminution of services to the protected resident; or (3) taking any other action that deprives the protected resident of actual possession. Possession may only be taken from a protected resident in accordance with a writ of possession issued by a court and executed by a sheriff or constable. A party claiming the right of possession of residential property may use nonjudicial self-help to take possession of the property only under limited circumstances.

Refinance Mortgages

A refinance mortgage is the repayment of an existing mortgage loan with funds from a new loan using the same property as security. Often, refinancing a mortgage can help a homeowner achieve better loan terms, such as lower interest rates. However, the existence of a second mortgage on a property can make the refinancing process difficult. Because a refinanced mortgage is treated as a new mortgage, a homeowner who wants to refinance a first mortgage must typically obtain subordination agreements from the holders of any existing junior mortgages so that the first lien holder preserves priority. The subordination process can be lengthy and costly, and can sometimes block the homeowner's ability to refinance a first mortgage if the holder of a junior mortgage refuses to subordinate.

Chapter 205 of 2013 automatically granted, on recordation, the same lien priority to a qualifying refinance mortgage as to the first mortgage or deed of trust the refinance mortgage replaces. The principal amount secured by the junior mortgage could not exceed \$150,000, and the principal amount secured by the refinance mortgage could not exceed the unpaid outstanding principal balance of the first mortgage or deed of trust plus an amount to pay closing costs of up to \$5,000. **Chapter 634 of 2014** modified this requirement by allowing the refinancing without permission of the junior lien holder if the principal amount secured does not exceed the unpaid outstanding principal balance, plus closing costs and escrow costs of up to \$5,000.

Common Ownership Communities

Common ownership community (COC) is the term used to describe collectively condominiums, homeowners associations (HOAs), and cooperative housing corporations.

Condominiums and Homeowners Associations – Liens

Priority of Liens: Similar to the persistence of mortgage defaults on residential property, condominiums and HOAs also experience problems in collecting payments of required assessments from unit owners or lot owners. *Chapter 387 of 2011* sought to address these problems by establishing the priority of a condominium or HOA lien for a specified amount of unpaid assessments in the event of foreclosure on a condominium unit or lot in an HOA. The measure provided that in a foreclosure of a mortgage or deed of trust on a condominium unit or a lot in an HOA that is recorded before a lien for unpaid assessments, the condominium or HOA lien will have priority in an amount of not more than four months, or the equivalent of four months, of unpaid regular assessments, up to a maximum of \$1,200.

Lien Foreclosure: If assessments due from a condominium unit owner or a lot owner in an HOA are not paid, the governing body of COC may impose a lien on the unit or lot in accordance with the Maryland Contract Lien Act to recover unpaid assessments, interest on unpaid assessments, late charges, collection costs, and reasonable attorney's fees. *Chapters 448 and 449 of 2013* limited the situations in which the governing body of a COC may foreclose on a lien against a unit owner or lot owner. Notwithstanding the COC's governing documents, the governing body may foreclose on the lien only if the damages secured by the lien consist solely of (1) delinquent periodic or special assessments; and (2) reasonable costs and attorney's fees directly related to filing of the lien and not exceeding the amount of the delinquent assessments. The damages may not include fines imposed by the governing body or attorney's fees related to recovering the fines. *Chapter 603 of 2014* altered this limitation by allowing the governing body of a COC seeking to foreclose on a lien for delinquent assessments to include in the damages any interest associated with the delinquent assessments; however, interest on delinquent assessments must still be excluded when calculating allowable costs and attorney's fees directly related to the filing of the lien.

Homeowners Associations – Resolution of Procedural Issues in Elections

While the Maryland Condominium Act provides direction for the enforcement of certain elements of condominium elections by the Division of Consumer Protection (division) in the Office of the Attorney General, the Maryland Homeowners Association Act did not contain similar guidance. *Chapter 491 of 2011* addressed that inconsistency by authorizing a lot owner who believes the HOA's board of directors has failed to comply with election procedures specified in the HOA's governing documents to submit the dispute to the division under certain circumstances.

Condominiums

Insurance Coverage: *Chapter 138 of 2011* authorized a condominium's bylaws to require that all unit owners maintain condominium insurance on their units. A condominium's council of unit owners may amend its bylaws to require the insurance if at least 51% of unit owners having votes in the council of unit owners agree. If the bylaws require all unit owners to maintain condominium insurance on their units, the bylaws must also require each unit owner to provide the council of unit owners with evidence of insurance coverage.

Entering to Investigate Damage: Chapter 101 of 2012 broadened the right of a council of unit owners of a condominium or its authorized designee to enter a unit to make repairs by authorizing the entry in order to investigate damage when the investigation reasonably appears necessary for public safety or to prevent damage to other portions of the condominium. The council of unit owners is required to make a reasonable effort to notify the owner of the unit unless the situation involves manifest danger to public safety or property.

Closed Meetings of Board of Directors: Chapter 110 of 2013 expanded the purposes for which a condominium's board of directors may hold a closed meeting, mirroring the laws for HOAs, by allowing a meeting to be closed to consider terms or conditions of a business transaction in the negotiation stage if disclosure could adversely affect the economic interests of the council of unit owners.

Cooperative Housing Corporations – Procedures

A cooperative housing corporation, or "cooperative," is a special type of corporation that owns residential real property. A resident of a cooperative does not own his or her unit; rather, the resident has an ownership interest in the corporation and a leasehold interest in the residential unit. This arrangement creates a landlord-tenant relationship between the cooperative and its residents, which may be terminated through eviction proceedings for a breach of the obligations under the cooperative's governing documents.

Chapter 567 of 2014 established (1) requirements for cooperative housing corporations similar to those for HOAs and condominiums for giving notice of meetings and holding open and closed sessions of meetings of the governing body and (2) standards for late charges for delinquent payments. The measure also established a dispute settlement mechanism for cooperatives similar to that for condominiums. For a cooperative that is no longer subject to a mortgage or deed of trust, the Act restricted the ability of the governing body to bring an action in court to evict a member for nonpayment of assessments.

Regulation of Common Ownership Community Managers

Many COCs, also known as common interest communities (CICs), hire professional management companies to provide administrative services such as payment collection, financial management, groundskeeping, and other maintenance. These companies are often responsible for managing large sums of money due to and owned by the COCs. Though COC management companies lack comprehensive regulation by the State, COCs and their management entities in Prince George's County must register with that county's Office of Community Relations, and in Montgomery County with the Commission on Common Ownership Communities.

Over the 2011-2014 term, many bills were introduced that would have imposed differing forms of regulation on these management companies. ***House Bill 722 of 2011 (failed)*** would have required a management services provider to enter into a written contract with a COC before providing the services. A similar bill that would have required a service provider to enter into a written contract with a CIC before providing management services was unsuccessful the following year (***House Bill 352 of 2012 (failed)***).

House Bill 537 of 2011 (failed) would have established a statewide registry of companies providing community association management services. **Senate Bill 264 of 2011 (failed)** would have repealed the requirement that a COC purchase fidelity insurance covering a management company and instead would have required that the management company contracting to provide services to the COC purchase fidelity insurance.

A State board of common interest community managers would have been established by **House Bill 942 of 2011 (failed)** and **House Bill 592 of 2011 (failed)**. **Senate Bill 372/House Bill 433 of 2012 (both failed)** would have created the State Board of Common Interest Community Managers to regulate the provision of CIC property management services under the authority of the Secretary of Labor, Licensing, and Regulation. The measures would have also required specified CICs to register and pay fees per unit or lot. Similar bills to regulate the provision of property management services were unsuccessful in 2013 and 2014. (**Senate Bill 794/House Bill 576 of 2013 (both failed)** and **House Bill 10 of 2014 (failed)**).

Landlord and Tenant

Victims of Domestic Violence or Sexual Assault

Chapters 318 and 319 of 2010 provided certain protections for a residential tenant or a legal occupant of a residential rental unit who is a victim of domestic violence or sexual assault, including the ability to terminate the lease or change the locks of the residence. **Chapter 152 of 2011** clarified that a victim tenant may terminate the tenant's future liability under a residential lease, and that the authority to terminate future liability under a residential lease does not extend to, or in any other way impact, the future liability of a tenant who is the respondent in an action that results in the issuance of a final protective order or final peace order for the benefit of the victim tenant or victim legal occupant.

Retaliatory Actions

A landlord generally may not evict a tenant or arbitrarily increase the rent or decrease services to which the tenant is entitled solely because (1) the tenant or the tenant's agent has filed a good faith written complaint with the landlord or with a public agency against the landlord; (2) the tenant or agent has filed a lawsuit or lawsuits against the landlord; or (3) the tenant is a member or organizer of any tenants' organization. There are similar protections against "retaliatory evictions" for residents of mobile home parks.

Chapters 264 and 265 of 2011 expanded these protections for tenants and mobile home park residents while also providing that certain actions by a landlord or park owner may not be deemed to be "retaliatory actions" if they occur more than six months after the protected action of a tenant or park resident. The measures prohibited a landlord or park owner from threatening to bring an action for possession, or terminating a periodic tenancy or rental agreement, because of specified actions by the tenant or park resident and expanded the protected actions of a tenant or resident. The Acts deleted the requirement that a tenant or park resident must prove that a retaliatory action was taken "solely" because of a protected action of the tenant or park resident. Lastly, the measures authorized a tenant or resident to raise the landlord's retaliatory action as a

defense in an action for possession or as an affirmative claim for damages resulting from a retaliatory action.

In order to further expand tenant protections, *Chapter 556 of 2014* repealed a provision that made relief under Maryland's retaliatory action law unavailable to a tenant whose periodic tenancy was terminated if a specified number of judgments had been entered against the tenant for failing to pay rent within a specified period, but maintained the requirement that the tenant must be current on the rent due and owing to the landlord at the time of the alleged retaliatory action, unless the tenant is withholding the rent for specified reasons.

Tenant Payment of Landlord Utility Bills

Chapters 326 and 327 of 2013 authorized the tenant of an "affected dwelling unit" to have utility service restored, or to prevent termination of utility service, when the landlord responsible for utility payments defaults by authorizing a tenant facing threatened or actual termination of utility service to apply for a new utility service account in the tenant's name and authorizing the tenant to deduct the amount of payments made to a utility service provider from the rent due to the landlord under specified conditions. The laws applied only to gas or electric service and did not apply to electric cooperatives.

Interest on Security Deposits

Within 45 days after the end of a tenancy, a landlord or mobile home park owner must return any security deposit paid by a tenant or resident, less any damages rightfully withheld, plus interest that has accrued on the security deposit. *Chapters 488 and 489 of 2014* altered the amount of interest a landlord or mobile home park owner must pay on a security deposit – from 3% per annum to the greater of the daily U.S. Treasury yield curve rate for one year, as of the first business day of each year, or 1.5%. To facilitate this change, the Department of Housing and Community Development must add to its website either (1) a list of daily U.S. Treasury yield curve rates for one year, as of the first business day of the year, to be used in calculating the interest on a security deposit; or (2) a customized calculator that calculates the interest due on a security deposit by allowing a user to enter a tenancy start date, a tenancy end date, and the amount of the security deposit.

Residential Property Sales

New Home Sales – Minimum Visitability Features

Chapter 338 of 2011 required certain home builders to offer minimum visitability features as an option for purchase. "Minimum visitability features" are designed to make a home more accessible to people with mobility impairments and are defined as (1) a ground level entrance meeting specified height, width, and accessibility characteristics; and (2) a circulation route from the ground level entrance to an unattached garage, parking space, or public right-of-way that is free of specified impediments or vertical changes in levels greater than 1.5 inches.

Deposits on New Homes – Escrow Accounts

Chapters 450 and 451 of 2011 responded to issues raised in *Coleman v. State*, 196 Md. App. 634 (2010), in which the Court of Special Appeals ruled that the law was ambiguous as to when a builder or vendor of a new single-family home was required to maintain an escrow account. *Chapters 450 and 451* provided that a builder or vendor must maintain money received from a purchaser at any time before completion of the home, including prior to the start of construction, in an escrow account, surety bond, or irrevocable letter of credit. The money received by the builder or vendor must be held in trust for the benefit of the purchaser of the new home, and any payments for labor or materials in connection with the construction of the new home must be consistent with that trust obligation. The escrow account must be maintained until the granting of a deed for a completed home. The measures allowed the builder or vendor to make withdrawals from the escrow account to finance construction in accordance with a draw schedule agreed to by the purchaser in writing.

Manufactured Housing

In Maryland, an ownership interest in a manufactured or mobile home, like an ownership interest in a car, is documented by listing the owner's name on the certificate of title. This process of titling a manufactured home may limit the availability of credit to finance the purchase and refinancing of manufactured homes and make it more difficult for a homeowner to resell a manufactured home. Secondary market investors require certainty that a valid lien and marketable title exists before the loan may be sold. Without access to the secondary market, available credit is limited. In *Droney v. Droney*, 102 Md. App. 672, 651 A.2d 415 (1995), the Court of Special Appeals ruled that a mobile home became a fixture upon real property when significant changes and improvements were made to it, including the removal of the wheels and attachment of utility lines. A manufactured home that is used for residential purposes and is permanently attached to land or connected to utilities must be assessed as an improvement to real property to the owner of the land, unless the home is located on a rented space in a manufactured home park.

To address concerns about the titling of manufactured homes, *Chapters 546 and 547 of 2012* established requirements for affixing a manufactured home to or severing it from real property. Once the affixation requirements are met, the manufactured home is governed by the laws applicable to real property. *Chapter 640 of 2013* altered and clarified the lien information that must accompany an affidavit of affixation when an owner of a manufactured home intends to convert a manufactured home to real property by requiring the report that is prepared when the owner is unable to locate an original certificate of title or a manufacturer's certificate of origin, and the statement that accompanies the report, to identify all liens on the manufactured home and pertinent information on each lien.

Estates and Trusts

Trusts

Maryland Trust Act

After several attempts to pass a uniform trust act (*Senate Bill 753/House Bill 437 of 2013, Senate Bill 722/House Bill 682 of 2012, Senate Bill 745/House Bill 750 of 2011 (all failed)*), legislation enacted in 2014 established the Maryland Trust Act (*Chapter 585*). The Act partially codified the existing statutory and case law in Maryland governing trusts and also made changes and additions to existing law. The Act was a modified version of the Uniform Trust Code (UTC) drafted by the National Conference of Commissioners on Uniform State Laws. As of the date of enactment of *Chapter 585*, 26 states and the District of Columbia had enacted a version of the UTC.

Issues addressed by the Act included determination of the principal place of administration of a trust and transfer of the principal place of administration to another state or a jurisdiction outside of the United States; rights of certain persons and organizations as qualified beneficiaries of specified trusts; court jurisdiction over a trust; rules regarding representation of others in relation to trusts; creation, validity, modification, and termination of a trust; claims of creditors against parties to a trust; rules relating to revocable trusts; rules applicable to the position of trustee; duties and powers of a trustee; duties and powers of an adviser to a trustee; and liability of a trustee and protection from liability of persons dealing with a trustee.

Notable modifications or additions to existing Maryland trust law included applying to qualified beneficiaries various requirements with respect to notice, agreement, or other involvement of beneficiaries in trust matters; providing that individuals may be represented and bound by others with respect to trust matters in specified circumstances; providing that the existence of a spendthrift provision or similar protective language in the terms of a noncharitable irrevocable trust does not prevent the trust from being terminated under certain circumstances; authorizing a court to modify the administrative terms of a trust if continuation of the trust on its existing terms would be impracticable or wasteful or impair the administration of the trust; authorizing a court to modify the terms of the trust in a manner that is not contrary to the probable intention of the settlor in order to achieve the settlor's tax objectives; authorizing a settlor to revoke or amend a trust created on or after January 1, 2015, unless the terms of the trust expressly provide that the trust is irrevocable; and, in the case of a vacancy in the office of a trustee, authorizing qualified beneficiaries acting unanimously to appoint a trustee without a court proceeding.

The Act applies to all trusts created before, on, or after January 1, 2015, as well as all judicial proceedings concerning trusts commenced on or after January 1, 2015. A rule of construction or presumption in the Act applies to trust instruments executed before January 1, 2015, unless there was a clear indication of a contrary intent in the terms of the trust. If a right was acquired, extinguished, or barred on the expiration of a prescribed period that

began under another statute before January 1, 2015, the statute continues to apply to the right even if the statute has been repealed or superseded.

Transfer of Tenancy by the Entirety Property to Trustees

Chapter 202 of 2010 established that the property of a husband and wife that is held by them as tenants by the entirety and subsequently conveyed to a trustee, and the proceeds of that property, have the same immunity from the claims of the separate creditors of the husband and wife as would exist if the husband and wife had continued to hold the property or its proceeds as tenants by the entirety, subject to certain conditions. Chapter 202 also specified that after the death of the first spouse, the property continued to be immune from the claims of the decedent's separate creditors, but to the extent the surviving spouse remained a beneficiary of the trust, the property was subject to the claims of the surviving spouse's separate creditors.

Subsequent to the enactment of Chapter 202, questions arose as to whether the Act applied to transfers of tenancy by the entirety property to trusts with more than one trustee or trustees of multiple trusts. Additional concerns were raised with regard to unintended estate tax consequences in relation to certain trusts used for estate planning purposes to obtain the benefit of both spouses' estate tax exemptions.

Chapters 522 and 523 of 2011 made corrective and clarifying changes in response to these questions and concerns. The Acts specified that the immunity of property held in trust applies to property conveyed to the trustee or trustees of one or more trusts and also added a condition that the trust instrument, deed, or other instrument of conveyance must provide that the provisions enacted under Chapter 202 apply to the property or its proceeds. The Acts also expanded the authority to waive the immunity established under Chapter 202. Chapter 202 allowed the immunity to be waived as to any specific creditor or any specifically described trust property. The Acts included the authority to waive the immunity as to all separate creditors of a husband and wife or all former tenancy by the entirety property conveyed to the trustee or trustees.

The Maryland Trust Act, *Chapter 585 of 2014*, retained the language of Chapter 202 that provided that after the death of the first spouse, the property continues to be immune from the claims of the decedent's separate creditors, but repealed language that provided that property that was immune from the claims of the decedent's separate creditor's was subject to the claims of the separate creditors of the surviving spouse, to the extent the surviving spouse remained a beneficiary of the trust.

Special Needs Trusts and Pooled Asset Special Needs Trusts

Special or supplemental needs trusts are intended to hold funds for the benefit of a disabled individual for purposes other than those provided for by Medicaid or other public benefits, without affecting the individual's eligibility for the public benefits. A pooled asset special needs trust is a trust that collectively invests and manages funds of multiple individuals who are disabled, reducing the costs of trust administration. The assets of a disabled individual

used to fund a special needs trust may come from a source such as a personal injury settlement or an inheritance of the individual.

Chapters 561 and 562 of 2011 established that it is the policy of the State to encourage the use of a special needs trust or supplemental needs trust by an individual of any age with disabilities to preserve funds to provide for the needs of the individual not met by public benefits and to enhance quality of life. The Acts required each State agency that provides public benefits through means-tested programs, including Medicaid, to individuals with disabilities of all ages to adopt regulations that are not more restrictive than existing federal law, regulations, or policies with regard to the treatment of a special needs trust or supplemental needs trust, including specified trusts defined under federal law governing State Medicaid programs. The regulations must allow:

- an individual account in a pooled asset special needs trust to be funded without financial limit;
- a fund in a special needs trust, supplemental needs trust, or pooled asset special needs trust to be used for the sole benefit of the beneficiary including, at the discretion of the trustee, distributions for food, shelter, utilities, and transportation;
- an individual to establish or fund an individual account in a pooled asset special needs trust without an age limit or a transfer penalty;
- an individual to fund a special needs trust or supplemental needs trust for the individual's child with disabilities without a transfer penalty and regardless of the child's age; and
- all legally assignable income or resources to be assigned to a special needs trust, supplemental needs trust, or pooled asset special needs trust without limit.

A State agency may not impose additional requirements on a nonprofit organization for the purpose of qualification or disqualification of the organization from offering a pooled asset special needs trust.

Chapter 455 of 2013 specified that regulations adopted by State agencies that provide public benefits through means-tested programs to individuals with disabilities may not be more restrictive than any State law regarding trusts; this includes any State law regarding the reasonable exercise of discretion by a trustee, guardian, or conservator in the best interests of the beneficiary. The regulations also may not require disclosure of a beneficiary's personal or confidential information without consent. These and other existing requirements applicable to special needs, supplemental needs, and pooled asset special needs trusts may not be interpreted to require a court order to authorize a disbursement from a special or supplemental needs trust. Finally, a regulation regarding pooled asset special needs trusts must apply only to trust beneficiaries who are State residents or who receive State-funded benefits.

Maryland Uniform Principal and Income Act

The Maryland Uniform Principal and Income Act (MUIA) sets forth default rules for the trustee of a trust or the personal representative of a decedent's estate to follow in determining whether receipts and disbursements should be classified as principal or income when the governing will or trust instrument is silent. *Chapters 301 and 302 of 2012* modified provisions of MUIA that govern how certain payments to a trustee are allocated between income and principal of a trust and how certain tax payments paid by a trustee are allocated.

Specifically, the Acts established requirements for the allocation of payments from a "separate fund" to the specified trusts that qualify for a marital deduction from the federal taxable estate (for purposes of the federal estate tax), or for which an election to qualify has been made, under specified sections of the federal Internal Revenue Code. A separate fund includes a private or commercial annuity, an individual retirement account, and a pension, profit-sharing, stock-bonus, or stock-ownership plan. "Payment" includes any payment from a separate fund, regardless of the reason for the payment. These changes were in response to a 2006 Internal Revenue Service Revenue Ruling (No. 2006-26), which indicated that the then existing law could cause a trust not to qualify for the marital deduction.

The Acts also amended provisions governing the payment of taxes by a trustee to specify when a tax required to be paid by a trustee on the trust's share of an entity's taxable income must be paid from income, principal, or both. The Acts addressed instances where a trust owns an interest in a pass-through entity (where taxes on the entity's income are passed through to the entity's owners), such as a partnership or S-corporation. The trustee is responsible for taxes on the trust's share of the entity's income whether or not the income is distributed to the trust. The Acts' changes were intended to provide clearer direction to a trustee in meeting that tax liability.

Finally, *Chapters 301 and 302* required that a trustee adjust income or principal receipts to the extent that the trust's taxes are reduced because the trust receives a deduction for payments made to a beneficiary.

Qualified Terminable Interest Property

The Internal Revenue Code allows for certain tax treatment of "grantor trusts" and specified qualified terminable interest property (QTIP) trusts. *Chapter 646 of 2013* specified that an individual who creates a grantor trust or a QTIP trust is not considered the settlor of the trust if (1) the interest is the authority of the trustee to pay or reimburse the individual for any tax or trust income or trust principal payable by the individual under the law imposing the tax or (2) the trust is a QTIP trust under the Internal Revenue Code created for the benefit of the individual's spouse and the individual's interest in the trust income, trust principal, or both follows the termination of the spouse's prior interest in the trust. Furthermore, the Act specified that a creditor of the individual may not attach, exercise, reach, or compel distribution from the trust or certain other trust property attributable to a specified QTIP trust.

Probate

Eligibility Thresholds for Small Estate Administration

Small estate administration can allow for estates below the statutory thresholds to be administered in a simplified manner and shorter timeframe in comparison to administration of a regular estate. The inheritance tax also does not apply to property distributed from a small estate, though property distributed from an estate not administered as a small estate also may qualify, in many cases, for other exemptions from the inheritance tax, such as an exemption for property passing to lineal relatives, a spouse, or siblings. *Chapters 62 and 63 of 2012* increased the eligibility thresholds for small estate administration from \$30,000 to \$50,000, for estates in general, and from \$50,000 to \$100,000 for an estate in which the surviving spouse is the sole legatee or heir of the decedent.

Funeral Expenses

The personal representative of a decedent must pay the funeral expenses of the decedent within six months of the first appointment of a personal representative, in accordance with an order of payment of claims against an estate that is specified in statute. As “funeral expenses” was not defined in statute, registers of wills and Orphans’ Courts throughout the State were excluding expenses traditionally considered a part of the funeral process. In addition, the limit established for funeral expenses was capped at \$10,000 for regular estates and \$5,000 for small estates. In 2012, the cost of funerals in a majority of jurisdictions often exceeded \$5,000.

Chapters 226 and 227 of 2012 defined the term “funeral expenses” for the purposes of determining the expenses that may be paid from the assets of an estate. The Acts defined funeral expenses to include the costs of a funeral, a burial, a cremation, a disposition of the decedent’s remains, a memorial, a memorial service, food and beverages related to bringing together the decedent’s family and friends for a wake or pre-funeral or post-funeral gathering or meal, and any other reasonable expenses authorized by the decedent’s will. The Acts also raised the limit on funeral expenses that can be paid from a small estate, without a court order, from \$5,000 to \$10,000.

Family Allowance

A surviving spouse of a decedent is entitled to receive from a decedent’s estate an allowance for personal use, and an allowance for each unmarried minor child of the decedent must be paid for the use of the minor. *Chapter 204 of 2013* increased the allowance for the surviving spouse from \$5,000 to \$10,000 and for each unmarried minor child from \$2,500 to \$5,000.

Attorney’s Fees

A 2005 Opinion of the Attorney General (90 Op. Att’y Gen. 145) advised that review by the Orphans’ Court is required whenever estate funds are used for payment of attorney’s fees (aside from a limited statutory exception, where consent is obtained from creditors and interested

persons and the payment does not exceed a specified amount), including where a decedent had entered into a contingent fee agreement with an attorney prior to death. The opinion was in response to a request that indicated Orphans' Courts around the State had adopted differing practices concerning whether and when to require fee petitions in such cases. **Chapter 80 of 2011** allowed payment of attorney's fees to be made without court approval if (1) the fee is paid to an attorney representing the estate in litigation under a contingency fee agreement signed by the decedent or the current personal representative of the decedent's estate; (2) the fee does not exceed the terms of the agreement; (3) a copy of the agreement is on file with the register of wills; and (4) the attorney files a statement with each account stating that the scope of the representation by the attorney does not extend to the administration of the estate.

Modified Administration

Modified administration of an estate allows for an expedited timetable and fewer and less expensive filings. **Chapter 645 of 2013** made several changes with respect to modified administration of an estate relating to (1) criteria specific to trusts that must be met in order to qualify to elect for modified administration; (2) after-discovered property in estates settled and distributed through modified administration; and (3) prepayment of inheritance tax on subsequent interests in property distributed from an estate under modified administration.

Specifically, the Act allowed a personal representative to file an election for modified administration where a trust is a residuary legatee if each person who has a current interest in the trust is exempt from inheritance tax under specified provisions of the Tax-General Article (which include exemptions for specified family members and nonprofit organizations). This procedure replaced a requirement that in order to elect for modified administration, all trustees of each trust that is a residuary legatee must be limited to the decedent's personal representative, surviving spouse, and children. In addition, the Act also established that, if the personal representative discovers property of the decedent after the time for filing a verified final report under modified administration, the personal representative must (1) file a verified final report under modified administration with respect to the after-discovered property within 60 days of the discovery of the property and (2) make final distribution of the after-discovered property within 90 days of the discovery. Finally, the Act allowed for an application to prepay the inheritance tax for a subsequent interest in property that passes from a decedent to be filed with the register of wills of the county where the information report, rather than the inventory, was filed.

Powers of Attorney

The Maryland General and Limited Power of Attorney Act (MGLPOAA) was enacted by Chapters 689 and 690 of 2010. Applicable to all powers of attorney, with certain listed exceptions, Chapters 689 and 690 included various new provisions derived in part from the Uniform Power of Attorney Act and also incorporated existing provisions governing powers of attorney, with minor alterations. The legislation established requirements for proper execution of a power of attorney, specified when a power of attorney becomes effective, and provided for the validity and enforceability of a power of attorney. Fiduciary duties for an agent appointed under

a power of attorney were established. Finally, the 2010 legislation included two statutory form powers of attorney.

Chapters 74 and 75 of 2011 made corrective and clarifying changes to MGLPOAA. The Acts defined the term “property,” to include both real and personal property and any right or title in real or personal property, whether held individually or jointly and whether indivisible, beneficial, contingent, or of any other nature. The Acts also defined “stocks and bonds” to mean evidence of ownership in or debt issued by a corporation, partnership, limited liability company, firm, association, or similar entity and specified various types of instruments that are included within the definition. The definition of “statutory form power of attorney” was amended to exclude a form power of attorney that incorporates by reference provisions of another writing.

Chapters 74 and 75 also specified that a provision of MGLPOAA that establishes the presumption that powers of attorney are durable, and related provisions, are applicable to all powers of attorney without exception. (A durable power of attorney is a power of attorney by which a principal designates another as an attorney in fact or agent and the authority is exercisable notwithstanding the principal’s subsequent disability or incapacity.) In addition, the Acts modified the statutory form powers of attorney to specify certain authority of an agent with respect to banks and other financial institutions, including the authority of an agent to transact all business in connection with an account or other banking arrangement made by or on behalf of the principal or established by the agent and the authority to deposit with or leave in the custody of a financial institution money or property of the principal.

Chapters 84 and 85 of 2012 made additional changes to the statutory form powers of attorney under MGLPOAA relating to designation of co-agents, specified authority granted to an agent, and nomination of a guardian of the principal’s property. The Acts also specified that co-agents must act unanimously unless the power of attorney provides otherwise and clarified that a power of attorney substantially in one of the statutory forms in effect when the document is executed continues to be effective, notwithstanding the enactment of subsequent legislation altering the statutory form.

Designation of Co-agent and How Co-agents May Act

The statutory form personal financial power of attorney and statutory form limited power of attorney were amended to allow a principal to designate two or more co-agents in the statutory forms. *Chapters 84 and 85* specified, in the statutory forms and under MGLPOAA itself, that co-agents must act together unanimously unless the power of attorney provides otherwise.

Beneficiary Designation and Gift Authority in Statutory Forms

Chapters 84 and 85 amended the statutory form personal financial power of attorney to state that the principal recognizes that granting the principal’s agent the authority to create or change a beneficiary designation for a retirement plan may affect the benefits that the principal may receive if that authority is exercised. The form also was amended to alert the principal that granting the agent the authority to designate the agent, the agent’s spouse, or a dependent of the agent as a beneficiary of a retirement plan may constitute a taxable gift by the principal and may

make the property subject to that authority taxable as a part of the agent's estate. An authorization of an agent to create or change a beneficiary designation for any retirement plan, and in particular an authorization of the agent to designate as the principal's beneficiary the agent, the agent's spouse, or a dependent of the agent, must be explicitly stated in the special instructions section of the statutory form or in a separate power of attorney.

In the statutory form limited power of attorney, **Chapters 84 and 85** made amendments to alert the principal that granting the principal's agent the authority to make gifts to, or to designate as the beneficiary of any retirement plan, the agent, the agent's spouse, or a dependent of the agent may constitute a taxable gift by the principal and may make the property subject to that authority taxable as part of the agent's estate. An authorization of an agent to designate the agent, the agent's spouse, or a dependent of the agent as a beneficiary must be explicitly stated in the special instructions section of the statutory form or in a separate power of attorney.

Nomination of Guardian(s) in Statutory Forms

Under provisions allowing a principal to nominate a guardian, if it becomes necessary for a court to appoint a guardian, the Acts replaced a reference in the statutory form personal financial power of attorney to a guardian of the principal's "estate," instead referring to a guardian of the principal's "property," a reference used elsewhere in the form and in the statutory form limited power of attorney.

Slayer's Statute

Prior to the enactment of **Chapters 485 and 486 of 2013**, Maryland, although having a common law "slayer's rule," lacked a comprehensive slayer's rule statute. **Chapters 485 and 486** disqualified a person who feloniously and intentionally kills, conspires to kill, or procures the killing of a decedent from benefiting from the death of the decedent. The person is also disqualified from receiving a general or special power of appointment conferred by the will or trust of the decedent and serving as a personal representative, guardian, or trustee of a trust created by the decedent. A disqualified person is treated as if the person disclaimed the property or interest in the property at the time of the decedent's death. The Acts also specified that a disqualified person may not benefit from a survivorship interest in property held with the decedent or a life insurance policy on the decedent or other contractual arrangement with the decedent.

The Acts established a limit on the period in which a person may file a civil action alleging that another person is a disqualified person and limit the liability of specified third parties under specific circumstances. In addition, the Acts limited who may provide notice to a third party and also limited the time period within which notice may be provided to a third party. The Acts also specified that, if a distribution is erroneously made to a disqualified person, the disqualified person must make full restitution.

Posthumous Use of Donor Sperm and Eggs

The first pregnancy achieved through the use of a donor egg was reported in 1984, while the first report of artificial insemination through the use of donor sperm was published in 1945. Both donor eggs and donor sperm can be cryogenically preserved for years; in fact, there have been media reports of live births resulting from sperm that had been donated more than 20 years earlier. Sperm can also be harvested from a deceased donor within 24 to 36 hours after death. As a result of such strides in assisted reproductive technology, many jurisdictions have been forced to confront a variety of legal questions including inheritance and Social Security benefits.

Chapter 649 of 2012 allowed a child conceived from the genetic material of a person after the person's death to inherit if (1) the person had consented in a written record to use of the person's genetic material for posthumous conception in accordance with the Act's requirements; (2) the person consented in a written record to be the parent of a child posthumously conceived using the person's genetic material; and (3) the child posthumously conceived using the person's genetic material is born within two years after the person's death.

A donor's consent to the posthumous use of the donor's sperm or eggs given on or after October 1, 2012, is not valid unless it is in writing and signed by the donor.

The Act also prohibited a person from using, for the purpose of assisted reproduction, a known donor's sperm or eggs if (1) the person knows that the donor died and did not give consent for the posthumous use of the sperm or eggs or (2) the donor or the individual who intends to become a parent through the use of the sperm or eggs receives any remuneration for the donation or use of the sperm or eggs.

A person who violates the provisions of the Act is guilty of a misdemeanor and on conviction is subject to a fine of up to \$1,000 for a first offense and a fine of up to \$5,000 for a second or subsequent offense.

Chapter 644 of 2013 further altered the generally applicable definition of a child in the Estates and Trusts Article with respect to a child conceived from the genetic material of a person after the death of the person. Specifically, the Act required that a posthumously conceived child be born within two years of the person's death.

With regard to any trust for a child conceived posthumously as defined by **Chapter 644**, the Act required that the person was the creator of the trust, and the trust became irrevocable on or after October 1, 2012. The Act also required a written consent to the use of a person's genetic material for posthumous conception and a written consent to be the parent of the child, as well as a posthumously conceived child's birth record, to be filed with the register of wills within specified time periods. The Act established liability protections for a person holding property or a transferee of property from a claim by a posthumously conceived child who is unknown to the person or transferee.

Personal Representatives and Guardians

Standards

An Orphans' Court or register of wills may not grant letters of administration, which appoint a personal representative to administer a decedent's estate, to a person who has been convicted of a "serious crime," among other things. Serious crime, however, was not defined in statute or comprehensively defined in common law. In addition, a court may appoint a guardian of the person or property of a minor or disabled person under specified circumstances and if specified criteria are met; however, there were no prohibitions relating to the appointment of a person who has a criminal conviction.

Chapter 291 of 2014 defined a serious crime, as it relates to the granting of letters of administration, as a crime that reflects adversely on an individual's honesty, trustworthiness, or fitness to perform the duties of a personal representative. Serious crime includes fraud, extortion, embezzlement, forgery, perjury, and theft. The Act also established a good cause exception to the prohibition against letters of administration being granted to a person who is convicted of a serious crime.

In addition, unless good cause is shown for the appointment, the Act prohibited a court from appointing:

- as a guardian of the person of a minor or disabled person, a person who has been convicted of a felony, a crime of violence, assault in the second degree, sexual offense in the third or fourth degree, or attempted rape or sexual offense in the third or fourth degree; and
- as a guardian of the property of a minor or disabled person, a person who has been convicted of a crime that reflects adversely on an individual's honesty, trustworthiness, or fitness to perform the duties of a guardian of the property of a minor or disabled person, including fraud, extortion, embezzlement, forgery, perjury, and theft.

Criminal Injuries Compensation

The Criminal Injury Compensation Board awards grants to innocent victims of crime who incur financial hardship as a result of crime. Awards may be made for funeral expenses for homicide victims, lost wages, medical expenses, counseling, and crime scene cleanup. *Chapter 207 of 2014* authorized a personal representative of a decedent's estate or a fiduciary to request criminal injuries compensation, restitution, or any other financial property interest on behalf of a decedent or a beneficiary who is or was a victim of a crime.

In addition, the Act authorized a court to order a guardian to serve as a victim's representative to assert the interest of a victim who is a minor or a person with a disability (in addition to the other rights, duties, and powers that a court may order) if (1) there is no victim's representative who can adequately assert the minor or person's rights as a victim of a

crime or a delinquent act and (2) no court has appointed a guardian *ad litem* to protect the minor or person's interest.

The Act also required the Social Services Administration (SSA) of the Department of Human Resources (DHR) to adopt regulations that authorize SSA to notify the appropriate criminal or juvenile delinquency court if there is information indicating that a child's interests as a victim are not adequately protected in a case before a court. The Adult Protective Services Program in DHR must include as part of its program notification of the appropriate criminal or juvenile delinquency court if the program has information indicating that the interests of a person with a disability as a victim are not adequately protected in a case before a court.

Form and Limits of Guardianship Accounts

Chapter 196 of 2013 specified that a guardian of the property of a minor or disabled person may petition the court to deposit cash belonging to the minor or disabled person in an amount not exceeding \$200,000 into a single restricted account. Amounts in excess of \$200,000 must be deposited in additional restricted accounts, subject to the same \$200,000 limit, and the aggregate amount deposited in any financial institution may not exceed \$200,000. A deposit may be made into any type of account, including a certificate of deposit, in a financial institution that accepts deposits and is federally insured or regulated by the Commissioner of Financial Regulation.

Orphans' Court

An Orphans' Court hears all contested matters regarding a decedent's estate, including validity of wills and legal questions involving transfers of property. The court also supervises estates that are probated judicially, approves accounts, awards of personal representatives' commissions, and attorney's fees in all estates, and has concurrent jurisdiction with the circuit courts in the guardianship of minors and their property.

Qualifications

Under the Maryland constitution, each county elects three judges to the Orphans' Court of their respective jurisdictions, with the exception of Montgomery and Harford counties, where a circuit court judge sits as the Orphans' Court.

Chapter 394 of 2011 and Chapter 146 of 2012 proposed amendments to the Maryland Constitution to require an Orphans' Court judge in Prince George's County and Baltimore County, respectively, to be a member in good standing of the Maryland Bar who is admitted to practice law in the State, in addition to the requirement that the judges be citizens of the State and residents, for the preceding 12 months, in the city or county in which they may be elected. The proposed constitutional amendments were adopted by the voters in the November 2012 general election. (Baltimore City voters adopted an identical amendment in 2010.)

Jurisdiction under the Maryland Uniform Transfers to Minors Act

Whenever a personal representative of an estate is required to distribute property to a minor, the court may approve a transfer by the personal representative to a custodian to hold or dispose of the property in accordance with the Maryland Uniform Transfers to Minors Act (MUTMA). *Chapters 68 and 69 of 2012* expanded the definition of “court” under MUTMA to include an Orphans’ Court, or a court exercising the jurisdiction of an Orphans’ Court, in addition to a circuit court.

Registers of Wills

The register of wills in each jurisdiction is responsible for the administration of estates by providing proper forms and direction, assisting and advising any person who requests assistance in the preparation of any form for administrative probate, admitting wills to probate and issuing letters of administration, auditing accounts, and maintaining records of all estate matters. The registers also serve as clerks of the Orphans’ Courts.

Salary

Registers of wills’ salaries and office expenses are paid from fees and inheritance tax revenue collected by the registers, with the remainder of the fees and inheritance tax revenue deposited into the general fund. *Chapter 29 of 2013* increased the maximum annual salary that the Board of Public Works may set for a register of wills from \$98,500 to \$114,500.

Records Retention

A register of wills (register) is required to receive, file, and store safely every original paper and record left in the register’s custody, in a repository of the courthouse as the court may direct. Repositories are kept at the expense of the local government. Generally, estate records are retained permanently by the register but may be transferred to the Maryland State Archives if space permits. *Chapters 296 and 297 of 2014* authorized a register, no sooner than 180 days following the closing of an estate, to return files associated with the estate, other than the probated will, to the personal representative of the estate, if a copy of the files is retained by the register in paper, photographic, micro processed, magnetic, mechanical, electronic, digital, or any other medium. The copy must be maintained by the register in a manner that (1) is clear and legible; (2) accurately reproduces the original document in its entirety, including any attachments to the document; (3) is capable of producing a clear and legible hard copy of the original document; and (4) preserves evidence of any signature contained on the document.

The bills also directed each register, in consultation with the Comptroller and the Maryland State Archives, to develop standards to ensure uniform application of the Acts throughout the State.

Part G

Transportation and Motor Vehicles

Transportation

Transportation Funding

The Transportation Trust Fund (TTF) is a nonlapsing special fund that provides funding for the Maryland Department of Transportation (MDOT) and for State transportation projects. The TTF's largest revenue sources in fiscal 2015 are the motor fuel and titling taxes and federal aid for the capital program, which represent \$2.5 billion (54%) of all fund sources. Other tax and fee revenues for the TTF include rental car sales taxes, vehicle registration fees, a portion of the corporate income tax, and other miscellaneous motor vehicle fees. A portion of these revenues is credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA) and, of the revenues deposited into the GMVRA, distributions are made to local jurisdictions and the TTF. The funds retained by the TTF support the capital program, debt service, and operating costs.

Transportation Revenue and Local Aid Changes

Chapter 397 of 2011, the Budget Reconciliation and Financing Act (BRFA), included amendments to several statutory provisions relating to transportation revenues and policy. As a result of these actions described below, TTF revenues were estimated to increase by a total of approximately \$402.3 million in fiscal 2012 through 2016.

- The certificate of title fee for vehicles was increased from \$50 to \$100; however, rental car transactions were exempt from the increase for three years. *Chapter 464 of 2014*, the Budget and Reconciliation and Financing Act (BRFA) of 2014, extended the exemption for rental car transactions through fiscal 2016. Half of the revenue from the certificate of title fee was dedicated to the TTF and half continued to be credited to the Motor Vehicle Administration (MVA) to assist in meeting its cost recovery requirement.
- The annual “vanity tag” fee was increased from \$25 to \$50.

- The vehicle dealer processing charge was increased from \$100 to \$200 for three years and thereafter to \$300.
- The dealer vendor credit was lowered from the lesser of \$24 or 1.2% of the gross excise tax the dealer collects to the lesser of \$12 or 0.6% of the gross excise tax collected by the dealer.

In addition to increasing transportation revenues, the BRFA of 2011 terminated the revenue relationship between the general fund and the TTF by ending ongoing revenue sharing between the two funds. The TTF, the general fund, and local jurisdictions (with respect to highway user revenues) were held harmless relative to the fiscal 2012 allowance. To separate the general fund and the TTF, the following actions were taken:

- Beginning in fiscal 2012, the TTF share of the sales tax was permanently credited to the general fund.
- The TTF share of the corporate income tax was lowered.
- The distribution of local highway user revenues to the general fund was reduced in fiscal 2012 and entirely credited to the TTF starting in fiscal 2013.

To address concerns about the State's ability to meet expanding transportation needs and maintain the existing transportation infrastructure, **Chapter 429 of 2013** was enacted. Among other provisions of the Act, TTF revenues were increased by imposing additional motor fuel taxes on all fuels, except aviation gasoline and turbine fuel, based on the retail price of gasoline and inflation; increasing the vehicle registration fee surcharge; and requiring the Maryland Transit Administration (MTA) to increase base fare prices beginning in fiscal 2015. The Act also required the Governor to include bond funds in the budget for the State Highway Administration (SHA) to comply with the Chesapeake Bay Watershed Implementation Plan. For a more detailed discussion of the increased motor fuel tax, see the subpart "Miscellaneous Taxes" within Part B – Taxes of this *Major Issues Review*.

Transportation Funding Restrictions

Due to the past transfer of local highway user revenues to the general fund to help balance the budget, several bills were introduced during the term that would have placed restrictions, including constitutional restrictions, on transfers from the TTF and the use of TTF revenues. The BRFA of 2011 included a provision that any transfers from the State share of the TTF would require a five-year repayment plan.

During the 2013 session, additional action was taken relating to the transfers of TTF revenues. **Chapter 429 of 2013** prohibited transfers from the TTF unless legislation is approved by a three-fifths vote of the appropriate standing committees of the General Assembly and is enacted into law, or the Governor declares a state of emergency and declares that revenues are needed for defense or relief purposes. In addition, **Chapter 422 of 2013** proposed an amendment

to the Maryland Constitution to (1) require TTF funds to be used only to pay the principal of and interest on transportation bonds and for any lawful purpose related to construction and maintenance of an adequate highway system or any other transportation-related purpose and (2) prevent TTF funds from being transferred to the general fund or a special fund. An exception to the prohibition on TTF transfers is authorized only if the Governor, by executive order, declares that a fiscal emergency exists and the General Assembly, by a three-fifths vote of both houses, approves legislation concurring with the use or transfer of the funds. The allocation of highway user revenues to local governments and the allocation of TTF funds to the Maryland Transportation Authority (MDTA) would not be affected. The proposed constitutional amendment must be submitted for a statewide vote at the November 2014 general election.

Local Aid Reporting

Counties and municipalities must submit to the Department of Legislative Services annual financial reports that provide information on the disposition of all highway user revenues available to local governments for expenditures and all receipts and expenditures related to (1) the construction, maintenance, operation, and administration of roads, streets, alleys, and other public ways; (2) traffic police and road patrols; and (3) debt service and the status of bonds and notes issued to finance highway activities.

Chapter 638 of 2014 expanded the reporting conditions related to highway user revenues by requiring Baltimore City and each county and municipality that receives highway user revenues to submit a report by January 1 of each year detailing (1) the actual expenditures of highway user revenues in the previous fiscal year; (2) the projected expenditures of highway user revenues for the current fiscal year; and (3) for both the prior and current fiscal year, the local highway user revenues spent on specified projects. The Act requires the report to be submitted to the Governor, SHA, the Senate Budget and Taxation Committee, and the House Ways and Means Committee.

Public-private Partnerships

Public-private partnership (P3) agreements provide a means to utilize private-sector financing to maintain and expand capital infrastructure investment in structures and facilities intended for public use. While P3 agreements have been utilized primarily in Maryland to finance transportation infrastructure, there is increased interest in using P3s to support infrastructure upgrades in areas other than transportation. **Chapter 5 of 2013** established a comprehensive State policy on the use of P3s and expressly authorized specified agencies, including MDOT and MDTA, to enter into P3s. The Act established a State oversight process and associated reporting requirements and requires P3 proposals to follow a specified process prior to receiving Board of Public Works approval. For a more detailed discussion of this issue, see the subpart “State Agencies, Offices, and Officials” within Part C – State Government of this *Major Issues Review*.

Revenue-backed Bonds

MDOT is authorized to issue debt backed by certain revenues specifically identified in statute to finance the cost of transportation facilities. This debt, issued in the form of consolidated transportation bonds (CTBs), is considered to be State debt and is paid solely by the specified TTF revenues. Although the TTF also contains other revenues not pledged for CTBs, MDOT has not been authorized to issue debt backed by those revenues and has relied on MDTA and the Maryland Economic Development Corporation to be conduit issuers for this type of revenue-backed debt.

Authorization is provided to MDOT to issue its own bonds backed by non-CTB revenue in *Chapter 288 of 2014*, which authorized MDOT, by resolution of the Secretary of the Department of Transportation, to (1) borrow funds to finance the costs of transportation facilities; (2) evidence the borrowing by the issuance and sale of revenue-backed bonds; and (3) pledge and use a dedicated revenue source, including revenue attributable to the transportation facilities being financed, for the payment of the principal of and interest on specified revenue-backed bonds. In addition, the Act prohibited certain revenue-backed bond payments from being made directly or indirectly with State tax revenues. Trust agreements between MDOT and a corporate trustee to pledge or assign revenue from a dedicated revenue source, including revenue attributable to the transportation facilities being financed, were also authorized under the Act.

Maryland Transportation Authority

Toll Increase Procedures

Chapter 592 of 2012 required MDTA to implement additional public notification, review, and comment procedures before adopting any increase in tolls, fees, or other charges on any part of a fixed toll transportation facilities project or in mileage rate ranges, pricing periods, toll zones, fees, or other charges on a variably priced project. The Act requires MDTA to hold at least one public meeting in each county in which the increase is proposed to be implemented; post information about the charge increase on the MDTA website within a specified time period; accept written comments from the public on the proposal; and provide a summary and analysis of the public comments. If MDTA determines that an immediate increase is required and there is not sufficient time to implement specified public notification and review procedures, MDTA is authorized under the Act to adopt temporary adjustments to the charges if it first determines that an emergency status exists. Upon taking action under an emergency status, MDTA must comply with specified notice procedures. A determination of emergency status may not exceed 180 days, after which the temporary adjustments expire.

Toll Payment and Electronic Tolling

Chapter 397 of 2014 prohibited MDTA from implementing its initial proposal for all-electronic tolling (AET) at the Thomas J. Hatem Memorial Bridge before January 1, 2016. Further, MDTA was required under the Act to conduct a study of AET that includes an analysis of (1) AET in other states; (2) electronic toll collection interoperability; (3) alternative payment

methods and specified toll rates; and (4) issues and factors that must be addressed before AET becomes effective at specified facilities. In addition, the study must include an overview of revisions to MDTA's initial AET proposal and any proposed legislation required to implement AET.

Public Transit Services

Transit Fare Increases

In addition to imposing additional motor fuel taxes, *Chapter 429 of 2013* established a structure for regular fare increases. Beginning in fiscal 2015, and every two years thereafter, the Act requires MTA to increase base fare prices and the cost of multiuse passes, to the nearest 10 cents, for all transit services except commuter rail and commuter bus service, based on a specified biennial increase in the Consumer Price Index. Beginning in fiscal 2015, and every five years thereafter, MTA must increase one-way zone fare prices and the cost of multiuse passes, to the nearest dollar, for commuter rail and commuter bus service by (1) at least the same percentage as the five-year increase in a specified Consumer Price Index and (2) by any additional amount MTA determines is necessary after considering certain factors affecting commuting costs.

Baltimore Red Line Transit Project

Chapter 360 of 2013 extended indefinitely provisions of law that require MTA, when implementing the Red Line transit project, to consider (1) the establishment of a dedicated fund within the construction budget to compensate property owners whose property is damaged during construction; (2) the redevelopment of commercial areas in consultation with specified entities; and (3) methods for providing, in hiring for construction jobs, preferences for specified nearby residents. In addition, MTA is prohibited under the Act from acquiring any real property for construction of the Red Line if the acquisition results in involuntary residential displacement. The requirement to consider certain factors and the prohibition against property acquisitions must be applied by MTA in conjunction with Baltimore City.

Fare Payment Improvements

MTA is responsible for preparing transit plans to meet the transit needs of the Metropolitan Transit District and other areas where railroad service is provided by contract with MTA or railroad facilities are owned by MTA. These plans must be reviewed and revised periodically by MTA and must include information related to transit facility construction and location, capital costs, operating expenses and revenues, areas of service, fares and charges for service, and any other information that MTA considers relevant. *Chapter 605 of 2014* required MTA, in preparing transit plans, to specify improvements to fare payment systems that will (1) allow for the processing of fare media in electronic form and (2) provide electronic fare media for distribution to employees as part of a commuter benefits program. Commuter benefits programs allow employees to reduce expenses for mass transit, vanpooling, and work-related parking costs up to a certain amount each month, thereby encouraging the use of these commuting options.

Washington Suburban Transit Commission Membership

The Washington Suburban Transit Commission, established in 1965, is responsible for administering the Washington Suburban Transit District and is authorized to develop a transportation system, including mass transit facilities, for Montgomery and Prince George's counties. The commission coordinates mass transit programs with the two county governments, the Washington Metropolitan Area Transit Authority (WMATA), and MDOT. MDOT provides annual operating grants to the commission, which then provides funding to WMATA for operation of the Metrorail, Metrobus, and MetroAccess systems.

Chapter 433 of 2012 established that the commission's members are public officials and are subject to the restrictions and requirements of the Maryland Public Ethics Law, including financial disclosure requirements. Also, commission members' terms were increased from three to four years, but members were prohibited from serving more than two consecutive terms. The Act provided that the terms of all commission members appointed and serving as of October 1, 2012, must have expired on June 30, 2013, and new members were to be appointed by July 1, 2013. Generally, staggered terms were specified for the new commissioners.

Procurement Bids to Provide MARC Commuter Service

In 2011, the CSX Corporation had expressed its intent to discontinue providing MARC train service on the Camden line, which runs between Baltimore and Washington, DC, and the Brunswick line, which extends from Washington, DC, to Martinsburg, West Virginia. At that time, reports indicated that Keolis Rail Services America had submitted a bid to MTA to provide service on the Camden and Brunswick lines. Keolis Rail Services America's majority shareholder is the French National Railroad SNCF, which had received significant criticism concerning its relationship with the Nazi regime during World War II.

Chapters 482 and 483 of 2011 required a specified entity that submits a formal MARC train service bid or offer to the State or a local government to disclose specified information relating to World War II deportations. These provisions apply to an entity that had direct involvement in the deportation of individuals to extermination camps or death camps between September 1, 1939, and September 2, 1945, and apply to a bid or offer on a procurement contract to provide MARC service that is funded in whole or in part with public funds. Under the Acts, such entities must comply with a variety of requirements in order to be considered a responsible bidder or offeror for a procurement contract to provide MARC service.

State Highways

Highway Construction and Supportive Services

In accordance with federal law, a state may use up to one-half of 1% of federal surface transportation and federal bridge program funding to develop, conduct, and administer highway construction training, including skill improvement programs. In December 2011, the Secretary of Transportation used these federal funds to launch the BuildUp transportation job training program to prepare 150 individuals for transportation careers in construction craft skills,

computer-aided design and drafting systems, and commercial driving. *Chapter 664 of 2012* required MDOT to use the maximum feasible amount of federal surface transportation and bridge funding to develop, conduct, and administer highway or capital transit construction training and supportive services, including skill improvement programs. MDOT was required to administer the training programs in collaboration with the Governor's Workforce Investment Board (GWIB) to ensure that highway or capital transit construction training and supportive services are provided to the greatest extent feasible to individuals in each relevant workforce investment area. In addition, MDOT and GWIB were required under the Act to submit an annual report on compliance with these requirements to specified committees of the General Assembly.

Use of Compost and Compost-based Products in Highway Construction

Chapter 363 of 2011 required the Maryland Department of the Environment (MDE), in consultation with the Maryland Department of Agriculture and the Maryland Environmental Service, to study composting in Maryland, including the laws or regulations governing composting, and to make recommendations about how to promote composting in the State. Three of the 15 recommendations made by this workgroup called on the State to endorse a variety of compost uses, and the workgroup specifically recommended that the State Highway Administration (SHA) maintain an up-to-date list of approved compost and compost-based products for use in highway projects and other applications.

In response to these recommendations, *Chapter 430 of 2014* established the use of compost and compost-based products in highway construction projects in the State as a best management practice for erosion and sediment control, as well as postconstruction stormwater management. The Act required SHA, by December 30, 2014, to establish a specification for acquiring and using compost and compost-based products for (1) erosion and sediment control practices identified in the most recent Maryland Standards and Specifications for Soil Erosion and Sediment Control developed by MDE and (2) postconstruction stormwater management practices identified in MDE's most recent Maryland Stormwater Design Manual. SHA is also required under the Act to report to the General Assembly each year, beginning December 1, 2015, on the volume and status of compost used in State highway construction projects and on any recommendations to maximize the use of compost as a recycled material in State highway construction projects. Additionally, SHA must conduct a specified study related to the acquisition and use of compost and compost-based products for State highway construction projects.

Highway Signs

The National Scenic Byways Program was established under the federal Intermodal Surface Transportation Efficiency Act of 1991 and reauthorized in 1998 under the Transportation Equity Act for the 21st Century. Under the program, the U.S. Secretary of Transportation recognizes certain roads as National Scenic Byways or All-American Roads based on their archaeological, cultural, historic, natural, recreational, and scenic qualities. There are about 150 such designated byways in 46 states. SHA operates Maryland's Scenic Byway Program, which

designates byways, provides byway grant funding, and establishes guidelines for byways in the State. Maryland has designated 18 State scenic byways that encompass 2,487 miles of roads and illustrate the State's scenic beauty, history, and culture. ***Chapters 466 and 477 of 2011*** prohibited SHA from issuing specified outdoor sign permits for signs along or near a scenic byway located on a federal-aid primary highway and established a civil penalty of \$25 per commercial sign for violations. The term "federal-aid primary highway" was modified to include any State highway that is part of the national federal-aid primary system as of June 1, 1991, or any highway in the National Highway System.

Motor Vehicles

Impaired Driving

The National Transportation Safety Board has expressed concern over an apparent plateau in national progress in reducing traffic fatalities caused by alcohol-impaired drivers. From 1995 to 2011, in Maryland and across the nation, the percentage of highway fatalities associated with alcohol impairment hovered around 31%, and this trend appears to be continuing. In Maryland, out of a total of 505 traffic fatalities in 2012, 160 fatalities, or 31.6%, involved a driver with a blood alcohol concentration (BAC) of 0.08 or higher. As a result, issues related to drunk driving continued to be of significant concern to the General Assembly during the 2011-2014 term. Legislation considered by the General Assembly focused mainly on increasing the use of ignition interlock devices and ensuring that Maryland remained compliant with federal standards relating to the treatment of repeat drunk driving offenders.

According to the 2008 final report of the Maryland Task Force to Combat Driving Under the Influence of Drugs and Alcohol, the use of ignition interlock devices has been shown to lead to long-lasting changes in driver behavior and to a reduction in recidivism. An ignition interlock device connects a motor vehicle's ignition system to a breath analyzer that measures a driver's BAC and prevents the vehicle from starting if the BAC exceeds a certain level. The task force advised that a minimum of six months of failure-free use of an ignition interlock device is needed to significantly reduce recidivism.

Ignition Interlock System Program

Drunk Driving Reduction Act: Chapters 556 and 557 of 2011 required an individual to participate in the Ignition Interlock System Program if the individual is convicted of driving while under the influence of alcohol or under the influence of alcohol *per se* and had a BAC of 0.15 or greater when tested. If the individual fails to participate in or complete the program, the Motor Vehicle Administration (MVA) is required to suspend the individual's license until successful completion of the program. The Acts also required an individual to participate in the program as a condition of modification of a license suspension or revocation or issuance of a restricted license, if the individual (1) is ordered to participate by a court; (2) is convicted of driving while under the influence of alcohol, under the influence of alcohol *per se*, or while impaired by alcohol and within the preceding five years was convicted of any specified alcohol-

or drug-related driving offense; or (3) was younger than age 21 and violated the alcohol restriction imposed on the license or committed an alcohol-related driving offense. An individual who is conditionally required to participate in the program and who fails to participate or does not complete the program is subject to a mandatory one-year license suspension. An individual who does not participate in the program, and is thus subject to the underlying suspension or revocation, may later apply to participate in the program; likewise, an individual who is removed from the program may reenter the program after a period of 30 days from the date of removal.

Under **Chapters 556 and 557**, an individual who is required to participate must be in the program for six months the first time the requirement is imposed, for one year the second time the requirement is imposed, and for three years the third and any subsequent time the requirement is imposed. A court and MVA may also impose a longer participation period in accordance with other Maryland Vehicle Law provisions. MVA must immediately issue a license to a driver who successfully completes the program and whose license is not otherwise suspended, revoked, refused, or canceled.

The Acts also expressly prohibited an individual who participates in the program from driving a motor vehicle without an ignition interlock device in violation of an ignition interlock system restriction on the participant's driver's license. An individual who violates this prohibition is guilty of a misdemeanor and is subject to maximum penalties of one year imprisonment or a \$1,000 fine or both for a first offense, and two years imprisonment or a \$1,000 fine or both for a second or subsequent offense.

The Acts were expected to expand program participation by as many as 4,800 individuals annually.

Increasing Use of Ignition Interlock Systems: During the 2011-2014 term, the federal Moving Ahead for Progress in the 21st Century Act (MAP-21) reauthorized surface transportation programs for federal fiscal 2013 and 2014 and changed some provisions to encourage greater installation and use of ignition interlock systems.

In January 2012, federal transportation officials notified MVA that Maryland's law with respect to repeat drunk driving offenders did not conform to MAP-21 provisions. According to MVA, if Maryland law regarding repeat offenders did not conform to MAP-21 provisions, the State was subject to having up to \$12 million of federal highway funds diverted from its transportation projects to alcohol education programs.

The enactment of **Chapter 17 of 2014** was intended to conform Maryland repeat offender laws to federal standards with respect to repeat violations of prohibitions against driving under the influence of alcohol or alcohol *per se* or while impaired by a controlled dangerous substance. The Act established that specified repeat offenders of alcohol- and drug-related driving provisions must either submit to a suspension of the driver's license for one full year or agree to and complete one full year of participation in the Ignition Interlock System program. The Act repealed the authority of MVA to impose a 45-day mandatory suspension on these repeat offenders and issue a restricted license for participation in the program for the remainder of the

one-year suspension period. The Act also repealed the authority of MVA or a court to grant an exemption to repeat offenders to drive an employer-owned or -provided vehicle in the course of employment without an ignition interlock device.

In addition, *Chapter 631 of 2014* required an individual to participate in the program if the individual is convicted of transporting a minor younger than age 16 while driving under the influence of alcohol, under the influence of alcohol *per se*, or while impaired by alcohol.

Insuring Violators

Chapter 89 of 2011 authorized insurers to cancel or refuse to underwrite or renew a particular insurance risk or class of risk if the insured is convicted of a violation relating to driving or attempting to drive any vehicle while impaired by alcohol, in addition to the existing authorizations governing other alcohol- and drug-related driving offenses.

Controlled Dangerous Substance Impairment and Life-threatening Accidents

Chapter 434 of 2012 increased the penalties for causing a life-threatening injury to another as a result of negligently driving, operating, or controlling a motor vehicle or vessel while impaired by a controlled dangerous substance (that the person is not legally entitled to use). The penalties were increased from a maximum of two years to a maximum of three years imprisonment or a fine of \$5,000 (increased from \$3,000) or both. As a result, the maximum penalties are identical to the maximum penalties for causing life-threatening injuries while operating a motor vehicle or vessel while under the influence of alcohol or under the influence of alcohol *per se*.

Penalties for Drunk and Drugged Driving Repeat Offenders

Chapter 244 of 2014 increased the penalties for a third or subsequent violation of driving while impaired by alcohol or driving while so far impaired by drugs or drugs and alcohol that the person cannot drive safely from a maximum of one year imprisonment or a fine of up to \$500 or both to a maximum of three years imprisonment or a fine of up to \$3,000 or both. If either of these offenses is committed while transporting a minor, the maximum penalties were increased from a maximum of one year imprisonment or a fine of up to \$2,000 or both to a maximum of four years imprisonment or a fine of up to \$4,000 or both.

Distracted Driving

The Maryland Highway Safety Office reports that, during the five-year span from 2008 through 2012, an average of 229 fatal crashes annually and 19,790 crashes resulting in injuries annually involved at least one distracted driver. On average, during the same five-year period, 92,418 crashes occurred on Maryland roads each year. The proportion of distracted driving-related crashes exceeds one-fifth of total traffic crashes.

In Maryland, a distracted driving crash is defined by the Department of State Police as a vehicular accident involving at least one driver who either failed to pay full-time attention to the

driving task or was using a cell phone while driving. Texting while driving is regarded as especially dangerous because it distracts drivers visually, manually, and cognitively. Even cell phones that allow the sending and reading of text messages by voice command present visual and cognitive distractions. Handheld cell phone use is also regarded as dangerous since it may require (unless the phone allows voice commands to initiate and end calls) manual distraction as well as auditory and cognitive diversion of the driver's attention.

While any nondriving task that distracts a driver can endanger the safety of drivers, passengers, and pedestrians, enforcement efforts in Maryland and other states have focused on the dangers resulting from the use of handheld cell phones for phone conversations, texting, and other electronic communication activities. Legislation enacted during the 2011-2014 term focused on increasing the authority of law enforcement to target these distracted driving behaviors.

Restricting Use of Electronic Devices While Driving

Chapters 471 and 472 of 2011 amended Chapters 194 and 195 of 2009 to expand the prohibition on writing and sending text messages by prohibiting a driver from *reading* a text or electronic message while operating a motor vehicle in the travel portion of the roadway. The Acts also applied the prohibition against writing or sending a text message specifically to electronic messages and specified that the text messaging prohibition applied to the operator of a motor vehicle in the travel portion of the roadway, regardless of whether the vehicle was in motion.

Chapters 637 and 638 of 2013 authorized primary enforcement of the prohibitions against the use of (1) a wireless communication device by a minor operating a motor vehicle; (2) a handheld telephone by an adult driver while operating a motor vehicle under a provisional license or learner's permit; (3) a handheld telephone by an operator of a school vehicle that is carrying passengers and in motion; and (4) in the case of a fully licensed driver, the driver's hands to use a handheld telephone, while the vehicle is in motion, subject to specified exceptions.

For adult drivers and school bus operators, the Acts increased the maximum fine for a first offense from \$40 to \$75 and for a second offense, from \$100 to \$125. The Acts also established a maximum penalty of \$175 for a third or subsequent offense and specified that points may not be assessed against the driving record of an offender unless the violation contributed to an accident.

Accidents Resulting in Serious Injury or Death

A new distracted driving offense was created by enactment of *Chapters 248 and 260 of 2014*. The Acts prohibited the unlawful use of a handheld telephone or the writing, sending, or reading of a text or electronic message while driving and thereby causing an accident that directly results in the death or serious bodily injury of another. If an individual commits this offense, MVA must assess 12 points against the driver's license of the individual. A violator is

guilty of a misdemeanor and is subject to imprisonment for up to one year or a maximum fine of \$5,000 or both.

Criminally Negligent Manslaughter by Vehicle or Vessel

During the 2011 session, the General Assembly acted to close the gap between the difficult-to-prove felony of manslaughter by operating a vehicle with “gross negligence” and the misdemeanors of negligently or recklessly driving a motor vehicle. **Chapter 334 of 2011** created the misdemeanor offense of criminally negligent manslaughter by vehicle or vessel. A “vehicle” includes a motor vehicle, train, or streetcar. The Act prohibited a person from causing the death of another as the result of that person’s driving, operating, or controlling a vehicle or vessel in a criminally negligent manner. A person acts in a criminally negligent manner when the person should be aware, but fails to perceive, that the person’s conduct creates a substantial and unjustifiable risk of causing the death of another, and the failure to perceive is a gross deviation from the standard of care that would be exercised by a reasonable person. A person who kills another person by motor vehicle or vessel in a criminally negligent manner is subject under the Act to maximum penalties of imprisonment for three years or a fine of \$5,000 or both.

Automated Vehicle Law Enforcement

The General Assembly considered numerous bills relating to the automated enforcement of traffic laws during the 2011-2014 term, including legislation seeking to address issues relating to the expanded use of speed monitoring systems that was authorized by laws during the 2007-2010 term and subsequently came under significant scrutiny. In addition, legislation was enacted allowing the automated enforcement of laws relating to school buses and adherence to designated trucking routes.

Speed Monitoring Systems in Local Jurisdictions

Chapter 15 of 2006 authorized the first use of speed monitoring systems in the State in school zones and residential districts in Montgomery County. Subsequently, Chapter 500 of 2009 expanded statewide the authorization for the use of speed monitoring systems in school zones and authorized their use on certain highways in highway work zones.

A number of bills were introduced in the 2011-2014 term, in part, in response to media scrutiny of speed monitoring systems in Baltimore City and several other jurisdictions. The scrutiny centered around two common criticisms of speed monitoring systems: (1) that technical issues and insufficient review of recorded images resulted in erroneously generated citations; and (2) that the contracts with vendors were structured in such a manner as to establish an incentive to generate more citations and revenues, thereby casting doubt on the integrity or purpose of speed monitoring system programs.

Chapters 490 and 491 of 2014 altered requirements and restrictions pertaining to the issuance of citations and warnings from speed monitoring systems, the calibration and self-testing of systems, and the use and placement of systems in school zones. The Acts also required local jurisdictions that operate speed monitoring systems to (1) ensure that citations are

sworn to by duly authorized law enforcement officers; (2) designate an employee or official to review citations and address questions or concerns; and (3) designate a program administrator to oversee and administer the speed monitoring system program. Additionally the Acts prohibited payments on a per-ticket basis to a contractor that administers or operates certain elements of the program and required contracts to provide for the payment of liquidated damages by contractors if more than 5% of violations issued are erroneous. A statewide training program concerning the oversight and administration of local programs was established under the Acts and local jurisdictions were required to alter contracts existing before June 1, 2014, as necessary to comply with the Acts by June 1, 2017. Finally, the Acts required the Maryland Police Training Commission to compile an annual report on local speed monitoring programs.

School Bus Monitoring Cameras

Chapter 273 of 2011, as amended by *Chapter 124 of 2012*, authorized a local law enforcement agency, in consultation with the county board of education, to place monitoring cameras on school buses in the county if authorized by the governing body of the local jurisdiction. Local law enforcement agencies may issue a warning or citation to the owner or driver of a vehicle recorded by a school bus monitoring camera while failing to stop for a school vehicle that has stopped with its alternately flashing red lights operating in accordance with the Maryland Vehicle Law. A violator is subject to a maximum civil penalty of \$250. Under the Act, a person who receives a citation by mail, rather than from a police officer at the time of the violation, may pay the specified civil penalty to the county with jurisdiction or may elect to stand trial in District Court.

Vehicle Height Monitoring Systems

Baltimore City has designated numerous truck routes and restricted truck traffic on specified streets during certain hours. Baltimore City advised, however, that it has received many complaints about trucks violating the restrictions.

Chapters 375 and 376 of 2012 authorized Baltimore City to place vehicle height monitoring systems on highways in Baltimore City if authorized by the Baltimore City Council. The Acts required both an analysis to determine the appropriateness of the location and the approval of the Baltimore City Police Commissioner before the installation of a vehicle height monitoring system. Before activation of a vehicle height monitoring system, Baltimore City must publish notice of the proposed location of the system in a newspaper and on the Baltimore City website. Baltimore City is also required to ensure that all signs stating restrictions on the presence of certain vehicles during certain times are in accordance with State Highway Administration (SHA) specifications and state that a vehicle height monitoring system is in use. For a first violation recorded by a vehicle height monitoring system, a warning must be issued. For a second violation, the maximum civil fine is \$250. For a third or subsequent violation, the maximum civil fine is \$500.

Licensing and Titling

Applicants Lacking Lawful Status

During the previous General Assembly term, Chapter 390 of 2009 was enacted, in part, to respond to new federal requirements under the REAL-ID Act. Chapter 390 defined “lawful status” as it applies to the issuance of identification cards, driver’s licenses, and moped operator’s permits and established a “two-tiered” approach to the issuance of these documents by MVA. The first tier documents are available only to individuals who have lawful status in the United States. The second tier documents are not acceptable for official federal purposes, including boarding an airplane or entering a federal building. The 2009 Act also included provisions applicable to second tier documents that (1) prohibited the issuance of a document to an individual who did not hold one of the documents on April 18, 2009 and (2) required the expiration of the documents by July 1, 2015, and prohibited the issuance or renewal of the documents on or after July 1, 2015.

Chapter 309 of 2013 expanded the authority of MVA to issue or renew a second tier driver’s license, identification card, or moped operator’s permit by repealing the above-described prohibitions on the issuance or renewal of the documents under specific circumstances and the requirement that the documents expire by July 1, 2015. Under the 2013 Act, MVA may issue a driver’s license, an identification card, or a moped operator’s permit to an applicant who cannot show lawful status and is not a current holder of one of these documents only if the applicant provides documentary evidence that the applicant, for each of the two preceding years, has (1) filed a Maryland income tax return or (2) resided in Maryland and been claimed as a dependent by an individual who has filed a Maryland income tax return.

Drivers’ Licenses and Identification Cards – Period of Validity

Chapter 175 of 2012 authorized MVA to increase the maximum validity period from five to eight years for all identification cards and for drivers’ licenses held by individuals age 21 or older. The maximum eight year validity period is consistent with that allowed under the federal REAL-ID Act.

Mopeds and Motor Scooters

Increases in gas prices have contributed to the popularity of mopeds and motor scooters, as many people regard these vehicles as a less expensive and more efficient alternative to automobiles for short trips. Traffic safety advocates, however, have expressed concerns about the increasing number of mopeds and motor scooters on high-speed thoroughfares, as these vehicles cannot achieve the speeds of automobiles and, as a result, make integration with automobile traffic difficult.

Chapters 210 and 211 of 2012 required mopeds and motor scooters to be titled and insured. On issuance of a title for a moped or motor scooter, MVA is required to issue a permanent decal with a unique number sequence to be displayed on the vehicle. The Acts required the operator of a moped or a motor scooter to carry a vehicle liability insurance policy

and to possess proof of this insurance when operating a moped or motor scooter. In addition, the Acts required an individual who rides or operates a motor scooter or moped to wear protective headgear and, if the vehicle does not have a windscreen, required the operator to wear an eye-protection device.

Equipment

Expanded Use of Child Restraints in Automobiles

According to the Governors Highway Safety Association, state equipment requirements for restraint of child passengers in automobiles vary based on age, weight, and height. All 50 states and the District of Columbia mandate the use of child safety seats for infants and other children fitting certain criteria. Forty-eight states require the use of booster seats or another appropriate device in motor vehicles to restrain children who have outgrown child safety seats but are still too small to safely use a seat belt. *Chapters 46 and 47 of 2012* expanded the requirement for restraint of a child younger than age eight in a child safety seat by repealing the exception for a child who weighs over 65 pounds. The Acts retained the exception for a child who is at least four feet nine inches tall.

Seat Belt Use by All Occupants

According to the Maryland Department of Transportation, based on observational surveys in 2011, Maryland's adult front seat belt use rate is one of the highest in the nation. Although there are no reliable Maryland statistics on rear seat belt use, a study conducted by the National Highway Traffic Safety Administration in 2008 found that seat belt use by rear seat passengers was nearly 20% higher in states where the law applied to all occupants rather than only front seat occupants.

Chapter 179 of 2013 prohibited any person age 16 or older from being a passenger in the rear seat of a motor vehicle unless restrained by a seat belt (persons under 16 years old were already required to use a seat belt or child safety seat). A violation of the prohibition under *Chapter 179* was made enforceable only as a secondary action. The Act also repealed the "floater exemption" that authorized the transport of a child younger than age 16 without the use of a seat belt or child safety seat if all of the securing locations were in use by children. Finally, the Act increased, from \$25 to \$50, the penalty for violating the requirement to use a child safety seat or a seat belt, as appropriate, and repealed the requirement that court costs be included in the fine for specified seat belt violations.

Exceptional Hauling Permits

One of the SHA's primary goals is to maintain a quality highway system. One important way in which SHA preserves the highway system is by ensuring that vehicles observe applicable weight limits. The maximum load for a vehicle or combination of vehicles is generally 80,000 pounds gross weight, if equipped with at least five axles. The Maryland Vehicle Law, however, allows for certain exceptions in special circumstances.

Chapter 415 of 2011 repealed the exceptional hauling permits for milk and forestry products available for certain vehicles in specified counties and replaced the permits with a statewide exceptional hauling permit for all “farm products” under essentially the same parameters. The Act defined “farm product” broadly to include any agricultural, horticultural, vegetable, or fruit product of the soil and dairy and forest products. The Act authorized SHA to issue an exceptional hauling permit for a combination of vehicles that (1) carry only farm products that are loaded in fields or other off-highway locations and (2) have at least six axles, a front-to-rear axle spacing of not less than 50 feet, and a maximum of 87,000 pounds gross combination weight.

Chapter 450 of 2014 re-established a separate exceptional hauling permit for the transport of raw milk for specified vehicles. The permit authorized a combination of vehicles to carry to a processing plant, as the vehicle combination’s only load, raw liquid milk that is loaded from bulk liquid milk storage tanks at one or more farm locations. The vehicles must have at least six axles, a front-to-rear axle spacing of not less than 50 feet, and a maximum of 95,000 pounds gross combination weight. The Act also established for two years a permit for a five-axle combination of vehicles, with a distance of at least 28 feet between the last axle on the tractor and the first axle on the semitrailer and a maximum of 88,000 pounds gross combination weight. That permit may be used only from March 1 through June 30 each year.

Towing Practices and Procedures

Chapter 228 of 2012 implemented certain recommendations of the Task Force to Study Motor Vehicle Towing Practices. These recommendations related primarily to the regulation of nonconsensual towing of vehicles from private property and the disposition of towed vehicles.

Chapter 228 made the private parking lot towing protections for Baltimore City and Baltimore County applicable statewide. It also required signage at private parking lots to include the name of the tow company and a statement that the vehicle may be reclaimed 24 hours per day, seven days per week. Additionally, the Act established a maximum tow distance of not more than 15 miles, unless another limit is established by a local government, and prohibited a vehicle from being towed out of State. Towing and daily storage rates were established under the Act based on the limits set by the political subdivision for a public safety tower, or, if no limit is established, the Act set rates at no more than \$250 for towing and \$30 per day for storage.

The Act also established certain requirements for towers relating to notice, insurance, and acceptable forms of payment. Specifically, towing services are required to notify police within one hour of a tow and photograph the violation or event that precipitated the tow. A towing violation related to the removal of a vehicle from a private parking lot was made a misdemeanor under the Act punishable by a fine of up to \$500 or imprisonment up to two months or both. Additional penalties added by the Act for improperly registered tow trucks include required impounding of the tow vehicle and imprisonment for up to one year.

Chapter 388 of 2013 prohibited a towing service that tows a vehicle from a parking lot from charging for the actual cost of providing the required notice of the tow (previously authorized under **Chapter 228 of 2012**) if the vehicle's owner or agent, insurer, or any secured party retakes possession of the vehicle within 48 hours of the vehicle being received by the storage facility. **Chapter 388** also increased, from three to seven days after towing a vehicle, the period within which a tower must notify the owner, any secured party, and the vehicle's insurer of the tow by certified mail, return receipt requested, and first-class mail.

Electric Vehicles

Electric vehicles have existed for more than a century and are experiencing an increase in popularity and sales. The General Assembly considered several bills during the 2011-2014 term addressing electric vehicles and encouraging their use.

Chapters 400 and 401 of 2011 established the Maryland Electric Vehicle Infrastructure Council to promote the use of electric vehicles in Maryland. Included in the council's final report at the end of 2012 was a recommendation that the termination date for the council be extended by two years. That recommendation was subsequently enacted by **Chapters 64 and 65 of 2013**.

Chapter 402 of 2011 allowed an income tax credit for 20% of the cost of qualifying plug-in hybrid vehicle recharging equipment and **Chapter 389 of 2013** extended the termination date of the tax credit through 2016. **Chapters 359 and 360 of 2014**, however, repealed the electric vehicle recharging equipment income tax credit and replaced it with a rebate program administered by the Maryland Energy Administration. **Chapter 389 of 2013** extended through fiscal 2014 the termination date for the qualified electric vehicle excise tax credit (enacted originally in Chapter 490 of 2010) and altered the value of the tax credit. **Chapters 359 and 360 of 2014** further altered the value of the excise tax credit and extended through fiscal 2017 the termination date of the program. For a more detailed discussion of these Acts, see subpart "Income Tax" within Part B – Taxes of this *Major Issues Review*.

Chapters 491 and 492 of 2010 authorized plug-in electric drive vehicles, for a period of three years, to use high occupancy vehicle lanes. **Chapters 64 and 65 of 2013** extended this authorization for an additional four years.

Part H

Business and Economic Issues

Business Occupations

During the 2011-2014 term, the General Assembly extended the termination date for many agencies subject to termination under the Maryland Program Evaluation Act. Several laws were adopted to facilitate professional licensure of active members of the military, veterans, and their spouses. Other legislation altered the attendance standards that a member of a board, commission, or council under the Department of Labor, Licensing, and Regulation (DLLR) must meet in order to continue to serve. The General Assembly also passed legislation to begin regulating several new professions and changed a number of existing standards for other professions.

Occupational and Professional Licensing Boards – In General

Program Evaluation – Sunset Review

The Maryland Program Evaluation Act establishes a system of periodic legislative review of the regulatory, licensing, and other governmental activities of various units of State government. The Act is better known as “sunset review” because most of the agencies subject to review are also subject to termination. Since 1978, the Department of Legislative Services (DLS) has evaluated about 70 State agencies, many of which are occupational and professional licensing boards within DLLR, according to a rotating statutory schedule. The review process, as revised under *Chapter 680 of 2013*, generally begins with a preliminary evaluation conducted on behalf of the Legislative Policy Committee (LPC). If LPC decides to waive an agency from further (or full) evaluation, legislation to reauthorize the agency typically is enacted; otherwise, a full evaluation is undertaken the following year. *Chapter 680* revised and clarified the sunset review process primarily by streamlining the scope of the preliminary evaluation, subjecting some agencies to direct full evaluation, and replacing evaluation dates with evaluation years.

Several boards and commissions underwent evaluation and were subsequently reauthorized over the course of the term – one for a five-year period (the Elevator Safety Review Board) and the rest for a 10-year period – as shown in **Exhibit H-1**. Each board and commission

is again subject to preliminary evaluation by DLS, and many of them were also required to submit follow-up reports to specified committees of the General Assembly on issues raised in the last evaluation.

Exhibit H-1
Occupational and Professional Licensing Boards and Commissions
Subject to Sunset Evaluation and Reauthorized During the Term

<u>Board or Commission</u>	<u>Chapter Law</u>	<u>Termination Date</u>		<u>Evaluation Year</u>		<u>Report Due</u>
		<u>Old</u>	<u>New</u>	<u>Last</u>	<u>Next</u>	
2011 Legislation						
Architects	Chapter 316	July 1, 2013	July 1, 2023	2010	2020	Yes
Master Electricians	Chapter 201	July 1, 2013	July 1, 2023	2010	2020	Yes
Professional Engineers	Chapter 317	July 1, 2013	July 1, 2023	2010	2020	Yes
2012 Legislation						
Certified Interior Designers	Chapter 351	July 1, 2014	July 1, 2024	2011	2021	No
Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors	Chapter 366	July 1, 2013	July 1, 2023	2011	2020	Yes
Real Estate	Chapter 184	July 1, 2012	July 1, 2022	2010 ^A	2019	Yes
2013 Legislation						
Public Accountancy	Chapter 212	July 1, 2015	July 1, 2025	2012	2022	Yes
2014 Legislation						
Elevator Safety Review	Chapter 288	July 1, 2014	July 1, 2019	2011 ^A	2016	No ^B
Foresters	Chapter 408	July 1, 2015	July 1, 2025	2012 ^A	2022	No ^C
Individual Tax Preparers	Chapter 53	July 1, 2016	July 1, 2026	2013	2023	Yes
Stationary Engineers	Chapter 51	July 1, 2014	July 1, 2024	2011 ^A	2021	No ^B

^ALegislative action to reauthorize the board/commission was not taken during the session immediately following the evaluation.

^BA follow-up report was required prior to making a recommendation for reauthorization to the Legislative Policy Committee; no further reporting was required at reauthorization.

^CExtensive additional inquiry was undertaken during the 2013 interim; therefore, no further reporting was necessary.

Source: Department of Legislative Services

The reauthorizing legislation for a few of the boards and commissions implemented additional substantive changes. *Chapter 201 of 2011* required the State Board of Master

Electricians to establish a continuing education requirement by regulation. **Chapter 366 of 2012** renamed the State Commission of Real Estate Appraisers and Home Inspectors to be the State Commission of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors – consistent with prior-year changes in the commission’s regulatory authority. **Chapter 366** also repealed an obsolete reporting requirement related to home inspectors. In regards to the State Real Estate Commission, **Chapter 184 of 2012** altered provisions related to consumer recovery from the Real Estate Guaranty Fund (for financial loss as a result of licensee misconduct) by doubling the amount recoverable for each claim from \$25,000 to \$50,000 and increasing the amount recoverable without a hearing before the commission from \$3,500 to \$5,000. **Chapter 184** also increased dishonored check fees, modified requirements for licensee submission of information to the commission related to relocation of a licensee’s office, and enhanced annual reporting requirements to track the changes related to claims activity.

Finally, in addition to reauthorizing the State Board of Certified Interior Designers, **Chapter 351 of 2012** made changes applicable to all five “design boards” (architects, certified interior designers, landscape architects, professional engineers, and professional land surveyors). A pilot program established by Chapter 227 of 2003 created the State Occupational and Professional Licensing Design Boards’ Fund to ensure that costs for the five design boards, in the aggregate, were covered by their combined revenues. This pilot program was recommended by DLS in the 2002 full evaluation of the State Board of Certified Interior Designers. Prior to the enactment of Chapter 227, the design boards were all general funded as individual programs, with some fees set in statute and others set by regulation. The design boards’ fund, fee-setting authority for all five design boards, and related reporting requirements were set to terminate on June 30, 2008; however, Chapter 273 of 2008 extended the respective termination dates to June 30, 2013. **Chapter 351** made them permanent by repealing the termination dates.

Expedited and Temporary Licensure for Active Duty Military, Veterans, and Their Spouses

Over the course of the term, the General Assembly passed several pieces of legislation that expedite and facilitate professional licensure for service members, veterans, and their spouses. **Chapters 517 and 518 of 2011** required the Adjutant General of the Maryland Military Department or the Adjutant General’s designee to assist, upon request, the spouse of a member of the military who resides in the State or is transferred to the State in finding employment. This assistance may include information relating to business occupations that permit reciprocal licensure.

Chapter 33 of 2012 authorized specified licensing units within DLLR to allow a member of the U.S. Armed Forces to renew a professional license late, without payment of a penalty or reinstatement fee, if the late renewal is a direct result of an out-of-state deployment. Additionally, the Act authorized a licensing unit to allow a licensee to complete any continuing education or competency requirements for renewal, within a reasonable time, after the license has been renewed.

The Veterans Full Employment Act of 2013 – *Chapters 154 and 155 of 2013* – facilitated professional licensure for active duty military personnel, veterans, and their spouses through the expedited issuance of specified licenses, registrations, and certificates. The Acts required occupational and professional licensing units within DLLR to give a military service member or veteran credit for relevant military training and education when determining whether the individual meets applicable training and education requirements for State credentials. The Acts also required licensing units within DLLR to issue *expedited* temporary licenses, registrations, or certificates to a military service member, veteran, or military spouse who holds a credential in another state that has substantially equivalent licensing standards. DLLR and various other affected agencies (such as the health occupations boards within the Department of Health and Mental Hygiene and education entities, which are likewise required to facilitate licensing) were required to submit several follow-up reports regarding the effectiveness of and possible improvements to the expedited and temporary licensure program.

In recognition of the potential for military training and associated military course work and education to warrant an award of academic credit, the Acts required the Maryland Higher Education Commission, in consultation with public institutions of higher education, to develop and adopt guidelines on awarding academic credit for a student's military training, course work, and education. The governing board of each public institution of higher education in the State was required to develop and implement policies governing the awarding of such credit. The Acts also required the State Superintendent of Schools to expedite educator certification for a service member, veteran, or military spouse.

Removal of Members from Boards, Commissions, or Councils under DLLR

To address persistent vacancies and quorum difficulties on boards, commissions, and councils under DLLR, *Chapter 588 of 2014* specified that a Governor-appointed member is considered to have resigned if the member does not attend at least two-thirds of the official meetings held during any consecutive 12-month period. The Act further authorized the Governor to waive a member's resignation and allow the member to continue serving if the reasons provided by the member for nonattendance are satisfactory to the Governor and the reasons are made public. The chair of a board, commission, or council is required to provide notice to the Governor of a member's resignation, and the Governor is required to appoint the member's successor.

Occupational and Professional Licensing Boards – By Specific Occupations

Architects

Retired Licensure Status: Chapter 50 of 2011 authorized the State Board of Architects to issue a retired status license to an experienced architect under certain circumstances, including instances in which a licensed architect has practiced architecture for at least 25 years. Under the Act, the holder of a retired status license may use the designation of "Architect Emeritus" but may not engage in the practice of architecture.

Continuing Education: *Chapter 20 of 2012* repealed the statutory continuing education requirements related to license renewal for architects. In their place, the Act required the State Board of Architects to adopt regulations to require a licensee to demonstrate continuing professional competency by completing at least 24 hours of professional development activities as a condition of license renewal, reactivation, or reinstatement.

Barbers

Barbershops located in Montgomery County – unlike beauty salons located in the State or barbershops located in any other county – have been prohibited from operating for more than six days per week. *Chapter 54 of 2014* repealed the restriction and put barbershops in Montgomery County on the same footing as other barbershops and beauty salons in the State.

Cosmetologists

Cosmetologists licensed by the State Board of Cosmetologists may provide a range of hair, nail, and esthetic services. Licensed estheticians and nail technicians practice under a limited license that restricts the scope of services to esthetic and nail services, respectively. *Chapter 412 of 2013* carved out from the practice of cosmetology a third limited license to “provide hair services” only, which means to provide to an individual, for compensation, the service of beautifying, cleaning, or embellishing that individual’s hair by arranging, coloring, or dressing the hair, among other services. The Act also established limitations on where a hairstylist may provide hair services and established qualification standards for the limited license.

Electricians

The State Board of Master Electricians shares licensing authority with county governments, all but two of which have a licensing program for master electricians. Counties with local licensing laws are required to establish licensing qualifications comparable to those required by the board. In the two jurisdictions that do not have local licensure, Garrett and Allegany counties, an electrician must have a State license to provide electrical services as a master electrician or be a representative of another person who engages in the business of providing electrical services. Otherwise, the State master electrician’s license is a passport rather than a performance license as it does not grant a licensee the right to provide electrical services in most jurisdictions.

Inspections: *Chapter 237 of 2013* generally required a county or local government to employ licensed or recently licensed master electricians as electrical inspectors and licensed master plumbers as plumbing inspectors, subject to specified exceptions. This requirement applies only to electrical and plumbing inspectors hired after January 1, 2014, when the Act took effect.

Licensing and Continuing Education: *Chapter 579 of 2013* established a Task Force to Study Licensing and Continuing Education Requirements for Electricians. The Act required the task force to study and report findings and recommendations related to a possible transition to

mandatory statewide licensure and continuing education, as recommended in the 2010 full sunset evaluation of the State Board of Master Electricians. *Senate Bill 877/House Bill 1119 of 2014 (both failed)* would have implemented the task force's recommendations to, among other changes, phase out the local licensing of apprentice, journeyman, and master electricians and replace the system with uniform statewide licensing under the renamed and reconstituted State Board of Electricians.

Elevator Mechanics and Related Personnel

Accessibility Lift Mechanic License: *Chapters 306 and 307 of 2012* required the Elevator Safety Review Board to license accessibility lift mechanics, certify accessibility lift mechanic specialists to work on private residential elevators, and establish fees for the application, issuance, and renewal of lift mechanic licenses. The Acts also authorized the board to issue a conditional accessibility lift mechanic license that is effective until January 1, 2017, to a candidate actively completing specified education requirements for licensure.

Board Membership: *Chapters 454 and 455 of 2012* increased the number of members serving on the Elevator Safety Review Board from 9 to 10 by adding a representative of the elevator interior renovation industry.

License Applications: *Chapter 49 of 2012* required the Elevator Safety Review Board to issue licensing certifications and to reinstate expired licenses under specified circumstances. The Act also expanded the conditions under which the board may deny a new or renewal license to an applicant, suspend or revoke a license, or reprimand a licensee, and it increased the disciplinary sanctions available to the board.

Qualified Elevator Inspectors: *Chapter 441 of 2013* altered the definition of "third-party qualified elevator inspector" to mean a person who, in addition to meeting specified qualifications established by the Commissioner of Labor and Industry, is certified by a nationally recognized safety organization accredited by the National Commission for Certifying Agencies or by the American National Standards Institute.

Residential Cliffside Elevators: *Chapter 155 of 2014* required "cliffside elevators" located on the property of a privately owned single-family residence to be registered with the Commissioner of Labor and Industry, inspected every two years by a third-party qualified inspector, and generally be subject to the laws related to registration and inspection requirements for most commercial elevators.

For a more detailed discussion of legislation relating to elevators, see the subpart "Public Safety" within Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Land Professionals

"Land professionals," or landmen, are the business arm of the petroleum and mineral industry; they meet with landowners and negotiate leases on behalf of companies seeking to mine or drill on a plot of land. On January 7, 2013, the Marcellus Shale Safe Drilling Advisory

Commission voted to recommend that the State establish a registry for land professionals. **Chapter 642 of 2013** implemented this recommendation by establishing a mandatory registration program under DLLR for land professionals.

For a more detailed discussion of issues related to hydraulic fracturing, see the subpart “Environment” within Part K – Natural Resources, Environment, and Agriculture of this *Major Issues Review*.

Landscape Architects

Education and Experience Requirements: **Chapter 212 of 2011** altered the educational and experience requirements that an individual seeking licensure with the State Board of Examiners of Landscape Architects must meet. Specifically, the Act established four pathways for an individual to become eligible to take the examination and to become licensed by the board.

Continuing Education Requirement: **Chapter 454 of 2013** required the State Board of Examiners of Landscape Architects to establish, by regulation, continuing professional competency requirements for licensed landscape architects. Thus, licensees must complete at least 24 hours of professional development activities as a condition of each license renewal, except for the first renewal. The Act phased in the requirement for licensees whose license expires before October 1, 2016.

Lawyers

Chapters 66 and 67 of 2011 authorized any individual to represent a landlord, or specified law students or employees of nonprofit organizations to represent a tenant, in a rent escrow proceeding in the District Court of Maryland without having been admitted to the Maryland Bar.

Pilots

Chapter 443 of 2011 altered references to the categories of limited licenses issued by the State Board of Pilots for consistency with other references in State law to the license categories.

Plumbers

Apprentice License Renewal: A person must be licensed by the State Board of Plumbing to provide plumbing services throughout most of the State. The board issues three different plumbing licenses: master, journeyman, and apprentice. Licenses are valid for two years and are issued on a staggered basis. **Chapter 272 of 2012** specified that the board may not renew an apprentice plumber license or an apprentice natural gas fitter’s license for more than three consecutive terms if the licensee has not taken or registered to take the journey plumber or journeyman natural gas fitter’s examination. This provision applied prospectively to apprentice plumbers or apprentice natural gas fitters issued an initial license on or after October 1, 2012.

Board Membership: The State Board of Plumbing consists of seven members from the plumbing industry and two consumer members. Board members representing the industry must each reside in specific geographic areas of the State. *Chapter 122 of 2012* altered the membership requirements of the board on a prospective basis by requiring that – of the board’s seven plumber members – one member must be from Carroll or Howard counties and one member must be from Cecil or Harford counties.

Classification of Licensees on Public Works Projects: An individual must be licensed by the State Board of Plumbing, the Baltimore County Plumbing Board, or the Washington Suburban Sanitary Commission in order to perform plumbing work in the State. The Division of Labor and Industry within DLLR advised that it had been notified that some contractors were employing plumbing apprentices on State public works projects and paying them to perform work at the higher journeyman level. However, the apprentices were not registered with the Maryland Apprenticeship Training Council, and, although they were paid the prevailing wage for plumbing journeymen, they were not authorized by their apprentice licenses to perform the full range of independent work that journeymen perform under public works contracts.

To avoid worker misclassifications on public works projects, *Chapter 724 of 2012* prohibited a person from employing an individual to provide or assist in providing plumbing or heating, ventilation, air conditioning, and refrigeration (HVACR) services under a public works contract that is subject to the State prevailing wage law unless the individual is licensed by an appropriate regulatory entity. The Act further prohibited a person from classifying an employee higher than the employee’s license type (apprentice, journeyman, master) under a public works contract subject to prevailing wage law. For a discussion of the HVACR component of the Act, see the subpart “Business Regulation” within this Part H.

Lead-free Plumbing Materials: Chapter 407 of 2010, which took effect January 1, 2012, required that pipes, pipe fittings, plumbing fittings, fixtures, solder, and flux used in the installation or repair of plumbing intended to dispense water for human consumption be lead-free. *Chapter 143 of 2012* altered and clarified the definition of “lead-free” for individual plumbing fittings and fixtures and for pipes and pipe fittings.

Inspections: *Chapter 237 of 2013* generally required a county or local government to employ licensed or recently licensed master electricians as electrical inspectors and licensed master plumbers as plumbing inspectors, subject to specified exceptions. This requirement applies only to electrical and plumbing inspectors hired after January 1, 2014, when the Act took effect.

Professional Engineers

Board Membership and Practice Specialties: *Chapters 278 and 279 of 2011* increased the membership of the State Board for Professional Engineers by one member, from seven to eight and specified qualification standards for the new member.

Examination Requirements: *Chapter 210 of 2011* eliminated references to the method of delivery and duration of examinations that individuals must pass in order to be licensed by the

State Board for Professional Engineers. The Act anticipated the transition to computer-based delivery of examinations by striking references to “written” examinations and to the length of the examinations (“eight-hour”). For both the State Board for Professional Engineers and the State Board for Professional Land Surveyors, **Chapter 102 of 2013** authorized alternative means of delivering examination results, altered the process for an applicant to review a failed examination, and clarified the reexamination process based on the national organization’s policies.

Firm Permit Requirement: The State Board for Professional Engineers indicated during the 2013 session that companies had been claiming to provide engineering services when in fact the companies neither had a licensed professional engineer on staff nor offered engineering services. **Chapter 613 of 2013** required companies that provide engineering services, effective October 1, 2015, to (1) obtain a firm permit from the board and (2) designate a licensed Maryland professional engineer to be a “managing agent” in charge of engineering matters. The Act also authorized the board to take specified enforcement actions against a firm for specified violations.

Professional Land Surveyors

Examination, Education, and Experience Requirements: **Chapter 102 of 2013** facilitated the computer-based delivery of examinations, codified the State Board for Professional Land Surveyors’ practice of requiring applicants to pass State-specific examination sections, and increased the required years of experience from four to eight for an individual who does not have a college degree but who passes specified examinations. For both the State Board for Professional Land Surveyors and the State Board for Professional Engineers, the Act authorized alternative means of delivering examination results, altered the process for an applicant to review a failed examination, and clarified the reexamination process based on the national organization’s policies.

Among the four pathways to licensure as a professional land surveyor in Maryland, two pathways require some college education (“academic” pathways), while two pathways require only experience and examination (“nonacademic” pathways). **Chapter 611 of 2014** altered the requirements for licensure as a professional land surveyor by phasing in new education and experience requirements over time and by phasing out one “academic” pathway to licensure after December 31, 2023, and a “nonacademic” pathway to licensure after December 31, 2025. However, all applicants under both remaining pathways (one “academic” and one “nonacademic”) will require at least 32 credit hours of land surveying-related courses approved by the State Board for Professional Land Surveyors. In addition, two years of additional experience requirements for certain applicants (those under the existing “academic” pathways) are phased in by October 1, 2017, whereas four fewer years of experience are required for certain other applicants (those under the remaining “nonacademic” pathway).

Public Accountants

Educational Requirements for Examination and Licensure: **Chapter 208 of 2011** specified that a person may be eligible to take the Uniform Certified Public Accountant

Examination after completing 120 semester hours of college level course work – instead of 150 semester hours – and earning a baccalaureate degree. Even so, a person who passes the examination must still hold a baccalaureate degree in accounting, or an equivalent field, and must complete 150 semester hours of course work before being qualified for licensure with the State Board of Public Accountancy.

Compilation of Financial Statements: Chapters 228 and 229 of 2011 established, clarified, and modified the definitions of services that constitute the practice of certified public accountancy. The Acts also identified the conditions under which a nonlicensed individual may prepare a compilation and required the State Board of Public Accountancy to specify, by regulation, standard language for a disclosure statement regarding exemption from peer review requirements under specified circumstances.

Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors

Special Funding and Regulation of Real Estate Appraisal Management Companies: In July 2010, the federal Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) became law. The Dodd-Frank Act established specific requirements for the regulation of appraisal management companies (AMCs) by the states and required states to implement an AMC regulatory structure within 36 months of the issuance of final federal regulations implementing the Act's requirements related to AMCs.

Chapters 269 and 270 of 2011 established the then State Commission of Real Estate Appraisers and Home Inspectors Fund as a special fund entity and granted the commission the authority to set appropriate fees to approximate the costs of regulating the real estate appraisal and home inspection industries. The Acts also required AMCs to register with the commission in order to offer appraisal management services in the State and established extensive regulatory requirements pertaining to the provision of appraisal management services in the State. As discussed in the "Program Evaluation – Sunset Review" section of this subpart, ***Chapter 366 of 2012*** subsequently implemented the recommendations of the 2011 preliminary evaluation conducted by DLS and renamed the commission consistent with these changes.

Home Inspectors – Recordkeeping and Continuing Professional Competency Requirements: Chapter 30 of 2011 established recordkeeping requirements for home inspectors licensed by the (subsequently renamed) State Commission of Real Estate Appraisers and Home Inspectors. ***Chapter 186 of 2011*** required the commission to establish, by regulation, continuing professional competency standards for licensed home inspectors. The Act specified that home inspectors must complete up to 30 educational hours during every two-year renewal cycle to demonstrate continuing professional competency beginning October 1, 2014, excluding the first renewal of a license.

Real Estate Appraisers – Criminal History Records Checks: Beginning on January 1, 2015, new standards established by the federal Appraiser Qualifications Board require that an applicant for initial licensure or initial certification as a real estate appraiser under the State Commission of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors undergo a criminal history records check (CHRC). State law authorizes the

commission to adopt additional requirements that are necessary to comply with the minimum real estate appraiser qualifications established under the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989. **Chapter 79 of 2014** updated application requirements, qualification standards, and enforcement provisions to conform State law to the new federal requirements. In addition to the requirement that an applicant submit to a national and State CHRC, the Act required the commission to (1) receive a complete national and State CHRC before issuing a license or certification and (2) deny a license or certification to an applicant who fails to demonstrate specified traits or who has been the subject of specified judicial or administrative sanctions.

Real Estate Brokers, Salespersons, and Sales Agents

Reinstatement of Licenses and Active Licenses: **Chapter 207 of 2011** shortened the timeframe from four to three years within which a licensee of the State Real Estate Commission may apply for reinstatement of an inactive license or reactivation of an expired license without having to retake the commission's licensing examination. The Act specified that a licensee may renew a license that is on inactive status on or after October 1, 2011, only if the licensee complies with the commission's continuing education requirements.

Intracompany Agents: Chapter 670 of 2010 established requirements for the provision of real estate services through teams of licensed real estate agents. Under Chapter 670, only a real estate broker was authorized to designate two members of a team as intracompany agents for the seller and the buyer in the same transaction if the buyer and seller had been advised in writing that the agents were part of the same team and had a financial interest in the outcome of the transaction. **Chapter 153 of 2011** specified that a designee of a real estate broker, in addition to the real estate broker, may designate two members of a real estate sales team as intracompany agents for the seller and the buyer in the same transaction under certain circumstances. However, a designee of a real estate broker who designates intracompany agents may not be a member of that real estate sales team.

Continuing Education Requirements: In its October 2010 full evaluation report of the State Real Estate Commission, DLS recommended that the commission develop a more sophisticated system of tracking the continuing education credits of licensees. **Chapter 34 of 2012** allowed the commission to accept certificates of completion for continuing education course work by electronic submission directly from the business or instructor that conducted the course and authorized electronic copies of completion certificates to be provided to licensees. Additionally, beginning January 1, 2013, the Act authorized the commission to require the electronic submission of the certificates by course providers. The Act also specified the contents of continuing education course work and required the commission to submit a follow-up report regarding the collection and use of electronically available information on licensees.

Security Systems Agencies and Technicians

The Department of State Police licenses agencies, registers technicians, and otherwise regulates the provision of security systems services. A person may not engage, attempt to engage, offer to engage, or solicit to engage in a business of providing security systems services

in the State unless licensed by the Secretary of State Police. *Chapter 57 of 2014* required the Secretary to conduct an investigation that relates to any complaint alleging that an unauthorized person has provided security systems services. The Act also specified the contents and submission process for complaints.

Stationary Engineers

To qualify for licensure as a stationary engineer, an applicant must meet specified educational and experience requirements and pass an examination administered by the State Board of Stationary Engineers. Licenses are issued in five grades, generally distinguished by the horsepower of the boiler the licensee is authorized to oversee. Before taking an examination for any grade, an applicant must qualify based on the applicant's education, experience, or some combination of the two. For both Grade 1 and 2 licenses, a candidate had been able to receive one year of credit for holding a current active license as a (1) master plumber; (2) master HVACR contractor from the State Board of HVACR Contractors; or (3) master restricted heating, ventilation, or air conditioning (but not refrigeration) contractor from the State Board of HVACR Contractors. However, *Chapter 104 of 2013* authorized an applicant for a Grade 1 or Grade 2 stationary engineer's examination to also receive one year of credit for holding a current active license as a master restricted refrigeration contractor with the State Board of HVACR Contractors.

Business Regulation

During the 2011-2014 term, the General Assembly passed legislation regulating the manner in which goods and services are produced, provided, and sold. While many of these initiatives were aimed at protecting consumers with new regulation of automated purchasing machines (APMs) and retail pet stores and expanded oversight of charitable organizations and the sale of burial goods and services, one measure further deregulated employment agencies. Other measures passed during the four years focused on enhanced protections for homeowners and on the oversight of secondhand goods transactions, signage and products at motor fuel and gas stations, and the sale of tobacco products. Still others targeted public health and safety, including prohibitions related to electronic cigarettes and certain types of herbal incense or potpourri, protections for participants in amateur martial arts and kick boxing contests, and the safety of amusement attractions.

Consumer Protection and Related Measures

Automated Purchasing Machines

Chapter 161 of 2014 required a person to be licensed by the Secretary of Labor, Licensing, and Regulation before doing business as a buyer of personal property, usually small electronics, by means of an APM in the State. (A county or municipality may also license APMs or prohibit their installation or operation within the jurisdiction.) The Act established licensing, transaction, recordkeeping, and reporting requirements for all licensed buyers, including a requirement that a county or municipal governing body in the county in which an APM is located

be designated by resolution as the primary law enforcement unit to receive records of APM transactions.

Before being issued a license to do business as a buyer, an applicant (and an applicant's resident agent) must submit to a national and State criminal history records check. Further, the applicant must agree to authorize a municipal, county, or State police officer or agent acting in the course of a stolen property investigation or an investigation of a violation of the law to inspect and photograph all personal property and records at the applicant's business or storage location. A license may only be issued for a single business location, subject to specified restrictions.

The Act set forth detailed transaction, recordkeeping, and reporting requirements for purchases made by APMs. All personal property purchased by a licensed buyer through an APM is subject to retention and inspection requirements. Licensees are subject to penalties for knowingly or willfully violating the APM law.

Retail Pet Stores

Many dogs sold as pets in the United States are bred in commercial dog breeding facilities that mass-produce dogs for sale to pet stores (often called puppy mills); substandard conditions are reportedly common at these facilities. Due to the potential for poor breeding conditions, puppies bred by commercial breeders can be ill-tempered and may suffer from poor health. **Chapters 214 and 215 of 2012** established conditions and requirements for remedy when a dog sold at a "retail pet store" is found to have an undisclosed disease, illness, or prior condition. A purchaser is entitled to a remedy if, within a specified period, the dog (1) suffers from or has died of a disease or illness that existed on or before the purchase date or (2) possesses or has died of a congenital or hereditary condition adversely affecting the dog's health or that requires hospitalization or a nonelective surgical procedure. The purchaser may return the dog for a refund, exchange the dog for another dog, or retain the dog and be reimbursed by the retail pet store for veterinary fees, not exceeding the purchase price. The Acts also established certification, recordkeeping, and public disclosure requirements for retail pet stores that conduct business in the State, as well as penalties for noncompliance. A violation is an unfair or deceptive trade practice under the Maryland Consumer Protection Act (MCPA), subject to MCPA's civil and criminal penalty provisions and enforcement by the Consumer Protection Division of the Office of the Attorney General.

Charitable Organizations and Representatives

The Office of the Secretary of State registers and regulates charities that solicit in Maryland, including reviewing a charitable organization's financial and governing documents and all fundraising contracts. With some exceptions, organizations that solicit charitable contributions, professional solicitors, and fundraising counsel must register with the office. The office also receives and investigates complaints from the public. **Chapter 654 of 2014** authorized the Attorney General to investigate and enforce specified sections of the Maryland Solicitations Act relating to charitable organizations and charitable representatives in the same manner as the Secretary of State, without diminishing the enforcement authority of the Secretary

of State. Furthermore, the Attorney General may sue in the circuit court of the county in which an alleged violation occurs, instead of only in the Circuit Court for Anne Arundel County. The Act also required the Attorney General to represent the public interest in the protection of charitable assets, subject to specified authorities and conditions.

Further, **Chapter 654** increased registration fees for professional solicitors, fundraising counsel, and certain charitable organizations. The additional revenue attributable only to the fee increase is directed to a newly established Charitable Enforcement Fund to support the actions of the Secretary of State and the Attorney General in carrying out their duties under the law. The Secretary of State and the Attorney General, or their designees, must establish a workgroup to study and report on information related to charitable organizations, charitable representatives, and fundraising counsel. A final report is due by July 1, 2015, to the Governor and the General Assembly. Likewise, the Secretary of State and the Attorney General must review penalties imposed for failure to pay an annual fee or file an annual report and make recommendations for bringing such organizations into compliance. A final report is due by December 1, 2015.

Cemeteries and Burial Goods and Services

The Office of Cemetery Oversight, which is housed within DLLR, regulates cemeteries and associated burial goods and services under the Maryland Cemetery Act. The office, which is subject to periodic review under the Maryland Program Evaluation Act, was evaluated in 2011. **Chapter 368 of 2012** implemented the recommendations of the DLS 2011 sunset evaluation of the Office of Cemetery Oversight and extended its termination date by 10 years to July 1, 2023. The Act exempted private family cemeteries that do not sell goods or services to the public from the laws regulating cemeteries. Provisions of the law governing the Advisory Council on Cemetery Operations were altered, primarily by increasing the membership to 12 and requiring the advisory council to meet at least four times each year. The Act also altered requirements for the annual report to the General Assembly, authorized the transfer of a registration for the same individual from one cemetery to another, and clarified various registration and disclosure requirements. Further, the Act addressed additional financial reporting requirements relating to perpetual care and preneed trusts by:

- retaining the exemption from perpetual care requirements for government, religious, or not-for-profit owned and operated cemeteries;
- requiring perpetual care and preneed trust reports to be accompanied by an annual summary statement of assets that include specified information; and
- requiring persons subject to perpetual care and preneed trust requirements to provide additional documentation to the office if the director determines it is necessary.

Chapter 81 of 2014 made further changes to the two types of trust funds related to cemetery services regulated by the office: perpetual care trust funds and preneed trust accounts. The Act made the treatment of money deposited in both types of funds consistent with each

other. The Act clarified that realized capital gains are not income of a perpetual care trust fund and must instead be deposited into the trust fund as principal. A trustee of a perpetual care trust fund may not make a loan or direct or indirect investment of any kind on or in buildings or structures appurtenant to any real property of a cemetery. Prohibitions on the use of funds from preneed trust accounts were also established to mirror those in place for perpetual care trust funds, except that crematories were also included for preneed trust accounts. Specified distributions of funds from preneed trust accounts were required to include a prorated proportional share of total realized capital gains attributable to those funds.

Chapter 99 of 2013 established a tiered system of penalties for violations of perpetual care requirements, preneed sales requirements, and other prohibited acts in the cemetery and burial goods industry regulated by the Office of Cemetery Oversight. The Act also established tiered penalties for each corporate officer of a corporation that violates the specified perpetual care or preneed burial contract provisions; each officer responsible for the violation is subject to the same penalties as individuals. All violations are misdemeanors, with uniform maximum imprisonment penalties. For a first violation, the term of imprisonment may not exceed one year; for a second violation, the maximum term of imprisonment increases to two years; and for a third or subsequent violation, the maximum term escalates to three years. However, the maximum fines that may be imposed vary by type of violation and whether it is a first or subsequent offenses, ranging from \$5,000 to \$20,000. Further, the Act established that a person who willfully misappropriates or intentionally and fraudulently converts perpetual care or preneed trust funds in excess of \$100 to that person's own use is guilty of a felony and, on conviction, is subject to maximum penalties of a \$25,000 fine and/or imprisonment for 10 years.

Employment Agencies

Over 10 years ago, the General Assembly largely ended the Department of Labor and Industry's (DLI) regulation of traditional employment agencies, while maintaining some consumer protections and requiring the remaining employment agencies to submit a penal bond to the Commissioner of Labor and Industry. In 2013, there were 43 registered bonds in Maryland, and according to DLI, there had been no complaints against employment agencies since DLI's regulatory role was mostly repealed. Thus, **Chapter 224 of 2013**, in relevant part, further deregulated employment agencies by eliminating the penal bond requirement of \$7,000 for employment agencies. For a more detailed discussion of **Chapter 224**, see the subpart "Labor and Industry" within this Part H.

Home Regulation

Home Improvement Contractors

In general, a person must be licensed by the Maryland Home Improvement Commission before acting as a home improvement 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 for losses that result from an act or omission by a licensed contractor. The guaranty fund was established to compensate a

homeowner for the “actual loss” created by a licensed home improvement contractor. Losses due to actions of unlicensed individuals are not eligible for restitution from the guaranty fund.

Chapter 333 of 2011 implemented recommendations from the 2010 full sunset evaluation conducted by the Department of Legislative Services (DLS). The Act extended the termination date of the Maryland Home Improvement Commission by nearly 10 years to July 1, 2022. The Act gave the commission the authority to issue civil citations to individuals who fail to comply with State home improvement laws. One-half of the fine revenue collected through the civil citation program is deposited into the general fund of the State, and the other half is deposited into a separate account within the Home Improvement Guaranty Fund and earmarked for expenses related to use of expert witnesses in disputed guaranty fund claims between a homeowner and licensed contractor.

The Act expanded consumer protection requirements for contractors by requiring all home improvement contracts to (1) include a notice specifying that consumer protections are available through the commission and advising the consumer of the right to purchase a performance bond for additional protection against actual loss caused by a home improvement contractor and (2) display the commission’s website address in addition to the commission’s phone number. Likewise, the commission must publish, on its website, consumer education materials that describe the protections available through the commission, including the availability of compensation from the guaranty fund. The commission was required to develop a searchable website that includes a listing of licensed contractors and information relating to any final disciplinary action taken by the commission against a licensee.

Chapter 333 also (1) altered criminal penalties for unlicensed work by increasing the maximum time an individual may be imprisoned for acting without a license from 30 days to up to six months; (2) increased licensing and renewal fees for contractors, subcontractors, and salespersons; and (3) established a processing fee for all initial applications. The Act extended the date by which firms and companies that offer mold remediation services must be licensed by the commission to July 1, 2013, with corresponding three-year extensions to the mold remediation program’s separate evaluation and termination provisions.

Finally, because the sunset evaluation had highlighted the backlog of guaranty fund claims awaiting adjudication, **Chapter 333** required the commission to report, by October 1, 2012, on specified factors related to the backlog, among other items. That report noted that the commission continued to have a large backlog of claims. Subsequently, DLLR requested legislation aimed at improving the commission’s ability to review and process guaranty fund claims by adding members to allow for the formation of an additional review panel and facilitating the ability to dedicate meetings to solely reviewing and resolving claims. Thus, **Chapter 440 of 2013** altered the membership of the commission by adding an additional consumer member and an additional industry member and altered member removal standards. The Act also changed the number of members needed for a quorum or for the commission to take action to be a majority of the number of members currently serving on the commission. The requirement that the commission meet at least once a month was decreased to at least once every two months. Additionally, to assess the impact on processing of guaranty fund claims,

Chapter 440 required the commission to report annually by December 1 to the State Education, Health, and Environmental Affairs Committee and the House Economic Matters Committee of the General Assembly (1) the attendance at each commission meeting; (2) the number of claims closed at each meeting; and (3) the number of claims that remained open at the end of each meeting.

The commission investigates each guaranty fund claim to determine its validity. The commission may elect to (1) set the matter for a hearing; (2) dismiss the claim; or (3) for a small claim of less than \$5,000, issue a proposed order without a hearing. After the commission pays a claim from the guaranty fund, the commission has a right to reimbursement of the guaranty fund by the contractor responsible for the act or omission. **Chapter 211 of 2014** increased the maximum claim amount against the guaranty fund for which the commission may issue a proposed order without a hearing – from \$5,000 to \$7,500. The Act also increased the length of time, from 30 to 60 days, that a contractor has to reimburse the guaranty fund for claims paid by the guaranty fund on the contractor's behalf.

Home Builders

The Home Builder Registration Act requires a person to register and obtain a home builder's registration number in order to act as a home builder. In a November 2010 decision, the Maryland Court of Appeals held that a real estate developer who entered into a contract with a buyer to provide a new home was not required to be registered as a home builder because the contract specified that a third party – a registered home builder – was responsible for constructing the home. As a result, **Chapters 43 and 44 of 2011** specified that the definition of a "home builder" includes a person that enters into a contract with a consumer under which the person agrees to provide the consumer with a new home. The Acts further clarified that a home builder does not include (1) a real estate developer who does not undertake home construction or enter into contracts with consumers to construct homes or (2) a buyer's agent, as defined in statute, when representing a prospective buyer in the purchase of a new home.

Heating, Ventilation, Air Conditioning, and Refrigeration Contractors

An individual who performs heating, ventilation, air conditioning, or refrigeration (HVACR) services must be licensed by the State Board of HVACR Contractors. **Chapter 179 of 2011** implemented the recommendations of the 2010 preliminary sunset evaluation conducted by DLS and extended the termination date for the State Board of HVACR Contractors by 10 years to July 1, 2023. The Act included a related reporting requirement that required the board to address (1) the feasibility of requiring counties to enforce the State mechanical code; (2) whether the board has adopted a regulation exempting individuals who install thermostats or switches under a public service company's demand response program from licensing requirements; (3) issues arising from allowing unlicensed individuals to perform work related to a public service company's demand response program, if the board has adopted such an exemption; (4) whether the board has identified additional ways of resolving consumer complaints after consulting with other State agencies; and (5) the board's success at filling vacant positions and maintaining geographic representation among board members.

To avoid worker misclassifications on public works projects, **Chapter 724 of 2012** prohibited a person from employing an individual to provide or assist in providing plumbing or HVACR services under a public works contract that is subject to the State prevailing wage law unless the individual is licensed by an appropriate regulatory entity. The Act further prohibited a person from classifying an employee higher than the employee's license type (apprentice, journeyman, master) under a public works contract subject to prevailing wage law. For a discussion of the plumbing component of the Act, see the subpart "Business Occupations" within this Part H.

Business Oversight

Metal Processors and Dealers

Chapters 198 and 199 of 2010 modified the definition of junk and scrap metal and altered recordkeeping requirements for junk dealers and scrap metal processors that operate in the State. Those Acts applied to all junk dealers and scrap metal processors, including those operating in jurisdictions that were generally exempted from statewide licensing and recordkeeping requirements but did not require dealers in those jurisdictions to be licensed. Dealers and processors in generally exempted jurisdictions were also not subject to provisions that prohibited certain actions. However, at the request of the Department of State Police, **Chapter 110 of 2011** subjected 11 jurisdictions (Baltimore City and Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Dorchester, Kent, Somerset, Washington, and Worcester counties) to the same licensing requirements and regulatory provisions that applied to junk dealers and scrap metal processors in the other 13 counties of the State, thereby ensuring uniformity statewide. The Act also clarified that licensed secondhand precious metal object dealers and pawnbrokers are not subject to the provisions of law relating to junk dealers and scrap metal processors.

DLLR 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. The General Assembly passed several measures in the course of the term regarding the regulation of dealers and pawnbrokers and, in particular, their transactions. First, in response to the skyrocketing price of gold and the subsequent increase in the numbers of dealer and pawnbroker licenses, and at the request of DLLR, **Chapter 321 of 2011** increased the initial fee required for licensure as a secondhand precious metal object dealer or pawnbroker from \$75 to \$300. The Act also increased the biennial renewal fee from \$75 to \$265. Initial and renewal licensing fees had not been changed since they were set at \$75 in 1998 when the price of gold had dropped to about \$300 an ounce (and the number of licensees correspondingly dropped), where it stayed for several years.

Second, **Chapter 379 of 2011** specified that the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act did not apply to the transactions of a retail jeweler with a fixed Maryland business address when the dealer accumulated precious metal objects in the course of performing repairs, remountings, fabrications, or custom orders. The Act required

dealers to ensure that any items required to be tagged with a transaction number remain tagged for the entire period they are stored in the dealer's inventory. The Act also required primary law enforcement units to adopt procedures that allowed a dealer to amend required records that had been submitted to the law enforcement agency. Third, **Chapters 306 and 307 of 2011** increased the length of the holding period for precious metal objects acquired by licensed secondhand precious metal object dealers in Prince George's County only – from 18 to 30 days. The existing 18-day holding period still applied, however, to a precious metal object that a dealer licensed in Prince George's County acquired in a pawn transaction. Further, the 18-day holding period still applied to a precious metal object that an individual sought to redeem by presenting the original ticket issued as part of the pawn transaction.

Fourth, **Chapters 199 and 200 of 2012** authorized a secondhand precious metal object dealer to place all items acquired in a single transaction into a secure container approved by local law enforcement during the required holding period, as long as each item in the transaction was recorded separately in the required written record of the transaction and the container was tagged with a number which corresponded to the transaction and the written record entry. Finally, **Chapter 399 of 2013** authorized a law enforcement agency to extend the period for which specified items suspected of being stolen must be held by licensed dealers. The Act exempted a transaction by a retail jeweler if the jeweler was participating in a "remount sale" and repealed the exemption for transactions involving "numismatic items," except for coins, thereby making the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act apply to those types of transactions. Furthermore, the prohibition against counties or municipal corporations enacting a law to regulate numismatic items was repealed, while the prohibition against regulating coins was retained.

Tobacco Products

Chapter 388 of 2010 established licensure requirements for other tobacco product (OTP) wholesalers, manufacturers, storage warehouses, and retailers. OTPs include premium cigars, pipe tobacco, and rolled tobacco products, other than cigarettes, that are intended for consumption by smoking, chewing, or as snuff. That Act specified that persons in the business of selling or distributing OTPs may not sell or ship any OTP that is ordered or purchased by mail or over the telephone, Internet, or other electronic network to unlicensed recipients except in limited circumstances. **Chapters 509 and 510 of 2012** changed these requirements by exempting out-of-state sellers that sell, hold for sale, ship, or deliver premium cigars or pipe tobacco to consumers in Maryland from the provisions of law relating to the regulation of OTPs. The Acts further specified that provisions regulating the sale and distribution of OTPs do not apply to the order, purchase, sale, or shipment of premium cigars or pipe tobacco by a licensed OTP retailer or licensed tobacconist. The Acts also required the Comptroller to submit to the General Assembly a report, on or before November 1, 2012, on the viability and efficacy of instituting a policy of permitting direct shipment of premium cigars and pipe tobacco to consumers in the State.

Chapter 86 of 2013 exempted a licensed cigarette subwholesaler from having to pay a fee of \$250 to the Comptroller in an application for a license to act as a wholesaler of other tobacco

products, including cigars or any rolled tobacco (other than a cigarette) that is intended for consumption either by smoking, chewing, or as snuff. The Act established parity between licensed cigarette subwholesalers and licensed cigarette wholesalers.

Retail Gas Stations and Motor Fuel

Prior to 2011 retail service stations were required to advertise the lowest price of both regular and mid-grade gasoline sold at the station in accordance with specific signage requirements. If stations opted to post the price of diesel and other types of gasoline, they were required to purchase signs that include more than the required two lines to display prices for regular and mid-grade gasoline. *Chapter 25 of 2011* repealed the requirement for retail service stations to post the lowest price of mid-grade gasoline. The Act also clarified that the signs retail service stations are required to maintain may state the lowest price for any whole measurement unit of diesel and other motor fuel products sold on the premises.

The Comptroller issues multiple classes of dealer licenses that authorize various activities relating to the import, export, and acquisition of gasoline and other motor fuels. *Chapter 381 of 2013* provided that the Comptroller may authorize any person who holds a dealer license other than a Class “A” dealer license to introduce an additive into gasoline for resale or distribution if the person complies with the law and related regulations. The Act required regulations adopted by the Comptroller to specify that additives be introduced by in-line blending or any equivalent or superior method, as determined by the Comptroller, and that the licensed dealers pay the motor fuel excise tax on the additive.

Disaster Relief and Emergency Work

Chapter 420 of 2013 established that, during a declared State disaster or emergency, an out-of-state business that performs disaster or emergency work does not establish a level of presence that would require the out-of-state business or its out-of-state employees to be subject to specified tax obligations or licensing or registration requirements.

Public Health and Safety

Prohibitions on Sales of Certain Products

Electronic cigarettes (“e-cigarettes”) are battery-operated devices that typically contain nicotine cartridges and other chemicals imitating flavors such as chocolate, mint, or strawberry. State law did not address nontobacco nicotine products until *Chapter 714 of 2012* prohibited a person from selling, distributing, or offering for sale to a minor an electronic device – including an electronic cigarette, cigar, cigarillo, or pipe – that can be used to deliver nicotine to the individual inhaling from the device. The Act also established penalties and requirements for enforcement.

Chapter 447 of 2014 prohibited a person who holds a county license to sell cigarettes at retail from selling herbal incense or potpourri that includes a noncontrolled substance with a chemical structure that is substantially similar to a controlled dangerous substance. Authorized

employees of the Field Enforcement Division of the Comptroller's Office may enforce this prohibition. A violator is guilty of a misdemeanor and on conviction subject to a fine of up to \$300 for a first violation, \$1,000 for a second violation within two years, and \$3,000 for a third or subsequent violation within two years of a preceding violation.

Amateur Mixed Martial Arts and Kickboxing Contests and Contestants

The State Athletic Commission within DLLR had regulatory and licensing authority over all boxing, kick boxing, mixed martial arts (MMA), and wrestling contests held in the State, with the exception of some intercollegiate or amateur events. However, **Chapter 101 of 2013** authorized the commission to directly regulate all amateur MMA and amateur kick boxing events and license associated contestants and staff. The Act also (1) required both professional and amateur contestants (in boxing, kick boxing, and MMA contests) to submit to a blood or urine test under specified conditions (generally to enable the commission to detect performance-enhancing drugs) and (2) gave the commission discretion in determining whether to sanction a contestant.

Amusement Attractions

The Amusement Ride Safety Inspection Program has as its primary function ensuring, to the extent possible, the safety of the public in the use of amusement rides and attractions erected permanently or temporarily at carnivals, fairs, and amusement parks throughout Maryland. Safety regulations for the maintenance and operation of these attractions are developed by the Amusement Ride Safety Advisory Board, which meets several times a year and provides valuable assistance in updating safety standards to better protect the public. An amusement ride or attraction may be operated in Maryland only if it has insurance and has been registered, inspected, and issued a certificate of inspection by DLLR.

The Safety Inspection Program within DLLR conducts approximately 4,000 certificate inspections of amusement rides and attractions each fiscal year, of which about one-third are for inflatable amusement attractions. Over the past several years, there have been several instances around the country, but none in Maryland, of inflatable attractions being blown over or carried by strong wind, often resulting in serious injuries to people inside the attractions as well as spectators on the ground. **Chapter 48 of 2012** exempted an inflatable amusement attraction from required annual inspections if the attraction is designed so that an individual on the attraction is lower than four feet above the ground. DLLR requires inflatable attractions to be secured during operation and advises operators not to use them in gusty wind; thus, DLLR has determined that these attractions pose a minimal risk to users.

Chapter 99 of 2011 altered the State Amusement Ride Safety Advisory Board membership to require that one member of the board represent amusement ride rental operators, reduce the number of consumer board members from four to three, and require the composition of the board to reflect the racial and gender composition of the State. **Chapter 224 of 2013** also impacted the board. The Act implemented recommendations of the full sunset evaluation conducted by DLS of the Division of Labor and Industry and its associated boards and councils.

In relevant part, the Act extended the termination date of the board for 10 years to July 1, 2024. For further discussion of *Chapter 224*, see the subpart “Labor and Industry” within this Part H.

Public Service Companies

During the 2011-2014 term, the General Assembly considered a number of legislative initiatives relating to public service companies, including offshore and onshore wind energy, service quality and reliability, contact voltage, renewable energy, and a gas infrastructure replacement surcharge.

Offshore Wind Energy

Whether and how to establish incentives for the development of an offshore wind farm in the waters off the coast of the State was a contentious issue in the General Assembly in the 2011 through 2013 sessions. After three years of discussion and negotiations, Administration-backed *Chapter 3 of 2013* supported a project of approximately 200 megawatts, which was substantially smaller than the 400- to 600-megawatt project proposed in 2011. Under the Act, State electricity sales must include an amount derived from offshore wind energy beginning in 2017 (colloquially known as a “carve out”). The amount is to be set by the Public Service Commission (PSC) each year based on the projected annual creation of offshore wind renewable energy credits (ORECs) by qualified offshore wind projects and may not exceed 2.5% of total retail sales.

The Act established an application and review process by PSC for proposed offshore wind projects. Among many other conditions, PSC may not approve a plan for a proposed offshore wind project unless the projected maximum rate impacts for both residential and nonresidential electric customers do not exceed \$1.50 per month for an average residential customer and 1.5% for a nonresidential customer.

Projected Rate Impact

The incremental cost associated with the offshore wind energy carve-out will be absorbed by all electric customers and allocated to different rate classes by PSC. The rate increase will be calculated on a per-kilowatt-hour basis, where the projected rate impact, combined with the rate impact of other qualified projects, does not exceed \$1.50 per month (in 2012 dollars) for an average residential customer, assuming an average monthly usage of 1,000 kilowatt-hours. However, a particular customer’s bill will increase by more than \$1.50 per month if the customer uses more than 1,000 kilowatt-hours during that period. Similarly, a customer who uses less than 1,000 kilowatt-hours will be charged less.

Proposed Project Application

An initial application process may begin after PSC adopts implementing regulations by July 1, 2014. In addition to certain siting and interconnection requirements, a proposed offshore wind project must submit an application to PSC for approval to be a qualified offshore wind project. An application must include a detailed description and financial analysis of the project

and the proposed method of financing the project, including documentation demonstrating that the applicant has applied for all current State and federal grants and other forms of cost offsets or tax advantages. The application must also contain a cost-benefit analysis, which must include, among other things:

- a detailed input-output analysis of the impact of the project on income, employment, wages, and taxes in the State, with an emphasis on in-state manufacturing employment;
- detailed information concerning assumed employment impacts in the State, including expected duration of employment and salaries;
- an analysis of the anticipated environmental benefits, health benefits, and environmental impacts of the project to the citizens of the State; and
- an analysis of any impact on residential, commercial, and industrial ratepayers over the life of the project.

The application also must include a proposed OREC pricing schedule for the project, setting a price for the generation attributes of the offshore wind energy, including the energy, capacity, ancillary services, and environmental attributes. Further, the application must include a decommissioning plan for the project, a plan for engaging small businesses through June 2016, a commitment to abide by specified minority business requirements, and a commitment to deposit at least \$6.0 million into the Maryland Offshore Wind Business Development Fund (described in more detail below) over about two years. Further, the applicant must commit to use best efforts to apply for all available State and federal grants and other forms of cost offsets or tax advantages, and to pass on to ratepayers, without subsequent PSC approval, 80% of the value of any future State and federal grants and other benefits received that are not included in the application.

Project Evaluation and Approval

PSC is required to contract the services of independent consultants and experts in evaluating and comparing applicants' proposed projects. PSC must evaluate the project on the following criteria, among others:

- lowest cost impact on ratepayers of the price set under a proposed OREC pricing schedule;
- the extent to which the cost-benefit analysis submitted by the applicant demonstrates positive net economic, environmental, and health benefits to the State; and
- siting and project feasibility.

PSC may not approve an application unless (1) the proposed project demonstrates positive net economic, environmental, and health benefits to the State; (2) the projected net rate

impact, combined with the rate impact of other qualified projects, does not exceed \$1.50 per month for an average residential customer in 2012 dollars, *and* does not exceed 1.5% of nonresidential customers' total annual electric bills, over the duration of the proposed OREC pricing schedule; and (3) the price set in the proposed OREC pricing schedule does not exceed \$190 per megawatt-hour in 2012 dollars.

In addition, PSC may not approve an application until the Governor's Office of Minority Affairs, in consultation with the Office of the Attorney General, and the applicant, has established a clear plan for setting minority business goals and related procedures. The Governor's Office of Minority Affairs, in consultation with the Office of the Attorney General, must provide assistance to all potential applicants and potential minority investors.

An order issued by PSC approving a proposed project must (1) specify the OREC price schedule, which may not authorize an OREC price greater than \$190 per megawatt-hour in 2012 dollars; (2) specify the duration of the OREC pricing schedule, which cannot exceed 20 years; (3) specify the number of ORECs the project may sell each year; (4) provide that payment may not be made for an OREC until electricity supply is generated by the project, and that ratepayers, purchasers of ORECs, and the State are held harmless for any cost overruns associated with the project; and (5) require that any debt instrument issued in connection with a qualified project include language specifying that the debt instrument does not establish a debt, obligation, or liability of the State. The order vests the owner of the qualified project with the right to receive payments for ORECs according to the terms established in the order.

Maryland Offshore Wind Business Development Fund and Advisory Committee

The Act established a Maryland Offshore Wind Business Development Fund and a Maryland Offshore Wind Business Development Advisory Committee in the Maryland Energy Administration (MEA). The stated purposes of the fund are to (1) provide financial assistance, business development assistance, and employee training opportunities to emerging businesses in the State, including minority-owned businesses, in order to prepare them to participate in the emerging offshore wind industry and (2) encourage emerging businesses in the State to participate in the emerging offshore wind industry. MEA may use the fund to carry out the purposes of the fund and for implementation costs.

The advisory committee was required to provide written recommendations to MEA by December 31, 2013, and updated recommendations by December 31, 2014, on the most effective use of the money in the fund, including specified information relating to emerging businesses and business activities in the State. The advisory committee terminates after submitting the updated recommendations on December 31, 2014.

The Clean Energy Program Task Force and the Clean Energy Technical Education Task Force

The Act established a Clean Energy Program Task Force to study, make recommendations, and report on the feasibility of establishing a terminal degree or certificate program in clean energy at (1) Bowie State University; (2) Coppin State University; (3) Morgan

State University; and/or (4) the University of Maryland Eastern Shore. In addition, the Act established a Clean Energy Technical Education Task Force to study the programs and course offerings in the area of clean energy, with particular emphasis on wind energy, and identify areas in which additional programs and course offerings should be offered at one or more of a list of specified community colleges and similar institutions in the State. Both task forces must report their findings and recommendations to the Governor and the General Assembly by July 31, 2014.

Wind Turbine Siting Requirements

The Patuxent River Naval Air Station (NAS) was commissioned in 1943 to consolidate air testing facilities. One of the station's primary functions is air and ground testing and evaluation. The station has a large air test range and is equipped to determine the radar signatures of aircraft so that potential weaknesses and vulnerabilities can be mitigated before an aircraft is deployed in combat. The U.S. Department of the Navy has expressed concerns relating to the potential of large wind turbines to interfere with the station's radar systems. The General Assembly addressed the Navy's concerns in 2012 and 2014, which were balanced against the concerns of environmental stakeholders.

To initially address this issue and to ensure that the Navy remained a stakeholder in the siting process of land-based wind turbines, ***Chapters 643 and 644 of 2012*** required a Certificate of Public Convenience and Necessity (CPCN) review for the construction of small land-based wind energy projects within 46 miles of NAS, as determined by regulations adopted by PSC in coordination with the Navy (large projects are already subject to CPCN review). The distance determined by regulation must not be greater than necessary to encompass an area in which utility-scale wind turbines could create Doppler radar interference for missions at NAS. The distance requirement under the regulation was subject to modification if necessary to reflect changes in missions or technology at the station or to changes in wind energy technology.

However, in light of ongoing concerns – even with the passage of the 2012 legislation – the General Assembly sought to *temporarily* prohibit construction of all wind turbines considered to have the potential to create radar interference. Specifically, ***House Bill 1168 of 2014 (passed)*** would have prohibited PSC from approving a CPCN for the construction of a wind energy project that included any wind turbine exceeding specified heights within a 56-mile radius measured from NAS, with height limitations in sectors described by ranges and bearings, before July 1, 2015. The bill was vetoed on May 16, 2014.

Service Quality and Reliability

Major Outage Events Focus Regulatory Attention on Electric Reliability

Several major outage events have occurred in the State in recent years, prompting incremental legislative changes to enhance electric service quality and reliability. For example, several violent thunderstorms hit the Pepco service territory on July 25, August 5, and August 12, 2010, causing power outages to 297,000, 75,000, and 98,000 customers, respectively. On January 26, 2011, a winter storm caused 126,000 peak customer outages in the Baltimore Gas

and Electric (BGE) service territory and 190,000 peak customer outages in the Pepco service territory.

In June 2012, a “derecho” storm severely disrupted electrical service to a large portion of the State, especially in the BGE and Pepco service territories. High sustained wind speeds with gusts in excess of 65 miles per hour (mph) resulted in downed trees, broken telephone poles, and damaged electric distribution infrastructure. BGE and Pepco each experienced over 750,000 total customer outages, with maximum concurrent interruptions of over 400,000 customers each – significantly higher than any other recent major outage event.

Later that year, in October 2012, Hurricane Sandy made landfall near Atlantic City, New Jersey. Much of Maryland experienced sustained wind speeds in excess of 35 mph, with gusts ranging from 55 to 65 mph. Many areas in the State received between four and six inches of rain, and some areas on the Eastern Shore received double that, while some areas in Western Maryland received approximately two feet of snow. Despite these totals, customer outages were fewer and of shorter duration, on average, than those related to the June 2012 storm.

Service Quality and Reliability Standards Established for Electric Companies

Subsequent to the major storms of 2010 and 2011, *Chapters 167 and 168 of 2011* required PSC to adopt regulations by July 1, 2012, implementing service quality and reliability standards for the delivery of electricity to retail customers by electric companies. The Acts established a State goal that each electric company provide high levels of service quality and reliability in a cost-effective manner and that each electric company be held accountable if it fails to deliver reliable service. The Acts specified requirements for the regulations and required PSC to convene a stakeholder workgroup to provide recommendations regarding the regulations. The regulations had to include service quality and reliability standards, including those relating to (1) service interruptions; (2) downed wire response; (3) customer communications; (4) vegetation management; (5) periodic equipment inspections; and (6) annual reliability reporting. Electric companies were required to submit annual performance reports for evaluation by PSC.

Beginning in 2013, each electric company was required to submit a yearly performance report to PSC, and PSC was to determine whether each electric company had met the service quality and reliability standards. The Acts required PSC to take corrective action, including imposition of civil penalties, against electric companies, other than electric cooperatives, that failed to meet any or all of the applicable service quality and reliability standards.

In 2012, PSC adopted comprehensive service quality and reliability regulations pursuant to the 2011 legislation. Among many other requirements, the regulations required electric companies to implement vegetation management programs that must address several technical requirements such as tree pruning and removal; vegetation management around poles, substations, and overhead lines; vegetation management along rights-of-way; inspection of vegetation management; public education and notice; and debris management. In order to avoid a patchwork of local policies that might interfere with achievement of the statewide reliability requirements, *Chapter 122 of 2013* prohibited a local government from adopting or enforcing a

local law, rule, or regulation, or taking any other action that interfered with, or materially increased the cost of the work of an electric company toward, compliance with the PSC's vegetation management standards.

Continuing the emphasis on electric reliability, *Chapter 581 of 2014* established the Electric Reliability Remediation Fund to provide resources for targeted remediation efforts to improve electric service quality and reliability of the worst performing electric distribution lines in the State. PSC administers the fund, which consists of revenue collected from civil penalties assessed against electric companies for violations of service quality and reliability standards, money appropriated in the State budget, and any other source. The fund may only be used for eligible reliability measures.

Electric Reliability for Vulnerable Populations

The recent major outage events have also highlighted the unique needs of the State's vulnerable populations during a disruption of electric service. *Chapter 670 of 2013* required the Secretary of Health and Mental Hygiene, by January 1 of each year, to (1) establish and provide a list of "special medical needs facilities" to each electric company for its service territory; (2) post the list on the Department of Health and Mental Hygiene's website; and (3) establish a procedure to allow a special medical needs facility to remove its information from the list. The Act also required each electric company to submit certain information related to special medical needs facilities in its annual performance report to PSC. In addition, the Act expanded the scope of an existing PSC workgroup and required PSC to report to the General Assembly by December 1, 2013, on specified findings and recommendations related to electric service to special medical needs facilities.

Contact Voltage

Contact voltage occurs when an exposed object or surface is inadvertently energized, often by underground wiring. Contact voltage has caused deaths in many states, including Maryland. On May 5, 2006, 14-year-old Deanna Camille Green was electrocuted by 277 volts on a fence in Baltimore City. In October 2011, PSC adopted regulations that required electric companies to establish voltage survey plans, conduct contact voltage surveys, use best efforts to mitigate any contact voltage discovered, and submit a yearly compliance report to PSC. *Chapters 624 and 625 of 2012* codified the regulations and required PSC to submit a report to the General Assembly by January 1, 2013, on the progress of the implementation of the Acts and the associated regulations.

Renewable Energy Portfolio Standard

The General Assembly considered many bills over the course of the term to modify the State's Renewable Energy Portfolio Standard (RPS). The majority of these proposals were not adopted. Nevertheless, Maryland's RPS as of 2014 differs significantly from its original form, particularly in relation to percentage requirements, qualifying electric technologies, and the

inclusion of thermal energy technologies. Although also part of the changes to RPS, the Administration-backed offshore wind legislation is discussed separately above.

History and Context

Maryland's RPS was enacted in 2004 to facilitate a gradual transition to renewable sources of energy. RPS operates on a two-tiered system with carve-outs for solar energy and offshore wind energy and corresponding renewable energy credits (RECs) for each tier. RPS requires that Tier 1 renewable sources generate specified percentages of the State's electricity supply each year, gradually increasing to a minimum of 20%, including 2% from solar sources, by 2022. The Tier 2 requirement remains constant at 2.5% each year until ending after 2018.

Generally, a REC is a tradable commodity equal to one megawatt-hour of electricity generated or obtained from a renewable energy generation resource. In other words, a REC represents the "generation attributes" of renewable energy – the lack of carbon emissions, its renewable nature, etc. A REC has a three-year life during which it may be transferred, sold, or redeemed. RECs are classified as Tier 1 or Tier 2, depending on the energy source. Solar and offshore wind are accounted for separately but are considered part of Tier 1.

Tier 1 sources include wind (onshore and offshore); qualifying biomass; methane from anaerobic decomposition of organic materials in a landfill or wastewater treatment plant; geothermal; ocean, including energy from waves, tides, currents, and thermal differences; a fuel cell that produces electricity from a Tier 1 renewable source; a small hydroelectric plant of less than 30 megawatts; poultry litter-to-energy; waste-to-energy; refuse-derived fuel; and thermal energy from a thermal biomass system. Tier 1 Solar sources include photovoltaic cells and residential solar water heating systems commissioned in fiscal 2012 or later. Tier 2 includes only large hydroelectric power plants. **Exhibit H-2** details the requirements and associated Alternative Compliance Payments (ACPs).

Exhibit H-2
Marland’s Renewable Energy Portfolio Standard – Annual Specifications

Compliance Year	<u>Percentage of Retail Sales</u>				<u>Alternative Compliance Payments</u>		
	<u>Tier 1 Total*</u>	<u>Tier 1 Solar*</u>	<u>Tier 1 Offshore Wind*</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 1 Solar</u>	<u>Tier 2</u>
2010	3.025%	0.025%		2.50%	\$20	\$400	\$15
2011	5.00%	0.05%		2.50%	40	400	15
2012	6.50%	0.10%		2.50%	40	400	15
2013	8.20%	0.25%		2.50%	40	400	15
2014	10.30%	0.35%		2.50%	40	400	15
2015	10.50%	0.50%		2.50%	40	350	15
2016	12.70%	0.70%		2.50%	40	350	15
2017	13.10%	0.95%	≤2.50%	2.50%	40	200	15
2018	15.80%	1.40%	≤2.50%	2.50%	40	200	15
2019	17.40%	1.75%	≤2.50%	-	40	150	-
2020	18.00%	2.00%	≤2.50%	-	40	150	-
2021	18.70%	2.00%	≤2.50%	-	40	100	-
2022	20.00%	2.00%	≤2.50%	-	40	100	-
2023+	20.00%	2.00%	≤2.50%	-	40	50	-

*Note: Tier 1 Solar and Offshore Wind requirements are part of the Tier 1 Total percentage requirement. ACPs are expressed as \$/megawatt-hour, or \$/REC, equivalents.

Source: Department of Legislative Services

Electricity

In terms of qualifying electric sources, Maryland’s RPS was most changed during this term by the inclusion of offshore wind (discussed above) and waste-to-energy as Tier 1 renewable sources and the acceleration of solar percentage requirements.

Solar: Maryland continues to move toward its Tier 1 Solar RPS goals. *Chapters 583 and 584 of 2012* accelerated the solar portion of RPS beginning in calendar 2013 and continuing through 2019, making the goal of 2% by 2020, instead of by 2022. Additionally, to facilitate the transfer of solar renewable energy credits (SRECs) from small solar installations to electricity suppliers, *Chapter 115 of 2012* removed a 15-year minimum duration requirement for contracts for the purchase SRECs between an electricity supplier and a renewable on-site generator with a capacity not exceeding 10 kilowatts.

Waste-to-energy: *Chapter 519 of 2011* altered RPS to designate electricity from qualifying “waste-to-energy” sources as Tier 1 rather than Tier 2. The Act also added refuse-derived fuel as a Tier 1 renewable source. Refuse-derived fuel is created from municipal solid waste by finely shredding the material before combustion. Under the Act, a waste-to-energy or refuse-derived fuel facility has to be connected with the electric distribution grid serving Maryland in order to be eligible for inclusion in meeting Tier 1 RPS, but is eligible for inclusion in meeting Tier 1 RPS regardless of when the facility was placed in service. These facilities, an alternative to disposal of trash in landfills, must comply with clean air standards.

Thermal Energy

Maryland’s RPS was originally designed to apply to electricity, not thermal energy. However, over the course of the term, the General Assembly considered and ultimately included multiple thermal renewable energy sources in RPS, based on the idea that these renewable sources substitute for other traditional electrically powered equipment.

Solar Water Heating: The U.S. Department of Energy indicates that solar water heating is one of the most cost-effective ways to incorporate renewable technologies into a building and that a typical residential solar water heating system reduces the need for conventional water heating by about two-thirds. *Chapters 407 and 408 of 2011* were Administration-supported bills that established solar water heating systems as a Tier 1 renewable source eligible to meet the Tier 1 Solar portion of the RPS. An owner of a solar water heating system installed on or after June 1, 2011, receives SRECs equal to the amount of electricity saved by using a solar water heating system. The revenue from SRECs reduces installation costs and provide a meaningful benefit to both households and small businesses that purchase these systems.

Geothermal Energy: In the following year, *Chapters 556 and 557 of 2012* allowed the heat output of certain geothermal heating and cooling systems, converted from British Thermal Units (BTUs) to kilowatt-hours, to substitute for the electricity use it displaced in the form of RECs. Revenue from the sale of RECs attributable to geothermal heating and cooling systems promotes their installation in much the same way as for solar water heating systems.

Thermal Biomass Energy: There are generally two ways to produce energy with a thermal biomass system: directly burning the biomass for fuel (thermochemical), or anaerobic digestion to convert waste solids to methane, which can then be burned to produce thermal energy. *Chapter 635 of 2012* defined energy from certain thermochemical and anaerobic digestion thermal biomass systems as a Tier 1 renewable source and as eligible for inclusion in meeting the RPS. Owners of eligible systems in Maryland receive RECs for the amount of energy generated by the system, converted from BTUs to kilowatt-hours. Again, revenue from the sale of RECs promotes the installation of these systems.

Gas Infrastructure Replacement Surcharge

History and Context

PSC regulates gas distribution companies, including monitoring retail competition and customer choice, to ensure that safe, reliable, and affordable gas service is provided. Rates charged by a gas distribution company are specified in the company's tariff and are approved through PSC order. Through the ratemaking process, a gas distribution company is allowed to charge just and reasonable rates for the regulated services it renders. Under traditional ratemaking, if a gas distribution company incurs a cost to upgrade natural gas infrastructure and the company seeks to recover those costs, it is done retrospectively through a base rate proceeding. However, public service companies under increasing pressure to increase infrastructure investment and reliability have sought separate surcharges, also known as "trackers," to recover certain costs prior to or concurrent with infrastructure upgrades.

The surcharge mechanism was initially met with skepticism by PSC. From 2009 through 2012, PSC declined to authorize at least five requests for surcharge mechanisms by public service companies, including those for gas infrastructure cost recovery. In contrast to those decisions, according to a 2012 report by the American Gas Association, as of March 2012, 19 states had full (as opposed to partial) infrastructure cost recovery mechanisms for gas companies.

Legislation to Establish Gas Infrastructure Replacement Surcharge Framework

The General Assembly considered this contentious issue over three consecutive legislative sessions. After significant debate and enhancements to consumer protection provisions from those originally proposed in 2011, *Chapter 161 of 2013* authorized gas distribution companies to file a plan with PSC requesting authorization to include a surcharge on customer bills to recover in advance certain costs associated with proposed eligible infrastructure replacement projects. PSC has since authorized gas infrastructure replacement surcharges for BGE and Washington Gas.

The Act established a limit for the surcharge that may be imposed of \$2 per month for each residential gas customer. The surcharge for a nonresidential customer must not be less than the fixed annual surcharge applicable to a residential customer account but also must be capped. To create a surcharge cap for all customer classes, costs must be allocated to nonresidential and residential customers consistent with the proportions of total distribution revenues that those classes bear in accordance with the most recent base rate proceeding for the gas distribution company. Gas distribution companies may only recover a portion (carrying costs) of the total costs of eligible infrastructure replacement projects through the surcharge. Gas distribution companies are allowed to recover the remaining costs as depreciation costs in their rate bases (and earn a rate of return on the new infrastructure) over at least 30 years.

PSC may approve a plan if it found that the investments and estimated costs of eligible infrastructure replacement projects are reasonable and prudent and designed to improve public safety or infrastructure reliability over the short and long term. The surcharge applies for

five years from the date of initial implementation of an approved plan. Unless a plan is filed in conjunction with a base rate case, PSC may not consider any unrelated revenue requirement or ratemaking issue when reviewing a plan for approval or denial. Any adjustments for return on equity based on an approved plan may only be considered and determined in a subsequently filed base rate case.

A gas distribution company is required to file a reconciliation to an approved plan with PSC each year to adjust the amount of the surcharge in order to account for any difference between the actual cost of a plan and the actual amount recovered under the surcharge. A gas distribution company is required to provide a refund on customers' bills, including interest, if the actual cost of a plan is less than the amount collected under the surcharge. If PSC established new base rates for a gas distribution company that included costs on which a surcharge was based, the company is required to file a revised rate schedule with PSC that subtracted those costs from the surcharge.

Insurance Other than Health Insurance

During the 2011-2014 term, the General Assembly passed legislation generally relating to property and casualty insurance, including notice requirements, bundling, certificate of insurance forms, and underwriting periods. In addition, a number of measures passed related specifically to motor vehicle insurance, uninsured motorist coverage, uninsured drivers, the Maryland Automobile Insurance Fund, and premium financing. Additionally, passed legislation impacted homeowner's insurance, legal professional liability insurance, various types of limited lines insurance, title insurance, life insurance, and surplus lines insurance. Also, the General Assembly altered laws based on the National Association of Insurance Commissioners' regulatory models and made other changes for the regulation of insurers and required a study of captive insurers. Lastly, passed measures altered the regulation of several insurance professionals and strengthened the insurance fraud laws.

Property and Casualty Insurance – In General

Requirements for Notices

Delivery of Notices by Electronic Means: Chapters 259 and 260 of 2011 authorized an insurer to deliver by electronic means any notice to a party (an applicant, insured, or policyholder) related to cancellations, nonrenewals, premium increases, or reductions in coverage if (1) the party has affirmatively consented to that method of delivery and has not withdrawn the consent; (2) the process used to obtain consent meets the requirements of the Maryland Uniform Electronic Transactions Act; and (3) the party is provided, before giving consent, with a clear and conspicuous statement informing the party of specified rights and other information about the scope of the party's consent. Delivery of a notice in accordance with the Acts is considered equivalent to any delivery method, including first-class mail, certified mail, certificate of mail, or certificate of mailing, required under Title 27, Subtitle 6 (Cancellations, Nonrenewals, Premium Increases, and Reductions in Coverage) of the Insurance Article. The

Acts defined “delivered by electronic means” to include (1) delivery to an electronic mail address at which a party has consented to receive notice and (2) posting on an electronic network, together with separate notice to a party directed to the electronic mail address at which the party has consented to receive notice of the posting.

Notices of Renewal Premium Increases: Generally, if an insurer seeks to increase the premium on a renewal policy, the insurer is required to send notice to the named insured and any insurance producer at least 45 days prior to the renewal date of the policy. **Chapters 472 and 473 of 2012** exempted insurers that issue policies of commercial insurance and workers’ compensation insurance from this requirement if the renewal policy premium is (1) in excess of \$1,000 and (2) an increase over the expiring policy premium of the lesser of 3% or \$300.

Notices Sent by First-class Mail Tracking Methods: **Chapter 364 of 2014** altered the manner in which insurers are required to notify an insured (1) of the rescission, cancellation, nonrenewal, or termination of an insurance policy or binder for property or casualty insurance; (2) of an increase in the total premium for a policy of private passenger motor vehicle insurance; (3) of the offer of specified coverage for water damage under a homeowner’s insurance policy; (4) that a standard homeowner’s insurance policy does not cover losses from flood and of specified information about flood insurance; (5) of optional additional coverage not included in a standard homeowner’s insurance policy; and (6) of specified information about coverage under a policy of portable electronics insurance. Under the Act, these notices may be sent by a “first-class mail tracking method,” which was defined in the Act as a mail tracking method that provides evidence of the date that a piece of first-class mail was accepted for mailing by the U.S. Postal Service.

Insurance Bundling

Chapters 269 and 270 of 2013 prohibited an insurer from denying, refusing to renew, or canceling homeowner’s insurance or renter’s insurance coverage for an applicant or a policyholder solely because the applicant or policyholder does not carry private passenger motor vehicle insurance with the insurer or another insurer in the same insurance holding company system. Similarly, the Acts prohibited an insurer from denying, refusing to renew, or canceling private passenger motor vehicle insurance coverage solely because the applicant or policyholder does not carry homeowner’s insurance or renter’s insurance coverage with the insurer or another insurer in the same insurance holding company system. Under **Chapters 269 and 270**, an applicant or policyholder is not prohibited from bundling homeowner’s insurance or renter’s insurance and private passenger motor vehicle insurance policies if the applicant or policyholder desires to do so. Additionally, an insurer may offer discounts or other incentives to applicants or policyholders who choose to bundle homeowner’s insurance or renter’s insurance and private passenger motor vehicle insurance policies.

Certificates of Insurance and Certificate of Insurance Forms

Chapters 514 and 515 of 2011 prohibited a person from requiring an insurer or insurance producer to prepare or issue, or a policyholder to provide, a certificate of insurance that contains false or misleading information relating to the policy of insurance referenced in the certificate. A

person is prohibited from preparing or issuing a certificate of insurance that the person knows contains false or misleading information or that purports to amend, alter, or extend the coverage provided by the policy of insurance referenced in the certificate. The Acts defined a “certificate of insurance” as any document or instrument, however titled or described, that is prepared or issued by an insurer or an insurance producer as evidence of property insurance or casualty insurance coverage. A certificate of insurance does not include a policy of insurance or an insurance binder. A certificate of insurance or any other document prepared, issued, or required in violation of *Chapters 514 and 515* is void and unenforceable.

Chapters 479 and 480 of 2012 required a certificate of insurance form to be filed with and approved by the Maryland Insurance Commissioner. The Acts required the Commissioner to disapprove a certificate of insurance form if the form (1) is unjust, unfair, misleading, or deceptive or violates public policy; (2) fails to comply with the requirements specified in the Acts; or (3) violates any law or any regulation adopted by the Commissioner. The Acts also prohibited a person from altering or modifying an approved certificate of insurance. The Commissioner must adopt regulations to carry out the statutory provisions governing certificates of insurance, including regulations that establish an approval process for certificate of insurance forms.

Discovery of Material Risk Factor during Underwriting Period

A binder or policy of personal insurance, commercial property insurance, or commercial liability insurance is subject to a 45-day underwriting period beginning on the effective date of coverage. During this underwriting period, an insurer may cancel the binder or policy if the risk does not meet the underwriting standards of the insurer.

Chapter 253 of 2012 required an insurer that discovers a material risk factor during the 45-day underwriting period to recalculate the binder or policy premium based on the material risk factor if the risk continues to meet the underwriting standards of the insurer in accordance with the insurer’s rates and supplementary rating information filed with the Commissioner. The Act defined “material risk factor” as a risk factor that (1) was incorrectly recorded or not disclosed by the insured in an application for insurance; (2) was in existence on the date of the application; and (3) modified the premium charged on the binder or policy in accordance with the rates and supplementary rating information filed by the insurer under Title 11, Subtitle 3 of the Insurance Article. An insurer that recalculates a risk based on the discovery of a material risk factor must provide specified written notice of its action to the insured. At the time of application or when a binder or policy is issued, an insurer also must provide written notice of its ability to recalculate the premium from the effective date of the policy during the underwriting period.

Rescission of Policy or Binder – Dishonor of Remittance: Chapters 626 and 627 of 2012 authorized an insurer to rescind a policy or binder of personal automobile insurance if the initial premium payment for the policy or binder is made by a check or other remittance that is not honored on presentation to the financial institution where the check or other remittance is drawn. To rescind a policy or binder, an insurer is required to send, immediately or the next business

day after receipt of a notice that the check or other remittance was not honored, written notice to the applicant and any secured creditor, by certificate of mail and, if available, by electronic means, to the applicant's or secured creditor's last known address. The notice must state that the policy or binder is rescinded as of its proposed effective date because the applicant's check or other remittance was not honored and that no coverage is in effect under the policy or binder. An insurer may rescind a policy or binder if the applicant's initial premium payment is not honored only if the insurer has disclosed to the applicant at the time of application that no coverage will be in effect if the initial premium payment is not honored.

Motor Vehicle Insurance

Motor Vehicle Insurance – In General

Standards for Cancellation or Refusal to Underwrite or Renew Policies: Generally, an insurer or insurance producer may not cancel or refuse to underwrite or renew a particular insurance risk or class of risk except by the application of standards that are reasonably related to the insurer's economic and business purposes. Therefore, if an insured files a protest against an insurer's adverse decision to cancel or refuse to renew a policy based on a behavior of the insured, the insurer must introduce statistical proof that continuing to insure the insured will materially adversely affect the insurer's bottom line.

Maryland insurance law, however, establishes a number of standards that are reasonably related to an insurer's economic and business purposes and that do not require statistical validation. For private passenger motor vehicle insurance, these standards include conviction of the named insured or covered driver of an offense relating to driving or attempting to drive any vehicle while (1) under the influence of alcohol or under the influence of alcohol *per se*; (2) impaired by drugs, or a combination of drugs and alcohol; or (3) impaired by a controlled dangerous substance. ***Chapter 89 of 2011*** expanded the list of standards by authorizing insurers to cancel or refuse to underwrite or renew a particular insurance risk or class of risk if the insured is convicted of a violation relating to driving or attempting to drive any vehicle while impaired by alcohol.

Uninsured Motorist Coverage – Consent to Settlement: All motor vehicle insurance policies issued, sold, or delivered in the State are required to include coverage for damages and injuries caused by uninsured motor vehicles. If an injured person receives a written offer from a motor vehicle insurance liability insurer to settle a claim for bodily injury or death, and the amount of the settlement offer would exhaust the bodily injury or death limits of the applicable liability insurance policies, the injured person is required to send a copy of the liability insurer's written settlement offer to any insurer that provides uninsured motorist coverage for the bodily injury or death.

Within 60 days after receipt, the uninsured motorist insurer is required to send written consent to or refusal of acceptance of the settlement offer to the injured person. If the uninsured motorist insurer refuses consent, it must pay to the injured person the amount of the settlement offer within 30 days after the refusal, but such payment preserves the uninsured motorist

insurer's subrogation rights against the liability insurer and its insured. **Chapters 268 and 269 of 2012** authorized uninsured motorist insurers to consent to settlements by persons claiming uninsured motorist benefits without the consent (1) limiting their right to raise any issue relating to liability or damages in an action against the insurer or (2) constituting an admission by the insurer as to any issue raised in an action against the insurer.

Personal Injury Protection Coverage: Unless waived by the first named insured, an insurer that issues a policy of motor vehicle liability insurance in the State is required to provide personal injury protection (PIP) coverage for individuals injured in a motor vehicle accident. The minimum medical, hospital, and disability benefits under PIP coverage include up to \$2,500 for payment of all reasonable and necessary expenses that arise from a motor vehicle accident and are incurred within three years after the accident for specified services and lost income. PIP coverage is payable regardless of who is at fault in an accident.

Chapter 111 of 2013 prohibited an insurer that issues a motor vehicle liability insurance policy that contains PIP coverage from increasing the premium on the policy due to a claim or payment made under the PIP coverage. The Act defined "increase the premium" to include an increase in the total premium for a policy due to a surcharge, a retiering or other reclassification of a policy, or the removal or reduction of a discount. The insurer is required to provide the policyholder with written notice of this prohibition. By prohibiting an insurer from increasing the premium on a motor vehicle liability insurance policy because a claim or payment has been made under the PIP coverage, the Act prevents a consumer from being penalized for making a claim under no-fault coverage.

Definition of "Premium" for Purposes of Insurance Law: Generally, a person may not willfully collect a premium or charge for insurance that is different than the applicable premium or charge for that kind of insurance under the classifications and rates filed with and approved by the Maryland Insurance Commissioner or set by the insurer. Most motor vehicle insurers include the costs of obtaining and reviewing driving records and accident history reports in the premium structure that is filed with the Maryland Insurance Administration (MIA). However, some insurers have required their insurance producers to pay for the records separately, and the producers may or may not pass along the charges as separate items to their insureds, depending on whether or not the prospective insured actually purchases the product after it is priced, even though the cost is included in the policy when issued. To address this situation, **Chapter 169 of 2014** expanded the definition of "premium" for the purposes of State insurance laws to include a driving record report fee and an accident history report fee.

Task Force to Study Methods to Reduce the Rate of Uninsured Drivers: Chapter 41 of 2014 established the Task Force to Study Methods to Reduce the Rate of Uninsured Drivers. According to the Motor Vehicle Administration (MVA), approximately 4.8 million vehicles are registered in Maryland, and approximately 4.5% of those vehicles have insurance compliance issues. The task force must study and make recommendations regarding (1) the rate of uninsured drivers in the State and other states and the ways in which the rate is calculated by MVA and other entities; (2) the deterrents and incentives that are used in the State and in other states, or that could be used in the State, to reduce the rate of uninsured drivers; and (3) methods to lower

the cost of insurance, as a way to reduce the rate of uninsured drivers and promote economic and job opportunities associated with vehicle ownership. A preliminary report with findings, recommendations, and any proposed legislation is due by December 31, 2014, and a final report is due by December 31, 2015.

Maryland Automobile Insurance Fund

Operational Changes: The Task Force to Study Maryland Insurance Programs of Last Resort was established by *Chapter 408 of 2012* to study, among other issues, potential benefits to the State from the affiliation of one or more of the State-created insurers of last resort, including the Maryland Automobile Insurance Fund (MAIF), the Injured Workers' Insurance Fund (IWIF) (which was converted to the Chesapeake Employers Insurers' Company (CEIC) under *Chapter 570 of 2012*, effective October 1, 2013), the Maryland Health Insurance Plan, and the Joint Insurance Association. During a November 2012 meeting, MAIF presented various operational differences between itself and IWIF which, if changed, would align MAIF more closely with IWIF, potentially easing any affiliation between the two insurers of last resort. In January 2013, the task force recommended to the General Assembly that many of the operational changes be made. For a detailed discussion of *Chapter 570*, see the subpart "Workers' Compensation" within this Part H.

As recommended by the task force, *Chapters 73 and 74 of 2013* made numerous operational changes to MAIF that are intended, in part, to align MAIF more closely with IWIF/CEIC, including changes in the number, terms, and method of appointment of members of the MAIF Board of Trustees and the manner in which the MAIF Executive Director is appointed.

Fund Producers – Commissions: *Chapter 336 of 2012* authorized MAIF to determine the rate of commission MAIF's Insured Division must pay to a fund producer of a policyholder to whom a policy is issued. Under the Act, the commission rate for private passenger auto insurance must be between 10% and 15% of the total premium, instead of at a rate of 10%. The Act also required MAIF to report by October 1, 2014, to specified legislative committees on MAIF's implementation of a commission payment structure that provides commissions between 10% and 15% to fund producers. The report must provide information on whether and how the commission payment structure has (1) incentivized fund producers to use advanced electronic technology; (2) incentivized fund producers to devote resources to retain policyholders; (3) resulted in administrative cost savings for MAIF; and (4) resulted in fewer uninsured motorists.

Uninsured Division – Maximum Payment Amounts: The Uninsured Division of MAIF exists to compensate, if specified conditions are met, qualifying individuals who file accident-related claims against unidentified, disappearing, or unavailable and uninsured vehicles.

Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. The required insurance must provide for the payment of claims for bodily injury or death arising from an accident of up to \$30,000 for any one person and up to \$60,000 for any two or more persons, in addition to interest and costs.

Chapter 460 of 2012 increased the maximum amount MAIF's Uninsured Division is authorized to pay on authorized unsatisfied claims arising from an injury or death of one individual from \$20,000 to \$30,000 and one or more individuals from \$40,000 to \$60,000, exclusive of interest and costs. The Act also increased the amount allocated to MAIF from fines levied by the Motor Vehicle Administration against uninsured drivers beginning in fiscal 2014.

Acceptance of Premium Payments on Installment Basis: Chapter 334 of 2013 authorized MAIF to accept premiums on an installment payment basis on 12-month personal lines policies if specified requirements are met and the Maryland Insurance Commissioner approves. When considering whether to approve MAIF's installment payment plan, the Commissioner must ensure that the plan:

- for a total annual premium of less than \$3,000, requires an insured's initial premium payment to be at least 25% of the total annual premium and offers no more than six installment payments on the 12-month policy;
- for a total annual premium of \$3,000 or more, requires an insured's initial premium payment to be at least 20% of the total annual premium and offers no more than eight installment payments on the 12-month policy; and
- allows MAIF to impose an administrative processing fee of up to \$8 per installment payment.

MAIF is prohibited, under the Act, from discriminating among insureds by charging different premiums based on the payment option selected by an insured. Any written and electronic communications, including MAIF's website, affecting the placement of coverage by MAIF or a fund producer must include a statement advising an applicant or insured of the payment options available to the applicant or insured.

The Act also required the Executive Director of MAIF, in consultation with the Commissioner and appropriate State agencies, to develop criteria for evaluating the effectiveness and impact of MAIF's installment payment plan. MAIF must prepare a report on the effectiveness and impact of the plan for the prior year and, on or before October 1, 2015, submit the report to the Commissioner, who must submit a report on MAIF's findings to the Senate Finance Committee and the House Economics Matters Committee on or before December 31, 2015.

Installment Payment Plan – Prepayment Discount: Since February 2012, MAIF has offered a discount to policyholders who pay their premiums in full. MAIF reports that policyholders who pay in full generally remain insured for the entire year, and the discount reduces MAIF's administrative costs related to rewriting policies and collecting multiple payments. Although the Commissioner approved this discount, the Commissioner expressed concern that MAIF may not be able to offer the discount under the language of **Chapter 334**, which stated, "[t]he Fund may not discriminate among insureds by charging different premiums based on the payment option selected by an insured."

Chapter 9 of 2014 clarified that MAIF may not discriminate by charging different premiums to insureds when they select MAIF's installment payment plan instead of a premium finance agreement. The Act clarified legislative intent and preserved the ability of MAIF to continue offering a 5% discount to those who prepay their policy premium in full rather than paying through an internal or external installment plan.

Premium Financing

In addition to authorizing MAIF to accept premiums on an installment basis, as previously discussed, **Chapter 334 of 2013** made numerous changes to the laws governing premium financing.

Premium Financing Agreements: **Chapter 334** added notification requirements in a premium finance agreement, including a notification about the calculation of finance charges, and authorized a premium finance company to enter into a premium finance agreement that includes the costs of a motor club service contract.

Finance Charges: Under the Act, a finance charge under a premium finance agreement must be computed in an amount not exceeding the sum of 1.15% for each 30 days of the loan, computed in advance. An insured must receive a refund of a finance charge if the insurance contract is cancelled or the insured prepays the loan in full at any time. The Act authorized the premium finance company to earn the finance charge on the first day of each 30-day period.

Cancellation Charges and Electronic Payment Fees: The Act authorized a premium finance agreement to impose a cancellation charge on or after the effective date stated in the notice of cancellation or on or after the cancellation effective date stated in the notice of intent to cancel. The Act increased the amount of a possible cancellation charge for private passenger automobile or personal fire or liability insurance by an additional dollar for each calendar year after 2014, increasing from \$15 in calendar 2014, to \$20 in calendar 2019 and each subsequent year. A premium finance company also is authorized to charge an electronic payment fee if the insured elects to pay by electronic check.

Motor Club Service Contracts: Under **Chapter 334**, a premium finance company may not impose a finance charge or any other charge on any payment for the purchase price of a motor club service contract. The Act required an insurance producer, or an employee or agent of the insurance producer, who directly or indirectly has an ownership interest in a motor club to provide a disclosure to be signed by the insured informing the insured of any interest the insurance producer, employee, or agent has in the motor club.

Assignment of Rights and Obligations: For private passenger motor vehicle insurance and personal insurance, **Chapter 334** authorized a premium finance company to (1) assign all rights and obligations under a premium finance agreement to another premium finance company registered with the State or (2) pledge a premium finance agreement as collateral for a loan.

For commercial automobile, fire, or liability insurance, the Act authorized a premium finance company to (1) assign all rights and obligations under a premium finance agreement to

another person if the premium finance agreement expressly confers the right to assign all rights and obligations under the premium finance agreement or (2) pledge a premium finance agreement as collateral for a loan. If the premium finance company assigns rights and obligations, it must retain the obligation to service the premium finance agreement or assign the obligation to another finance company registered with the State.

If a premium finance company assigns obligations to service a premium finance agreement, the insured must receive specified notice. The provisions of the Act on assignment of rights and obligations terminate on June 30, 2015.

MIA is required to keep track of complaints received from consumers who have had all rights and obligations assigned under premium finance agreements for commercial automobile, fire, or liability insurance and to report any findings and recommendations to the Senate Finance Committee and the House Economic Matters Committee on or before December 31, 2014.

Homeowner's Insurance

Model Information – People's Insurance Counsel

If an insurer uses a catastrophic risk planning model or other model in setting homeowner's insurance rates or refusing to issue or renew homeowner's insurance because of the geographic location of the risk, the insurer must (1) file with the Maryland Insurance Commissioner a description of the specific model used and (2) make arrangements for the vendor of the model to explain to the Commissioner the data used in the model and the manner in which the output is obtained. The information contained in the filings is proprietary and confidential commercial information protected under the State Government Article.

Chapter 154 of 2011 required an insurer that uses a catastrophic risk planning model or other model to set homeowner's insurance rates or refuse to issue or renew a homeowner's policy because of the geographic location of the risk to make arrangements for the vendor of the model to explain to the People's Insurance Counsel the data used in the model and the manner in which the output is obtained. The People's Insurance Counsel must maintain the confidentiality of any proprietary and confidential commercial information it has obtained.

Victims of Crimes of Violence – Discrimination Prohibited

Under Maryland law, an insurer or insurance producer may not (1) refuse to underwrite or require special conditions, facts, or situations as a condition to its acceptance of a particular insurance risk or class of risk for a reason based on race, color, creed, sex, or blindness of an applicant or policyholder or for any arbitrary, capricious, or unfairly discriminatory reason or (2) refuse to underwrite a particular insurance risk or class of risk except for reasons reasonably related to the insurer's economic and business purposes. Furthermore, an insurer offering policies of life insurance or health insurance is prohibited from discriminating against a person based on the person's status as a victim of domestic violence.

Chapters 445 and 446 of 2011 expanded these protections against discrimination by prohibiting an insurer, based solely on information about an individual's status as a victim of a crime of violence, from (1) canceling, refusing to underwrite or renew, or refusing to issue a policy of homeowner's insurance; (2) refusing to pay a claim under a policy of homeowner's insurance; or (3) for a policy of homeowner's insurance, increasing a premium, adding a surcharge, applying a rating factor, retiering a policy, removing a discount, or taking any other adverse underwriting or rating action. Additionally, if a policy of homeowner's insurance excludes property coverage for intentional acts, an insurer may not deny payment for a loss to a victim who (1) is an innocent coinsured; (2) did not commit, cause to be committed, or direct the crime of violence leading to the loss; and (3) cooperates in any criminal investigation and, if undertaken, any prosecution of the perpetrator. In the event of a violation, the Commissioner may order the insurer to accept the risk or business.

Notice about Cancellation or Nonrenewal on Basis of Number of Claims

Chapter 699 of 2012 required an insurer that offers homeowner's insurance in the State to provide to an applicant or insured, at the time of application for or issuance of a policy and at each renewal, a specified written notice that states that, in addition to other reasons allowable under Maryland law, the insurer may cancel or refuse to renew coverage on the basis of the number of claims made by the policyholder within the preceding three-year period. The notice also must state that the cancellation or refusal to renew may be based on (1) three or more weather-related claims within the preceding three-year period; (2) one or more weather-related claims made within the preceding three-year period if the insurer has provided written notice to the insured for reasonable or customary repairs or replacement specific to the property that the insured failed to make and that, if made, would have prevented the loss; and (3) a change in the physical condition or contents of the property that increases the hazard insured against and that, if present and known to the insurer before issuance of the policy, would have caused the insurer to refuse to issue the policy.

Anti-concurrent Causation Clauses

An anti-concurrent causation (ACC) clause in a homeowner's insurance policy states that a loss caused by a combination of covered and noncovered events will not be covered. An ACC clause may apply to sequential-cause situations and concurrent-cause situations. ACC clauses have been present in homeowner's insurance policies for several years but only recently have been used with regularity.

Chapter 383 of 2013 required an insurer that issues a policy of homeowner's insurance in the State that contains an ACC clause to provide a policyholder each year with a specified notice. The required notice must (1) be clear and specific; (2) describe the ACC clause; (3) inform the insured to read the policy for complete information on the exclusions; and (4) state that the insured should communicate with the insurance producer or insurer for additional information regarding the scope of the exclusions.

Policy Exclusions for Specific Breeds or Mixed Breeds of Dogs

Chapter 406 of 2013 applied to an insurer that offers a homeowner's insurance or renter's insurance policy in the State that excludes coverage for losses caused by specific breeds or specific mixed breeds of dogs. The Act required the insurer, at the time of application for or issuance of a policy of homeowner's insurance or renter's insurance, and at each renewal, to provide to an applicant or insured a written notice that (1) states that the policy does not provide coverage for losses caused by specific breeds or specific mixed breeds of dogs and (2) identifies the specific breeds or specific mixed breeds of dogs for which the policy does not provide coverage.

Legal Professional Liability Insurance

The Legal Mutual Liability Insurance Society of Maryland (Society) was established in 1986 as a nonstock corporation by the General Assembly as a direct result of the efforts of the Maryland State Bar Association to provide Maryland attorneys with an accessible, stable, and affordable market for lawyers' professional liability insurance. The Society is a member of the Property and Casualty Insurance Guaranty Corporation (Guaranty Corporation), a private, nonstock, and nonprofit organization created by the General Assembly in 1971 and the insurer of last resort for property and casualty insurance in the State.

Since the inception of the Society, many other liability insurers have entered the Maryland market, offering affordable legal professional liability insurance to lawyers in the State. At the present time, the Society has no active insurance policies in force. For these reasons, it is desirable to wind up the affairs of the Society and transfer its remaining policies and assets to another insurer. In 2006, the Society entered into a management agreement with Minnesota Lawyers Mutual Insurance Company (Minnesota Mutual) in which Minnesota Mutual assumed responsibility for the day-to-day operations of the Society. Minnesota Mutual is a "bar-related" insurance company domiciled in Minnesota that offers lawyers' liability insurance, also known as malpractice insurance, in 15 states, including Maryland.

Chapter 354 of 2014 appointed Minnesota Mutual as conservator to wind up the affairs of the Society and transfer any remaining assets and liabilities of the Society to the Guaranty Corporation. The Act required that on January 1, 2016, or the termination date of the conservatorship, whichever comes first, all net remaining assets and liabilities of the Society must be transferred to the Guaranty Corporation. During the conservatorship, Minnesota Mutual must report periodically and provide specified public notice on the progress of the conservatorship and transfer of the Society's assets and liabilities.

Limited Lines Insurance

Travel Insurance

Chapter 15 of 2014 modernized Maryland law governing travel insurance. The Act defined "travel insurance" as insurance coverage for personal risk incident to planned travel, including (1) interruption or cancellation of a trip or an event; (2) loss of baggage or personal

effects; (3) damage to accommodations or a rental vehicle; or (4) sickness, accident, disability, or death occurring during travel, if issued as incidental to other coverage.

The Act authorized the Maryland Insurance Commissioner to issue a limited lines license to an individual or business entity that sells travel insurance. The Act also authorized a travel retailer to offer and disseminate travel insurance on behalf of and under the license of a limited lines travel insurance producer if specified requirements are met. Among other requirements for the offer and dissemination of travel insurance by a travel retailer, the Act required the limited lines travel insurance producer or travel retailer to provide specified written information to a purchaser of travel insurance. A travel retailer must make available to a prospective purchaser of insurance brochures or other written materials that provide specified information, such as explaining that a travel retailer may only provide general information about the insurance.

Under the Act, the limited lines travel insurance producer also must maintain a register of each travel retailer that offers and disseminates insurance on the producer's behalf and require each employee or authorized representative of the travel retailer to receive a program of instruction or training, which is subject to review by the Commissioner. A travel retailer may receive compensation when listed on a register maintained by the limited lines travel insurance producer. A travel retailer may not, however, compensate an employee or authorized representative in a manner that is based primarily on the number of customers who purchase insurance.

Finally, *Chapter 15* required the Commissioner to (1) keep track of complaints from consumers regarding the offering and dissemination of travel insurance by travel retailers and their employees and authorized representatives; (2) determine whether and how travel retailers, their employees, and their authorized representatives should be compensated for offering and disseminating travel insurance; and (3) report to the Senate Finance Committee and the House Economic Matters Committee on or before January 1, 2017.

Self-service Storage Insurance

Chapter 174 of 2014 established a new limited lines license to sell coverage to occupants at a self-service storage facility for the loss of or damage to stored personal property that occurs at the facility. The Act authorized an owner of a self-service storage facility and the owner's designated responsible producer to obtain a self-service storage producer limited lines license. An owner may not sell self-service storage insurance unless the owner, as a business entity, holds a self-service storage producer limited lines license and has a designated responsible producer. The Act required the Maryland Insurance Commissioner to issue a license to an owner and to a designated responsible producer who meets specified requirements.

Among other requirements under the Act, a self-service storage producer must make available to prospective occupants brochures or other written materials that summarize the material terms of the coverage offered and disclose specified information. As a condition of the sale of self-service storage insurance, the self-service storage producer must require an occupant to acknowledge in writing the amount of coverage of the policy purchased.

Employees or authorized representatives of a self-service storage producer may act on behalf of and under the supervision of a self-service storage producer if the employee or authorized representative receives training that covers specified matters about insurance coverage. The designated responsible producer is responsible for the acts of the employees and authorized representatives who sell limited lines insurance on behalf of the owner of the storage facility. The designated responsible producer also must maintain a register of employees or authorized representatives who offer the self-service storage insurance.

Under the Act, an insurer may compensate a self-service storage producer in a manner that is dependent on the sale of insurance. The producer also may compensate an employee or authorized representative who offers or sells self-service storage insurance if the compensation is incidental to the employee's or authorized representative's overall compensation and not dependent on the sale of insurance.

The Commissioner is required to (1) keep track of complaints from consumers relating to the offering and sale of self-service storage insurance by self-service storage producers and their employees and authorized representatives; (2) determine how self-service storage producers, their employees, and their authorized representatives should be compensated for offering and selling self-service storage insurance; and (3) report to the Senate Finance Committee and the House Economic Matters Committee on or before January 1, 2017.

Portable Electronics Insurance

Chapters 316 and 317 of 2009 established a regulatory framework for portable electronics insurance coverage – policies that provide for the replacement of portable electronic devices that are lost or stolen. *Chapters 601 and 602 of 2012* amended various provisions of the portable electronics insurance law.

The Acts authorized a vendor of portable electronics that bills and collects a premium from a covered customer for coverage under a policy of portable electronics insurance to maintain the premium in a segregated account under specified circumstances. If portable electronics insurance coverage is included in the price of the purchase or lease of portable electronics or related services, the vendor is required to provide clear and conspicuous written notice to the customer that the coverage is included in the price.

The Acts required a vendor to provide the Commissioner with a sworn application for a limited lines license in order to sell or offer to sell coverage under a policy of portable electronics insurance to a customer. The Acts also required the supervising entity to maintain a registry of all vendor locations that are authorized to sell or offer portable electronics insurance coverage in the State. The registry must be open for inspection and examination within 10 days after a request by the Commissioner. In addition, the Acts required that specified disclosures provided to customers at vendor locations must state that, in the event of a cancellation of coverage, any unearned premium will be refunded to the person paying the premium in accordance with applicable law.

If any required training program the vendor provides for an employee or authorized representative who sells coverage to customers is conducted in electronic form, the Acts required the supervising entity to implement a supplemental education program about the portable electronics insurance product. The supplemental education program must be conducted and overseen by licensed insurance producers employed by the supervising entity.

Finally, the Acts altered the notice requirements related to an insurer or vendor terminating or changing the terms of a policy.

Chapter 525 of 2013 prohibited a portable electronics vendor, or an authorized representative of the vendor, from using the sale of portable electronics insurance as the sole basis for an employee's compensation. This provision terminates September 30, 2017. The Act also altered the disclosures required to be provided to customers by a licensed vendor at each location where a portable electronics insurance policy is offered or sold. Under the Act, the vendor must disclose the key terms and conditions of coverage rather than the major features of any exclusions, conditions, or other limitations of coverage.

Finally, **Chapter 525** required the Commissioner to (1) keep track of complaints from customers regarding the sales practices of vendor employees at point of sale; (2) determine how vendor employees should be compensated for offering and selling portable electronics insurance; and (3) report to the Senate Finance Committee and the House Economic Matters Committee on or before January 1, 2017.

Title Insurance

Study of Closing or Settlement Protection Practices

In response to monetary losses by consumers, title insurers, mortgage lenders, and other parties resulting from theft, misappropriation, or misuse of funds held in escrow by title insurance producers, **Chapter 683 of 2012** required the Maryland Insurance Commissioner to (1) study closing or settlement protection practices of the title insurance industry and (2) make recommendations for changes to these practices.

Commitments and Sample Policy Forms

Chapters 318 and 319 of 2014 established that a title insurance commitment or sample policy form (1) is a written statement of the terms and conditions on which a title insurer is willing to issue a policy of title insurance if it accepts a premium for the policy; (2) is not a representation as to the state of title; and (3) does not constitute an abstract of title. This information must be included in the written notice delivered to a buyer or the buyer's agent or attorney when a title insurer first accepts a premium.

The Acts were intended to address issues raised in *100 Investment L.P. v. Columbia Town Center Title Co.*, 430 Md. 197 (2013), one of many cases arising out of a double conveyance of the same tract in Howard County. The Acts did not seek to overturn the court's decision but

rather to clarify the terminology and intent of statutory disclosures regarding title insurance commitments on the one hand, and title insurance policies on the other.

Statutory or Unearned Premium Reserves

Chapters 350 and 351 of 2014 required a title insurer domiciled in the State to maintain a statutory or unearned premium reserve of an amount computed in a specified manner using the retained liability for title insurance contracts. During each of the 20 years following the year in which a contract is issued, the reserves applicable to the contract must be reduced in equal 12-month installments in accordance with a specified formula.

Life Insurance and Annuities

Life Insurance – Definition and Permitted Riders and Provisions

Chapters 41 and 42 of 2011 expanded the definition of “life insurance” to include granting (1) additional benefits for a second opinion for specified health conditions; and (2) additional benefits that meet specified requirements and provide a lump-sum benefit for a specified disease. The Acts also authorized a life insurance policy to include a rider or supplemental policy provision that operates to safeguard the contract from lapse in the event of involuntary unemployment.

Retained Asset Accounts – Beneficiaries’ Bill of Rights

Retained asset accounts offer beneficiaries flexibility by allowing them time to decide what to do with the proceeds of a life insurance policy while earning interest on the proceeds. However, beneficiaries may be able to earn a higher rate of interest by selecting an alternate method of payout. Additionally, some insurers may charge administrative or maintenance fees for retained asset accounts and, if the account becomes inactive, it could escheat to a state unclaimed property fund.

Chapter 38 of 2011, based on the National Conference of Insurance Legislators’ Beneficiaries’ Bill of Rights model law for retained asset accounts, provided protections for beneficiaries of life insurance policies and annuity contracts who are offered a retained asset account as a settlement option. Under the Act, an insurer is prohibited from offering a retained asset account as the mode of settlement of proceeds payable under a life insurance policy or an annuity contract unless the insurer offers at least one other mode of settlement of proceeds and makes specified disclosures to the beneficiary, including (1) all the settlement options available under the policy or contract; (2) a recommendation to consult an advisor regarding tax liability and investment options; and (3) an explanation of the features of the retained asset account. An insurer is not required to provide the disclosures if (1) the insurer permits the beneficiary to file a claim for proceeds over the telephone; (2) the insurer does not require the beneficiary to file a death certificate or other paperwork to file the claim for proceeds; and (3) the beneficiary selects payment of a lump-sum check, payable directly to the beneficiary, as the settlement option during the telephone call in which the beneficiary files the claim for proceeds.

Comparison of Policies with Social Security Administration Master Death File

The Social Security Administration's (SSA) Death Master File contains over 89 million records of deaths. Each record contains, if possible, the deceased's Social Security number, name, date of birth, date of death, state or country of last residence, zip code of last residence, and zip code of lump sum payment.

In response to concerns that life insurers were using SSA's Death Master File to stop annuity payments once a contract holder dies rather than using the file to find beneficiaries who have yet to file a claim, *Chapter 171 of 2012* required an insurer that issues, delivers, or renews a life insurance policy or annuity contract in the State to perform, at least semiannually, a good-faith comparison of the insurer's in-force life insurance policies, annuity contracts, and retained asset accounts against the most recent Death Master File maintained by SSA or a comparable database or service. The purpose of the comparison is to identify any death benefit payments that may be due as a result of the death of an insured, annuitant, or retained asset account holder.

If a comparison results in a match with an insured, annuitant, or retained asset account holder, the insurer is required, within 90 days, to make a good-faith effort to confirm the death and locate any beneficiaries. The insurer may not charge for any fees or costs incurred in complying with the Act's requirements.

Surplus Lines Insurance

In 2010, the U.S. Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which includes the Nonadmitted and Reinsurance Reform Act of 2010 (NRRA). NRRA, which took effect July 21, 2011, requires states to pass legislation before this date in order to avoid any conflicts with federal law.

Chapters 520 and 521 of 2011 amended the Maryland Surplus Lines Insurance Law to comply with NRRA. For policies effective on or after July 21, 2011, (1) the placement and regulation of nonadmitted insurance is subject to the statutory and regulatory requirements solely of the insured's home state and (2) Maryland only may collect premium receipts tax payments and reports for nonadmitted insurance if Maryland is the home state of an insured. The Acts clarified that, for policies effective before July 21, 2011, the premium receipts tax must be computed according to the portion of property, risk, or exposures located or to be performed in the State. Maryland collects approximately \$12 million annually in premium receipts tax on surplus lines insurance.

Regulation of Insurers

National Association of Insurance Commissioners Model Acts

Maryland Insurance Acquisitions Disclosure and Control Act: The Maryland Insurance Acquisitions Disclosure and Control Act (Title 7 of the Insurance Article) is one of the cornerstones of insurance regulation. Regulatory controls included in the statute are designed to

address the causes of insurer solvency failures. The statute is based on the National Association of Insurance Commissioners (NAIC) model language and, therefore, includes safeguards similar to those in other states.

To adopt the most recent NAIC model revisions and ensure that Maryland has the latest regulatory tools in place, **Chapter 115 of 2013** made various changes to the Maryland statute, including:

- requiring a person seeking to acquire control of a domestic insurer, rather than the insurer, to file a preacquisition notification and a statement regarding the acquisition with the Maryland Insurance Commissioner;
- requiring prior notice of a proposed divestiture of control of a domestic insurer by a controlling person to be filed with the Commissioner;
- requiring a person seeking to acquire control of a domestic insurer to agree to provide the Commissioner with an annual enterprise risk report and specified information;
- beginning in 2015, requiring the ultimate controlling person of an insurer that is a member of an insurance holding company system to file with the Commissioner an annual enterprise risk report identifying specified material risks within the holding company system;
- setting the amount of time before a disclaimer of affiliation with domestic insurers becomes effective at 60 days after the time of filing if not disallowed by the Commissioner; and
- increasing and establishing fines and penalties for a violation of specified provisions of the Act.

The Act also authorized the Commissioner to participate in supervisory colleges, which are meetings of state, federal, and international regulatory agencies supervising insurers or their affiliates, and required insurers to be responsible for reimbursement of reasonable expenses for the Commissioner's participation.

Ceding Insurers and Reinsurance: Generally, an insurer may reinsure all or part of a particular risk. **Chapter 321 of 2013** made numerous changes to Maryland insurance laws governing reinsurance (Title 5, Subtitle 9 of the Insurance Article). These changes, which are consistent with the 2011 amendments to NAIC Model Law on Credit for Reinsurance, included:

- altering the requirements for a ceding insurer to be allowed credit for reinsurance;
- establishing requirements for the certification of assuming insurers domiciled in qualified jurisdictions and designation of qualified jurisdictions;

- establishing security and trust requirements for reinsured obligations and the handling of trusted surplus; and
- authorizing the Commissioner to take corrective and disciplinary actions under the circumstances specified in the Act.

Chapter 366 of 2014 made additional changes to Maryland laws relating to reinsurers. The Act required the Commissioner to consider the list of conditionally qualified jurisdictions published through the NAIC committee process in determining the qualified jurisdictions in the State under which an assuming insurer, licensed and domiciled in the jurisdiction, is eligible to be considered for certification as a reinsurer in the State. The Act also required the Commissioner, in determining whether a jurisdiction is a qualified jurisdiction, to consider the NAIC list of conditionally qualified and qualified jurisdictions (1) when the jurisdiction has been evaluated for inclusion on the list and (2) whenever the list is amended.

The Act authorized the Commissioner to use information provided by the NAIC committee process, if an applicant for certification has been certified as a reinsurer by the insurance regulatory agency of a state accredited by NAIC, to designate the assuming insurer as a certified reinsurer in the State, assign a rating to the assuming insurer, or both.

Risk-based Capital Standards: The Risk Based Capital for Insurers Model Act is a model law developed by NAIC. **Chapter 385 of 2013** reflected updates made to the NAIC model as they related to fraternal benefit societies and company action level event criteria. **Chapter 385** required that a fraternal benefit society meet specified risk-based capital requirements and be subject to both a company action level event and a mandatory control level event. The Act also raised the minimum level of total adjusted capital that triggers a company action level event for a life insurer or fraternal benefit society.

Premiums and Charges – Administrative Expenses of Insurers

The administrative expenses submitted by an insurer to the Maryland Insurance Commissioner related to payment fees generally include the costs of accepting payments electronically. MIA reports that some insurers enter into agreements with electronic payment vendors under which all late payments must be made through that vendor. These vendors sometimes charge a fee for their services, which is in addition to the administrative fees already approved by the Commissioner and charged to the consumer.

Chapter 27 of 2014 required the Commissioner to review the cost of accepting late payments or installment payments by credit card, debit card, electronic funds transfer, or electronic check payment when reviewing the administrative expenses submitted by an insurer associated with late payment or installment payment of premiums. By reviewing these additional vendor costs, MIA can ensure that consumers are not charged twice for the same electronic payment service.

Study of Captive Insurers

Captive insurance, a type of alternative risk financing, is insurance or reinsurance provided by a company that is formed primarily to cover the assets and risks of its parent company. Generally, it is an “in-house” insurance company owned by the insured with a limited purpose and is not available to the public. The captive insurance may cover several types of risks, including product liability, physical property damage, and professional indemnity. Captive insurers are not allowed to domicile in Maryland. However, more than 30 states and the District of Columbia allow captives, with Vermont, Hawaii, Utah, South Carolina, and the District of Columbia having the most domiciled captives.

Chapter 407 of 2013 required MIA to examine methods to establish and properly regulate a captive insurer industry in the State. Among the issues that MIA must study are (1) the models of regulation of captive insurance industries in other states; (2) the potential benefits of hosting a captive insurance industry in the State; (3) the impact on the State and the domestic insurance industry; and (4) the need for different or additional consumer protections and financial controls for customers of captive insurers.

Regulation of Insurance Professionals

Public Adjusters

Public adjusters act as advocates on behalf of policyholders in appraising and negotiating insurance claims. Most public adjusters charge a fee that is a certain percentage of the settlement received by their client. The fee is paid by the policyholder, not the insurer, and the amount is often deducted from the settlement payments made by the insurer. MIA has received reports that some public adjusters in the State have been offering cash payments to insureds, which incentivizes the use of the services of the public adjuster and leads to increased costs for insurers.

To address this issue, *Chapter 24 of 2014* prohibited a person from paying, allowing, or giving, or offering to pay, allow, or give, directly or indirectly, any valuable consideration to an insured as an inducement to use the services of a public adjuster.

Insurance Producers

Generally, a licensed insurance producer must successfully complete 24 credit hours of continuing education each renewal period. Continuing education courses are submitted to the Maryland Insurance Commissioner for approval or disapproval. *Chapter 377 of 2013* prohibited the Commissioner from disapproving a continuing education course for insurance producers solely on the basis of the methodology or technology used to deliver instruction to individuals taking the course. The Act also authorized all insurance producers required to meet continuing education requirements for renewal of their licenses to obtain all or part of the required continuing education credits through correspondence courses or online courses approved by the Commissioner.

Bail Bondsmen

Chapters 243 and 244 of 2012 authorized bail bondsmen to accept installment payments for a bail bond premium, a practice that generally had not been regulated. Under the Acts, if a bail bondsman agrees to accept installment payments, the bail bondsman must (1) include specified information in the installment agreement; (2) secure a signed affidavit of surety by the defendant or the insurer containing the same information included in the installment agreement and provide it to the court; (3) take all necessary steps, including any debt collection remedies provided by law, to collect the total amount owed; (4) keep and maintain records of all collection attempts, installment agreements, and affidavits of surety; and (5) certify each year to the Commissioner that the maintained records are accurate and true.

A bail bondsman must keep and maintain the records required under the Acts in an office that is generally accessible to the public during normal business hours and make the records available for inspection by the Commissioner. If a bail bondsman violates any provision of the Acts, the Commissioner may take specified actions authorized under the Insurance Article.

Insurance Fraud

Insurance fraud has a far-reaching effect on consumers and the national economy, in large part due to the massive size of the insurance industry. The Federal Bureau of Investigation (FBI) estimates that the thousands of insurers in the United States collect nearly \$1 trillion in premiums each year and lose approximately \$40 billion due to insurance fraud. These costs are passed on to consumers, resulting in higher premiums; in fact, the FBI reports that such costs may raise yearly premiums by as much as \$700 per household. Over the course of the term, the General Assembly passed several bills intended to address the problem of insurance fraud.

Fraud Violations

Civil and Criminal Actions: Chapter 26 of 2014 established that a criminal prosecution for engaging in insurance fraud may be brought in any county in the State in which specified occurrences related to the fraud take place. The Act authorized the Maryland Insurance Commissioner to impose administrative penalties and order restitution when one or more of the occurrences related to fraud takes place in the State. The Act also authorized a criminal or civil fraud action for all related violations to be joined in the same action if insurance fraud is determined to have occurred in any of the locations where an action for insurance fraud may be brought.

Investigations and Administrative Penalties: Under Maryland insurance law, acts of insurance fraud are subject to criminal penalties. *Chapters 588 and 589 of 2012* established a mechanism to deal with insurance fraud short of criminal prosecution. The Acts required the Fraud Division of MIA to investigate allegations of civil fraud. On a showing by clear and convincing evidence that a fraudulent insurance act has occurred, the Commissioner may impose an administrative penalty of up to \$25,000 for each act of insurance fraud and order restitution to an insurer or self-insured employer of any insurance proceeds paid relating to a fraudulent insurance claim. If an administrative penalty is not paid after all rights of appeal have been

waived or exhausted, the Commissioner may bring a civil action in a court of competent jurisdiction to collect the penalty.

Suspected Fraud: Chapters 590 and 591 of 2012 provided that a person is not subject to civil liability for a cause of action by virtue of reporting suspected insurance fraud, or furnishing or receiving information relating to suspected, anticipated, or completed fraudulent insurance acts, if (1) the report was made or the information was furnished to or received from specified persons or entities and (2) the person or entity acted in good faith when making the report or furnishing or receiving the information.

Fraudulent Insurance Acts

Paying or Offering to Pay Deductible: Chapter 311 of 2013 prohibited a contractor who offers home repair or remodeling services for damages to a private residence caused by weather from directly or indirectly paying or otherwise compensating an insured, or offering or promising to pay or compensate an insured, with the intent to defraud an insurer, for any part of the insured's deductible under a property or casualty insurance policy, if payment for the services will be made from the proceeds of the policy. A violation of the Act is a fraudulent insurance act, subject to criminal penalties.

Individual Sureties: Except in specified circumstances, a person may not act as an insurer and an insurer may not engage in the insurance business in the State unless the person has a certificate of authority issued by the Commissioner. In November 2010, MIA issued a bulletin stating that the certificate of authority requirement includes providing surety insurance or directly or indirectly acting as an insurance producer or otherwise assisting an unauthorized insurer.

Chapters 299 and 300 of 2012 established that it is a fraudulent insurance act for an individual surety to solicit or issue a surety bond or contract of surety insurance. An "individual surety" was defined in the Acts as a person that issues surety bonds or contracts of surety insurance and does not have a certificate of authority issued by the Commissioner. This fraudulent insurance act, however, does not apply to (1) contractors who are authorized to submit individual surety bonds to meet the requirements for bid and performance bonds on certain State projects and (2) uncompensated bail bondsmen operating in circuit courts. A violation of the Acts is a felony subject to a specified fine or imprisonment or both if the claim or act that is the subject of the fraud has a value of \$300 or more, or a misdemeanor subject to a specified fine or imprisonment or both if the claim or act that is the subject of the fraud has a value of less than \$300.

Horse Racing and Gaming

During the 2011-2014 term, the General Assembly passed legislation that authorized the use of certain video lottery terminal (VLT) revenues by racetracks for operating expenses and extended State regulation of the horse racing industry by an additional 10 years. The General Assembly also passed legislation authorizing a video lottery facility in Prince George's County

and table games at video lottery facilities (subject to voter approval), the continued operation and new regulation of specified electronic gaming machines, and an expansion of the organizations that may operate gaming machines for charitable purposes.

Horse Racing

Distribution of Video Lottery Revenues

Certain VLT proceeds go to the Purse Dedication Account (PDA) to fund thoroughbred and standardbred purses and bred funds in the State and to the Racetrack Facility Renewal Account (RFRA) to fund racetrack capital construction and improvement projects. *Chapter 412 of 2011* altered the distributions and uses of PDA and RFRA to provide operating assistance to thoroughbred and standardbred racing licensees in calendar 2012 and 2013. Laurel Park and Pimlico Race Course were awarded up to \$6.0 million per year in both calendar 2012 and 2013 from RFRA to support a minimum of 146 live racing days in each year. *Chapter 412* also authorized Ocean Downs Race Course and Rosecroft Raceway to each receive up to \$1.2 million from PDA to support a minimum of 40 live racing days in calendar 2012. *Chapter 303 of 2012* extended this \$1.2 million annual operating assistance distribution for Ocean Downs Race Course and Rosecroft Raceway through calendar 2015.

Under the original VLT law, 7.0% of VLT proceeds were dedicated to PDA and 2.5% of VLT proceeds were dedicated to RFRA. *Chapter 1 of the Second Special Session of 2012* reduced the percentage of VLT revenues distributed to PDA from 7.0 to 6.0% upon the issuance of a video lottery operation license in Prince George's County, which is currently expected to occur in mid-2016. *Chapter 1* also reduced the percentage of VLT revenues distributed to RFRA from 2.5 to 1.75%, with the percentage to be further reduced to 1.0% upon the issuance of a video lottery operation license in Baltimore City (currently expected to occur in the third quarter of 2014).

Maryland Horse Racing Act

Chapter 434 of 2014 extended the termination date for the Maryland Horse Racing Act by 10 years to July 1, 2024, and requires the Department of Legislative Services (DLS) to conduct an evaluation of the Maryland Racing Commission, the Maryland-Bred Fund Advisory Committee, and the Standardbred Race Fund Advisory Committee by December 15, 2021.

Gaming

Implementation of VLTs and Table Games

2011 Session: Chapter 240 of 2011 made several changes related to the Allegany County video lottery facility location. *Chapter 240* increased the Allegany County video lottery operation licensee's share of the proceeds to 50% for the first 10 years of operations, reduced the maximum number of VLTs for the Allegany County facility from 1,500 to 1,000, and waived the initial license fee for up to 500 VLTs for the Allegany County operation license.

2012 Second Special Session: During a special legislative session in August 2012, the General Assembly passed comprehensive gaming legislation, ***Chapter 1 of the Second Special Session of 2012***, which included various provisions subject to voter approval by referendum at the November 2012 general election (Question 7). On November 6, 2012, the voters of Maryland approved Question 7.

Provisions Related to a VLT Facility in Prince George's County: With approval of Question 7, the Video Lottery Facility Location Commission was authorized to award a license for a video lottery facility in Prince George's County, which was awarded to MGM Resorts International in December 2013. Under ***Chapter 1***, upon the issuance of the Prince George's County video lottery operation license, the Anne Arundel County and Baltimore City licensees will receive an additional 8 and 7% of VLT revenues, respectively, for certain marketing and capital improvement allowances.

Table Games at Video Lottery Facilities: With approval of Question 7, video lottery operation licensees were permitted to offer table games. Under ***Chapter 1***, prior to the issuance of a Prince George's County video lottery operation license, 80% of table game revenues are distributed to licensees, and the Education Trust Fund (ETF) receives the remaining 20% of table game revenues. After the issuance of the Prince George's County license, the 20% distribution to ETF is reduced to 15%, and 5% of table game revenues are distributed to the local jurisdictions where VLT facilities are located.

Maximum Number of VLTs Statewide and Facility Hours of Operation: With approval of Question 7, ***Chapter 1*** authorized the maximum number of VLTs in the State to be increased from 15,000 to 16,500, and video lottery facilities were authorized to operate 24 hours per day, seven days a week.

Procurement of VLTs: Prior to the enactment of ***Chapter 1***, VLTs and associated equipment and software were owned or leased by the State. Under ***Chapter 1***, the Baltimore City and Prince George's County licensees were required to purchase or lease VLTs and related equipment at their respective facilities. Upon the expiration of the State's master contract with VLT manufacturers in March 2015, the licensees in Anne Arundel and Cecil counties will also be responsible for procuring their own VLTs. However, the State will continue to own and/or lease machines for the facilities in Allegany and Worcester counties, unless either licensee requests to procure its own VLTs.

Allegany and Worcester County Facilities – Distribution of VLT Licensee Proceeds: ***Chapter 1*** increased the Worcester County licensee share of VLT revenues from 33 to 43% of revenues generated at that facility beginning in fiscal 2014, subject to meeting certain annual capital improvement requirements. ***Chapter 1*** also increased the Allegany County licensee's share of VLT revenues after 10 years of operations from 33 to 43%, subject to meeting certain annual capital investment requirements.

State Lottery and Gaming Control Commission and Agency: ***Chapter 1*** reconstituted the nine-member State Lottery Commission as a seven-member State Lottery and Gaming Control Commission (SLGCC), within the renamed State Lottery and Gaming Control Agency

(SLGCA). The commission generally performs functions formerly carried out by the State Lottery Commission, as well as new functions specific to gaming including additional regulatory and research responsibilities.

2013 Session: Current law provides that money given away by a video lottery operation licensee as free promotional play for VLTs may be excluded from the statutory definition of proceeds. **Chapters 577 and 578 of 2013** expanded this exclusion to cover free promotional play at a table game.

Video Lottery License Requirements

Prior to the 2013 legislative session, the VLT law specified eight conditions that automatically disqualified an applicant from receiving a video lottery employee license. Among the reasons an applicant must be disqualified was a conviction for any crime involving moral turpitude or gambling under the laws of the United States or any state at any time. **Chapters 40 and 41 of 2013** altered this requirement so that an applicant must be disqualified for a license if the applicant has had a conviction, or is on active parole or probation for any crime involving moral turpitude or gambling within the prior seven years.

Chapter 622 of 2014 established a program to intercept certain video lottery facility prizes to satisfy child support arrearages. If an obligor who owes child support wins a prize at a video lottery facility requiring the issuance of Internal Revenue Service form W-2G, the video lottery facility must notify the obligor that it must withhold the prize, or a portion thereof, to satisfy the obligor's child support arrearage. **Chapter 622** does not apply to a prize won at a video lottery facility on or before June 1, 2015.

Chapter 173 of 2014 prohibited an individual younger than age 21 from (1) playing a table game or VLT in a video lottery facility or (2) entering or remaining in an area within a video lottery facility that is designated for table game or video lottery activities. A violator is subject to a citation and fine for the first and second offense and a fine and mandatory participation in gambling addiction treatment for a third or subsequent violation. Video lottery facility operators are also subject to penalties for allowing an individual younger than age 21 to enter a video lottery facility or play a table game or VLT.

Video Lottery Proceeds – Distribution of Local Impact Grants

Chapter 464 of 2014, the Budget Reconciliation and Financing Act (BRFA), contains a provision that alters the distribution of local impact grants from VLT revenues. The provision requires that \$500,000 annually in fiscal 2015 through 2019 from the grants provided to Baltimore City for capital projects surrounding Pimlico Race Course be redirected to Anne Arundel County, Howard County, and Laurel to help pay for facilities and services in communities within three miles of the Laurel Race Course.

State Lottery

Chapter 474 of 2008 prohibited certain gaming machines, primarily electronic bingo and tip jar machines, from operating after July 1, 2009. While Chapter 661 of 2009 extended this termination date to July 1, 2012, **Chapter 603 of 2012** made permanent the authority for existing qualified organizations and licensed commercial bingo licensees to operate electronic instant bingo machines that would have otherwise been illegal under State law after July 1, 2012. **Chapter 603** also required the SLGCC to certify and regulate the operation, ownership, and manufacture of certain electronic gaming devices and determine whether such devices are legal and lawfully operated.

Chapter 1 of the Second Special Session of 2012 increased State lottery agent commissions from 5.0 to 5.5% effective January 1, 2013, and further increased commissions to 6.0% upon the issuance of a video lottery operation license in Baltimore City. The BRFA of 2014 contained a provision that permanently established the regular commissions of licensed lottery sales agents at 5.5% of the agent's gross receipts from ticket sales.

Chapter 293 of 2014 establishes the Task Force to Study Lottery Revenue, with a focus on online sales and lottery agent commissions. **Chapter 293** also states that it is the intent of the General Assembly that the SLGCA not implement any new e-commerce related to lottery sales prior to the end of the 2015 legislative session.

Local Gaming

Chapter 315 of 2011 added Worcester County to the list of Eastern Shore counties in which eligible nonprofit fraternal, religious, and war veterans' organizations may own and operate up to five slot machines at its principal meeting hall.

Chapter 1 of the Second Special Session of 2012 authorized the SLGCC to issue certain veterans' organizations a license for up to five instant ticket lottery (pull tab) machines. Veterans' organizations in the Eastern Shore counties are not eligible to receive a license for these machines.

Economic Development

During the 2011-2014 term, the General Assembly focused its economic development efforts on job creation programs, science and technology initiatives, tax credits, regional programs and entities, and business development programs.

Job Creation

Invest Maryland Program

Chapter 409 of 2011 established the Invest Maryland Program, a State-supported venture capital program, and increased funding for the Enterprise Fund and the Maryland Small Business

Development Financing Authority within the Department of Business and Economic Development (DBED). Funding for the program is provided through tax credits against the insurance premium tax for insurance companies that make qualified contributions to the program. In order to make a qualified bid for tax credit certificates, an insurance company must request a minimum of \$1 million in tax credits and supply a bid of no less than 70% of the requested dollar amount of tax credits. The program will provide investment funds of approximately \$70 million. **Chapter 409** authorized DBED to award a maximum of \$100 million in tax credits, which may be claimed over five years beginning in tax year 2014.

Chapter 409 required cash or designated capital received from insurance companies to be deposited into the Enterprise Fund within DBED in three annual equal installments beginning June 1, 2012, allocated as follows: 67% to one or more venture firms to fund the making of qualified investments based on criteria set forth in the program and 33% to the Enterprise Fund. The measure further required capital allocated to the Enterprise Fund be divided as follows: \$250,000 to the Rural Maryland Council for its operational expenses; 75% of the remaining capital to fund the making of investments in qualified businesses in accordance with the policies and procedures of the Enterprise Fund; and 25% of the remaining capital to the Financing Authority Equity Participation Investment Program to be invested in qualified businesses in accordance with the policies and procedures of the Financing Authority. **Chapter 409** also established a nine-member Maryland Venture Fund Authority (MVFA) within DBED. MVFA's responsibilities include providing advice and consulting with DBED on program administration, selecting which venture firms receive designated capital, and ensuring the firms make required investments.

Chapter 175 of 2013 made several changes to the Enterprise Fund and the Invest Maryland Program by (1) altering the permissible uses and allocation of funds received by venture firms; (2) allowing DBED to acquire greater ownership interests; (3) clarifying insurance company restrictions related to ownership of venture firms; and (4) altering certain reporting requirements. The measure also limited the amount DBED may invest in a side car fund, defined as an entity controlled by or under common control with a venture firm that is formed solely for the purpose of investing alongside the venture firm.

For a more detailed discussion of the tax credit implications of the Invest Maryland Program, see the subpart "Miscellaneous Taxes" within Part B – Taxes of this *Major Issues Review*.

Maryland Jobs Development Act

Chapter 150 of 2013, the Maryland Jobs Development Act, required DBED to compile data and report annually on economic development programs administered by DBED, including certain economic and financial assistance programs and tax credit programs. The annual report must include data, if applicable, on the number of jobs created, the number of jobs retained, estimated State revenue generated, and any other information required through regulations. If a recipient of assistance from an economic development program is not meeting the requirements

of the program, *Chapter 150* required DBED to implement a process to assist the recipient in meeting the requirements.

Maryland Employment Advancement Right Now Program

Chapters 1 and 2 of 2013 established the Maryland Employment Advancement Right Now (EARN) Program within the Department of Labor, Licensing, and Regulation (DLLR) to create industry-led partnerships to advance the skills of the State's workforce, grow the State's economy, and increase sustainable employment for working families. DLLR must establish and administer the Maryland EARN Program to provide competitive grants for strategic industry partnerships and workforce and job readiness training programs. For a more detailed discussion of this issue, see the subpart "Labor and Industry" within this Part H.

Science and Technology

Maryland Innovation Initiative and Fund

Chapter 450 of 2012 established the Maryland Innovation Initiative and the Maryland Innovation Initiative Fund in the Maryland Technology Development Corporation (TEDCO) to promote technology transfer from Maryland's public and private nonprofit research institutions to the private sector. To qualify for participation in the initiative, the University of Maryland, College Park, the Johns Hopkins University, and the University of Maryland, Baltimore must each provide at least \$200,000 annually to the initiative to carry out the initiative's established purpose, which is generally to promote the commercialization of research conducted by universities in the State through strategic partnerships. Morgan State University (MSU) and the University of Maryland Baltimore County (UMBC) must each provide at least \$100,000 annually to the initiative. Funds may only be used to award grants to promote the commercialization of pertinent research and to pay the necessary administrative costs of the initiative. Only qualifying universities may submit proposals for grant funding from the initiative. *Chapter 450* also required the University System of Maryland (USM) and MSU to undertake high-impact economic development activities that support job creation and workforce development, technology transfer, commercialization and entrepreneurship, and increased sponsored research funding.

Life Sciences Advisory Board

The life sciences include biotechnology, pharmaceuticals, biomedical technologies, life systems technologies, food sciences, environmental sciences, and biomedical devices. Chapter 304 of 2007 established the 15-member Maryland Life Sciences Advisory Board in DBED. *Chapters 498 and 499 of 2012* increased the membership of the board to include 3 additional members with executive small business experience in the life sciences and stated that the purpose of the board is to recommend State and federal policies, priorities, practices, and legislation to expedite the creation of private sector jobs through the commercialization of life sciences research.

Economic Development Tax Credits

A number of measures passed over the course of the term created or expanded tax credits targeted toward generating new jobs and increasing economic growth in the State, and these measures are briefly discussed below. For a more detailed discussion of economic development tax credits and other tax credits, see the subpart “Income Tax” within Part B – Taxes of this *Major Issues Review*.

Job Creation Tax Credit

The job creation tax credit provides a tax credit to businesses that expand or establish a facility in Maryland that results in the creation of new jobs. The credit may be applied against only one of the following taxes in any given year: corporate or personal income, insurance premium, and public service franchise. The credit may be recaptured during any of the three taxable years following the claiming of the credit. The tax credit was scheduled to terminate January 1, 2014; however, ***Chapters 521 and 522 of 2012*** extended the termination date of the tax credit to January 1, 2020.

Maryland Biotechnology Investment Incentive Tax Credit

The Maryland Biotechnology Investment Incentive Tax Credit provides income tax credits equal to 50% of an eligible investment for investors in qualified Maryland biotechnology companies. This tax credit program offers incentives, up to \$250,000, for investment in seed and early stage biotech companies. For fiscal 2012 and 2013, \$8 million was provided annually for the Maryland Biotechnology Investment Tax Credit Reserve Fund. Funding was increased to \$10 million for fiscal 2014 and \$12 million for fiscal 2015.

Film Production Activity Tax Credit

Chapter 96 of 2005 established the Film Production Employer Wage Rebate Grant Program. ***Chapter 516 of 2011*** converted the rebate program into a tax credit program. The value of the subsidy to each qualifying film production entity is equal to 25% of the qualified direct costs of a film production activity and 27% of the qualified direct costs of a television series. DBED was authorized to award a maximum of \$7.5 million in credits in each fiscal year. If the amount of the tax credit exceeds the total tax liability in the tax year, the entity can claim a refund in the amount of the excess. In order for a film production entity to qualify for the tax credit, the estimated total direct costs incurred in the State must exceed \$500,000.

Chapter 28 of 2013 increased from \$7.5 million to \$25.0 million the total amount of tax credits DBED was authorized to award in fiscal 2014 to qualified film production entities under the film production activity tax credit, provided \$7.5 million in tax credits in each of fiscal 2015 and 2016, and extended the termination date of the credit established under ***Chapter 516*** by two years to July 1, 2016. ***Senate Bill 1051 of 2014 (failed)*** would have increased from \$7.5 million to \$18.5 million the total amount of tax credits DBED may award in fiscal 2015 to qualified film production entities under the film production activity tax credit. Under an agreement between the State and the House of Cards series producers, Media Rights Capital, the

show will receive a total of \$11.5 million in 2014. The amount is a combination of the 2014 tax credit and a General Assembly authorization of \$7.5 million in grants in the fiscal 2015 budget.

Research and Development Tax Credit

Individuals and corporations that incur qualified research and development expenses in Maryland are entitled to the Maryland Research and Development Tax Credit. There are two types of credits available: (1) a basic credit equal to 3% of the Maryland qualified research and development expenses paid during the tax year, up to the Maryland base amount; and (2) a growth credit equal to 10% of the Maryland qualified research and development expenses paid during the year that exceed the Maryland base amount. *Chapter 109 of 2013* expanded the existing research and development tax credit by increasing from \$6.0 million to \$8.0 million the aggregate amount of credits that DBED may approve in each calendar year. The aggregate amount included an increase of the amount of basic credits that may be awarded annually from \$3.0 million to \$4.0 million and an increase of the amount of growth credits that may be awarded from \$3.0 million to \$4.0 million. *Chapter 525 of 2014* further expanded the tax credit by increasing from \$8.0 million to \$9.0 million the aggregate amount of credits that DBED may approve in each calendar year. The amount of basic credits and growth credits that may be awarded annually was increased from \$4.0 million to \$4.5 million for each credit.

Cybersecurity Investment Incentive Tax Credit

Chapter 390 of 2013 created the Cybersecurity Investment Incentive Tax Credit, which is a tax credit against the State income tax for investments in qualified Maryland cybersecurity companies. The tax credit is equal to 33% of the qualified investment, not to exceed \$250,000, or the tax liability imposed in that year.

Regional Economic Development

Regional Institution Strategic Enterprise Zones

The Enterprise Zone tax credit program, established in 1982, is intended to encourage economic growth within economically distressed areas of the State and to increase employment of the chronically unemployed. As of September 2013, there were 30 enterprise zones in 12 counties and Baltimore City. The Secretary of Business and Economic Development may only designate an area as an enterprise zone if it is in a priority funding area and satisfies at least one criterion related to economic distress. *Chapters 530 and 531 of 2014* established the Regional Institution Strategic Enterprise (RISE) Zone Program to be administered by DBED. The purpose of the program is to access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located.

Under the measures, the Secretary may designate a regional higher education center, an institution of higher education, or a nonprofit organization affiliated with a federal agency as a qualified institution if the institution (1) has evidence of an intention to make a significant financial investment or commitment, use the resources and expertise of the institution to spur

economic development and community revitalization, and create a significant number of new jobs in an area that is proposed to become a RISE zone; (2) has demonstrated a history of community involvement and economic development within the communities that the institution serves; and (3) meets the minimum financial qualifications established by the Secretary.

A qualified institution may apply jointly with a county, municipal corporation, or the economic development agency of a county or municipal corporation to DBED for designation of an area as a RISE zone. RISE zones must be located in the immediate proximity to a qualified institution unless the proposed zone is located within a rural part of the State and an appropriate nexus for the increased economic and community development is established with the qualified institution. RISE zone designations are effective for five years, but DBED may extend this designation for an additional five years on request of the applicants. Qualifying business entities that locate in a RISE zone are entitled to a property tax credit, an income tax credit, and priority consideration for assistance from the State's economic development and financial assistance programs.

Baltimore Metropolitan Council

The Baltimore Metropolitan Council (BMC) is a regional council of governments for the area that includes Baltimore City and Anne Arundel, Baltimore, Carroll, Harford, and Howard counties. BMC serves as a forum for local officials and their representatives to identify and address problems in the region and assists local jurisdictions in developing regional policies, prioritizing regional infrastructure needs, and developing regional strategies. *Chapters 519 and 520 of 2014* increased the membership of BMC and expanded the purposes of BMC to include facilitating coordination and collaboration among local jurisdictions and organizations in the Baltimore region to foster regional economic growth and development in areas that include regional transportation, housing, workforce development, and renewable energy projects and usage. *Chapters 519 and 520* repealed the BMC Advisory Board and formally established the Baltimore Region Transportation Board in statute.

Northeastern Maryland Additive Manufacturing Innovation Authority

Additive manufacturing is a process in which thin horizontal slices of material are stacked progressively on top of one another to form a three-dimensional object. A well-known form of additive manufacturing is "3D printing," which is when a machine spreads layers of plaster or resin powder in a similar fashion to an inkjet printer and then binds them together.

Chapters 570 and 571 of 2014 establish both the Northeastern Maryland Additive Manufacturing Innovation Authority and the Northeastern Maryland Additive Manufacturing Innovation Fund. Two of the actions the authority is required to undertake are to (1) foster collaborative efforts, including public-private partnerships (P3) and memoranda of understanding, among government agencies, military installations, educational institutions, businesses, nonprofits, individuals, and other entities to share existing manufacturing infrastructure and other resources, cooperate in the development of new products and processes, and bridge gaps between research, product development, and the commercial application of new technologies; and (2) facilitate the involvement of Cecil and Harford counties public school

systems and specified institutions of higher education in developing and sustaining a skilled additive manufacturing workforce.

Business Development Programs

Military Personnel and Veteran-Owned Small Business No-Interest Loan Program

The Military Personnel and Service-Disabled Veterans No-Interest Loan Program was created in 2006 to assist military reservists and National Guard personnel called to active duty, service-disabled veterans, and businesses that employ or are owned by such individuals. Loans under the program were made for the purpose of (1) providing financial support to a business owned by a military reservist or National Guard member called to active duty or a small business that employs them; (2) making the home, motor vehicle, or place of employment of a service-disabled veteran accessible to individuals with disabilities; and (3) defraying other specified costs for a service-disabled veteran, a business that employs a service-disabled veteran, or a business owned by a service-disabled veteran. *Chapter 105 of 2013* renamed the program the Military Personnel and Veteran-Owned Small Business No-Interest Loan Program and expanded the program to include all veteran-owned small businesses in the State. Eligible loans under the program were expanded to include (1) making the home, motor vehicle, or place of employment of a veteran (rather than only a service-disabled veteran) accessible to individuals with disabilities; or (2) defraying other necessary expenses, as determined by the Maryland Department of Veterans Affairs, incurred by a veteran-owned small business. Loans may also be made to enable a service-disabled veteran to operate a business.

Business Development Program for Ex-offenders

Chapters 240 and 241 of 2013 required DBED, DLLR, and the Department of Public Safety and Correctional Services to jointly study and evaluate the feasibility of establishing a business development program to provide business training to ex-offenders and identify nongovernmental funding sources for the training programs. The departments are required to jointly report findings made under the measures to the Senate Finance Committee and the House Economic Matters Committee by October 1, 2014.

Maryland E-Nnovation Initiative Program

Chapters 532 and 533 of 2014 established the Maryland E-Nnovation Initiative Program, the Maryland E-Nnovation Initiative Fund Authority in DBED, and the Maryland E-Nnovation Initiative Fund as a special, nonlapsing fund. For fiscal 2016 through 2021, total distributions to the fund must equal \$8.5 million annually through a combination of revenues attributable to a portion of the State admissions and amusement tax and budget bill appropriations. DBED may use the fund to finance research endowments at nonprofit institutions of higher education in scientific and technical fields of study and pay the related administrative, legal, and actuarial expenses of DBED. The measures established a seven-member authority within DBED that is required to provide advice to and consult with DBED in connection with the administration of the program.

Constituent institutions of the USM, St. Mary's College of Maryland, MSU, Baltimore City Community College, and private nonprofit institutions of higher education in the State may create research endowments and, upon securing qualified matching private donations, money from the fund may be distributed to the endowments. Endowment proceeds must be expended to further basic and applied research in scientific and technical fields of study as determined by the authority that offer promising and significant economic impacts and the opportunity to develop clusters of technological innovation in the State, such as engineering, health sciences, and cybersecurity.

Neighborhood Business Development Program – Financial Assistance for Food Deserts

The Neighborhood Business Development Program (NBDP) was established in the Department of Housing and Community Development (DHCD) to stimulate investment in Maryland's older communities by developing, redeveloping, or expanding small businesses, investing in revitalizing small businesses, and helping local governments develop and expand small businesses. It provides below-market interest rate loans to small businesses, nonprofit organizations, or microenterprises locating or expanding in locally designated neighborhood revitalization areas. *Chapter 228 of 2014* expanded the purposes of NBDP to include helping to create small businesses and other food-related enterprises that provide healthy foods to residents in "food deserts." Generally, food deserts are communities that do not have easy access to healthy foods and are defined in *Chapter 228* as that part of a priority funding area designated by the Secretary of Business and Economic Development on the recommendation of the Interagency Food Desert Advisory Committee. According to the U.S. Department of Agriculture, more than 70 census tracts in Maryland qualify as designated food deserts.

Equity Participation Investment Program

The Equity Participation Investment Program (EPIP) in the Maryland Small Business Development Financing Authority (MSBDFA) was created to (1) encourage and help socially disadvantaged individuals create and develop franchises, technology-based businesses, and other businesses and acquire existing businesses in the State and (2) assist small businesses that, because they do not meet the established credit criteria of financial institutions, cannot obtain adequate business financing on reasonable terms through normal financing channels. Under EPIP, equity participation financing in any business was limited to \$2 million for a technology-based business and the lesser of \$2 million, or 49%, of the total initial investment for a franchise or an enterprise acquiring an existing business. Investments were recoverable by MSBDFA within 10 years for a technology-based business and otherwise were recoverable within 7 years. *Chapters 70 and 71 of 2014* modified the purposes of EPIP to include small businesses rather than franchises, technology-based businesses, and other businesses. *Chapters 70 and 71* also made conforming changes to reflect EPIP's new purpose, including limiting equity participation financing in any small business to \$2 million and making all investments recoverable within seven years. Additionally, *Chapters 70 and 71* made an independent appraisal of the value of a business entity conditioned on there being a dispute

between the borrower and MSBDFA as to the value of the business entity, rather than requiring an independent appraisal at the time of recovery.

Maryland Technology Internship Program

Chapter 652 of 2014 established the Maryland Technology Internship Program administered by UMBC to connect college and university students, recent graduates, and veterans with small innovative businesses in the high-growth technology sector through internships. Money awarded under the program may be used to reimburse a technology-based business up to 50% of a stipend paid to an intern, but not more than \$1,800 for the first semester, \$1,200 for the second semester, and no more than \$3,000 annually for each intern.

Miscellaneous

Arts and Entertainment Districts

Chapter 608 of 2001 authorized DBED to establish arts and entertainment districts within a county or municipality and expanded the permissible uses of the Maryland Economic Development Assistance Fund to allow DBED to use the fund to provide financial assistance to arts and entertainment enterprises and arts and entertainment projects. Several tax benefits are available in arts and entertainment districts: (1) qualifying residing artists may claim a subtraction modification on State and local income taxes for certain income derived within the district; (2) a county or municipality may grant a property tax credit against the property tax imposed on certain buildings located in an arts and entertainment district that are renovated for use by a qualifying artist or an arts and entertainment enterprise; and (3) a county or municipality may exempt from the admissions and amusement tax gross receipts from any admissions or amusement charge levied by an arts and entertainment enterprise or qualified residing artist in an arts and entertainment district.

Artistic Work: Chapters 298 and 299 of 2011 expanded the eligibility criteria for the tax benefits available for qualifying residing artists in arts and entertainment districts. The eligibility criteria for an artistic work is expanded from the creation of an original clothing design to the creation of an original design in general.

Qualifying Residing Artists: Chapter 576 of 2014 broadened the definition of a qualifying residing artist for an arts and entertainment district to mean an individual who (1) owns or rents residential real property in the State, rather than in the county where the arts and entertainment district is located; (2) conducts a business in *any* arts and entertainment district; and (3) derives income from the sale or performance within *any* arts and entertainment district of an artistic work that the individual wrote, composed, executed, either alone or with others, in any arts and entertainment district.

Designation of a Qualified Distressed County

To qualify as a distressed county, a county must have an average unemployment rate that exceeds 150% of the State's average during the preceding 24-month period or a per capita

personal income that does not exceed 67% of the State's average during the preceding 24-month period. The designation of a qualified distressed county impacts several State programs including the Maryland Economic Development Assistance Authority and Fund, the Maryland Industrial Development Financing Authority, and the One Maryland Economic Development Tax Credit, as well as the calculation of the percentage of school construction funding provided by the State. **Chapter 303 of 2011** extended, from 12 to 24 months, the time period in which a county may maintain its designation as a qualified distressed county if it no longer meets either the unemployment or personal income criterion specified under the law. **Chapter 715 of 2012** altered the definition of “qualified distressed county” to include counties with unemployment rates at least two percentage points higher than the State average. It also authorized qualified business entities to claim a prorated share of the One Maryland tax credits awarded by DBED in specified circumstances.

Baltimore City Community Enhancement Transit-Oriented Development Fund

Chapter 654 of 2012 established the Baltimore City Community Enhancement Transit-Oriented Development Fund to promote and assist community-based initiatives in “qualified project areas.” A qualified project area is a community located in Baltimore City directly impacted by and within a half mile of a transit-oriented development project. The fund may be used by the Mayor and City Council of Baltimore, or awarded to a qualified recipient by the Mayor and City Council, for certain expenses, such as (1) operating support for qualified recipients; (2) economic and physical improvements that revitalize the community; (3) development of women-owned, minority-owned, and small businesses; and (4) development and preservation of affordable and workplace housing.

Small Business Linked Deposit Program

Chapter 396 of 2006 established a Linked Deposit Program in DHCD to provide low-interest loans to minority-owned business enterprises. **Chapters 585 and 586 of 2012** established a Linked Deposit Program for Small Businesses in DHCD to stimulate opportunities for small businesses to have access to credit by assisting these businesses in obtaining loans at lower-than-market interest rates.

Baltimore Convention Center

Like most convention centers nationwide, the Baltimore Convention Center (BCC) is not a fiscally self-sustaining entity. The purpose of a convention center is to generate an economic stimulus in the local market through increased spending by out-of-town guests. In 1996, an arrangement was put in place under which the Maryland Stadium Authority (MSA) contributes two-thirds of the operating deficit and one-half of the capital improvement reserve fund of the BCC. Chapter 320 of 2008 extended the arrangement from June 30, 2008, to December 31, 2014, when MSA's outstanding bonds for the project are retired. **Chapter 283 of 2013** further extended by five years, to December 31, 2019, the period during which MSA must contribute two-thirds to the annual operating deficit.

Public-private Partnerships (P3s)

Private-sector financing is used as a means to maintain and expand capital infrastructure investment. Chapters 640 and 641 of 2010 set up a statutory framework for transportation and nontransportation P3s. P3s have also facilitated the proposed multi-year phased redevelopment of the State Center complex in Baltimore City. *Chapter 5 of 2013* established a State policy on the use of P3s and expressly authorized specified State agencies to enter into P3s. *Chapter 5* established a process and associated reporting requirements for State oversight of P3s and instituted a process for both solicited and unsolicited P3 proposals that must be followed before the Board of Public Works may approve a P3 agreement. For a more detailed discussion of this issue, see the subpart “State Agencies, Offices, and Officials” within Part C – State Government of this *Major Issues Review*.

Cybersecurity Investment

TEDCO was created as an independent entity to facilitate the creation of technology companies in Maryland and encourage collaboration between these emerging businesses and federal and State research laboratories. *Chapters 534 and 535 of 2014* established the Cybersecurity Investment Fund within TEDCO to (1) provide seed and early-stage funding for emerging technology companies located in the State focused on cybersecurity and cybersecurity technology product development; (2) maximize investments made by TEDCO by supporting funded emerging technology companies to enable corporate growth and to obtain third-party downstream funding for commercialization; and (3) leverage TEDCO investments in early-stage cybersecurity companies by taking advantage of economic development opportunities throughout the State. Cybersecurity is defined as information technology security, including the protection of networked devices, networks, programs, and data from unintended or unauthorized access, change, or destruction.

Office of the Business Ombudsman

Chapter 641 of 2014 established an Office of the Business Ombudsman in the Governor’s Office. The purpose of the office includes (1) resolving problems encountered by businesses interacting with State agencies; (2) facilitating responsiveness of State government and business needs; (3) serving as a central clearinghouse of information for business services or assistance requested; (4) assisting businesses by referring businesses and individuals to resources that provide the business services or assistance requested; and (5) reporting and making recommendations to the Governor and the General Assembly regarding breakdowns in the delivery of economic development resources and programs, including problems encountered by businesses interacting with State agencies.

Rural Maryland Prosperity Investment Fund

The purpose of the Rural Maryland Prosperity Investment Fund is to provide funding to rural regional and statewide planning and development organizations, institutions of higher education serving rural communities, rural community development organizations, and local

governments acting in partnership with one another to promote the quality of life in rural areas. However, the fund has not been funded since it was established.

Chapters 469 and 470 of 2014 altered the General Assembly's findings in relation to the fund to (1) identify health care needs as among the needs in rural Maryland that current service providers are unable to fully meet; (2) include health care programs as being among programs the fund is designed to facilitate investment in; and (3) extend the targeted date, from 2020 to 2030 to meet the fund's objective of helping to raise the overall standard of living in rural areas to a level that meets or exceeds statewide annual benchmark averages. The measures also extended, from fiscal 2020 to 2030, the authorization for the Governor to include an appropriation in the budget bill for the fund.

Green Banks and Clean Bank Financing

The Maryland Clean Energy Center (MCEC) was established to generally promote and assist the development of the clean energy industry in the State; promote the deployment of clean energy technology in the State; and collect, analyze, and disseminate industry data. Green banks are entities that finance and support clean energy investment. **Chapter 365 of 2014** required MCEC, in collaboration with the Maryland Energy Administration, to conduct a study and make recommendations related to green banks and clean bank financing initiatives, including aspects of implementation and funding. A final report is due in December 2015.

Housing and Community Development

During the 2011-2014 term, the General Assembly changed several programs of the Department of Housing and Community Development (DHCD) that encourage growth and revitalization in the housing market and communities in general. Several measures authorized property and other tax credits as a way to provide financial assistance. Building and safety standards and practices were created or expanded, including those relating to fire safety. Further, the General Assembly made a number of changes to the laws relating to the reduction of the risk of lead paint, sustainable communities and community legacy projects, and local housing authorities and affordable housing programs.

Financial Assistance Programs

Disaster Relief Housing Program

Chapter 66 of 2008 created the Disaster Relief Housing Program to provide financial assistance in a State or federally declared disaster area to rehabilitate or replace a primary residence damaged or destroyed by a natural disaster. Chapter 66 was built on a temporary program that was first established in 2004 in response to the destruction caused by Hurricane Isabelle. DHCD and the Maryland Emergency Management Agency found that the statute was too vague as to when the program may be authorized. To address this issue, **Chapter 117 of 2012** clarified that the purpose of the program is to provide financial assistance to rehabilitate or replace primary residences in an area covered by a state of emergency declared under Article 14

of the Public Safety Article. The Act also authorized DHCD to continue to provide financial assistance in an area covered by a state of emergency after the expiration of the state of emergency.

Accessible Homes for Senior Homeowners Grant Program

Chapter 695 of 2012 required DHCD to establish a task force to study and report on, among other things, methods for (1) understanding the needs of low-income seniors regarding home repairs, safety, and energy savings; (2) identifying existing and new public resources on the federal, State, and local levels to assist low-income and limited-income senior homeowners with home renovation and repairs; and (3) identifying the challenges for low-income and limited-income senior homeowners in accessing public resources. *Chapter 657 of 2013* encompassed some of the task force's recommendations. The Act established an Accessible Homes for Senior Homeowners Grant Program in DHCD to make grants to finance accessibility-related renovation or repair activities for elderly homeowners. The Act also required the Maryland Department of Aging (MDOA), DHCD, the Maryland Department of Disabilities, and the Department of Health and Mental Hygiene to collaborate to provide a coordinated system of information and access for older adults and individuals with disabilities, including studying the feasibility of instituting an option counselors program administered by the Aging and Disability Resource Center in MDOA.

Residential Mortgage Loans through the Community Development Administration

The Community Development Administration (CDA), which is part of DHCD's Division of Development Finance, issues nonbudgeted revenue bonds to support its financial assistance programs. *Chapter 11 of 2013* authorized CDA to make, participate in making, and undertake a commitment for flexible financial assistance to families of limited income, subject to terms and qualifications as determined by the Secretary of Housing and Community Development. Financial assistance, including grants, may be made (1) for maintaining or modifying an existing residential mortgage loan or (2) in conjunction with a new residential mortgage loan to enable a homeowner to refinance an existing residential mortgage loan.

Reorganization of Rental Housing Programs

According to DHCD, prior to the 2014 legislative session several multifamily programs within DHCD had evolved to share similar goals and address overlapping constituencies. Those programs were the Elderly Rental Housing Program, the Multifamily Rehabilitation Program, the Nonprofit Rehabilitation Program, and the Rental Housing Production Program. These programs were all funded out of the Rental Housing Programs Fund. *Chapter 229 of 2014* consolidated the four programs to be under a new Rental Housing Program and renamed the Rental Housing Programs Fund as the Rental Housing Fund. *Chapter 229* also altered specified standards for multifamily loans and specified notice and permission standards for DHCD's consultation with local jurisdictions on community development projects to make them consistent with the federal law income housing tax credit process. Finally, the Act modified various provisions relating to the Partnership Rental Housing Program to coordinate better with requirements of federal housing programs such as the rental assistance programs.

Energy-efficient Homes

Chapter 410 of 2014 established the Energy-Efficient Homes Construction Loan Program within DHCD to provide low-interest loans for the construction of “low-energy” and “net-zero” homes. *Chapter 410* defined “low-energy home” as a home that achieves a Home Energy Rating System Index rating of 50 or lower or, as determined by DHCD, and a “net-zero home” was defined as a home that is designed to produce an amount of energy in one year that is equal to the amount of energy that the home uses in one year.

Tax Credits

Residential Real Properties in Neighborhood Conservation Areas

Chapter 141 of 2012 authorized local governments to grant a property tax credit for owner-occupied residential real property that is purchased from July 1, 2012, through June 30, 2018, and is located in a neighborhood conservation area established or renewed by application to DHCD based on criteria adopted by DHCD. DHCD must adopt regulations that establish application procedures for the designation of a neighborhood conservation area based on (1) the concentration of foreclosure activity; (2) the concentration of blighted or vacant properties; and (3) the location within a priority funding area, with preference given to specified sustainable communities.

High-performance Buildings

Chapter 519 of 2004 authorized a county or municipality to provide by law a property tax credit for high-performance buildings, defined as a building that (1) achieves at least a silver rating according to the U.S. Green Building Council’s Leadership in Energy and Environmental Design Green Building Rating System as adopted by the Maryland Green Building Council; (2) achieves at least a comparable rating according to any other appropriate rating system; or (3) meets comparable green building guidelines or standards approved by the State. *Chapter 356 of 2012* expanded the definition of “high-performance building” to include a residential building that achieves at least a silver rating according to the International Code Council’s 700 National Green Building Standards.

Neighborhood and Community Assistance Program

Chapter 636 of 1996 established the Neighborhood and Community Assistance Program within DHCD as one of the early Smart Growth Initiatives. Under the program, a business or individual may claim a tax credit for certain contributions made to DHCD-approved projects conducted by nonprofit organizations in a priority funding area. The tax credit may be claimed against the personal, corporate, public service franchise, and insurance premiums taxes.

Chapter 82 of 2013 increased the maximum sum of contributions eligible for a tax credit offered under the program from \$2.0 million to \$3.5 million each fiscal year, and authorized DHCD to give preference to projects in a designated neighborhood conservation district, or a sustainable community as provided under prior law, that is located in a priority funding area.

Building and Safety Standards and Practices

A number of measures passed over the course of the term created or expanded building and safety standards and practices for various types of structures, including residential dwellings and sleeping areas in other structures. Several of these measures are briefly described below. For a more detailed discussion of building and safety standards and practices, see the subpart “Public Safety” within Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Fire Safety

Chapter 596 of 2011 required, for fire safety purposes, the owner of a residential high-rise building with rental units to provide reasonable written notice annually to all residents of the building to inform residents who are mobility impaired of their right to request a rental unit on the first five floors of the building if one should become available.

State law requires that a sprinkler system be installed in every dormitory, hotel, lodging or rooming house, or multifamily residential dwelling which either received a permit or was constructed after July 1, 1990, as well as every townhouse which either received a permit or was constructed after July 1, 1992. *Chapters 265 and 266 of 2012* expanded this requirement by prohibiting, except under specified conditions, a local jurisdiction from adopting a local amendment to the Maryland Building Performance Standards if the amendment weakens the automatic fire sprinkler systems provisions for townhouses and one- and two-family dwellings.

In response to the report of the State Fire Marshall’s 2010 Maryland Smoke Alarm Technology Task Force, *Chapter 594 and 595 of 2013* incorporated several of the report’s recommendations related to smoke alarm technology and the implementation of best practices for residences and sleeping areas in other structures.

Hotel Master Control Devices

Chapters 606 and 607 of 2012 required each hotel guest room in a newly constructed hotel to be equipped with a master control device that automatically adjusts the lighting fixtures and the heating, ventilation, or air conditioning default settings in the hotel guest room 30 minutes after the room has been vacated.

Balcony Railing Inspections

Chapters 494 and 495 of 2014 mandate political subdivisions periodically to inspect, or require an inspection of, multifamily dwellings with balcony railings that are primarily constructed of wood to ensure that the balcony railings meet applicable local building safety codes.

Lead Paint

Chapter 114 of 1994 established the Lead Poisoning Prevention Program within the Maryland Department of the Environment. Chapter 114 established a comprehensive plan to regulate compensation for children who are poisoned by lead paint, treat affected residential rental properties to reduce risks, and limit liability of landlords who act to reduce lead hazards in accordance with various regulatory requirements. In a decision filed October 24, 2011 (*Jackson, et al., v. Dackman Co. et al.*, No. 131, September Term 2008), the Court of Appeals ruled that the limits on landlord liability in Chapter 114 were unconstitutional because the provisions violate Article 19 of the Maryland Declaration of Rights, which protects a right to a remedy for an injury and a right of access to the courts. Owners of pre-1950 rental units that were in compliance with Chapter 114 and owners of rental units built between 1950 and 1978 that voluntarily opted to comply were impacted by the court's decision, as they no longer had the liability protection previously afforded to them.

In response to the *Jackson* decision, the General Assembly considered a number of bills to address reducing the incidence of lead poisoning in compliance with the court's decision. **Chapter 373 of 2012** required the Maryland Insurance Commissioner to convene a workgroup to evaluate and make recommendations relating to lead liability insurance coverage for owners of rental property built before 1978.

Another measure, **Chapter 387 of 2012**, made a number of changes to the Reduction of Lead Risk in Housing Law, including (1) beginning January 1, 2015, expand the application of the law to owners of residential rental property built between January 1, 1950, and December 31, 1977; (2) exempt properties constructed between January 1, 1950, and December 31, 1977, from a provision of law requiring 100% of an owner's properties to meet the risk reduction standard by February 24, 2006; and (3) increase the annual registration fee for every rental dwelling in the State from \$15 to \$30. For a more detailed discussion of the environmental aspects of this issue, see the subpart "Environment" within Part K – Natural Resources, Environment, and Agriculture of this *Major Issues Review*.

Community Development

Designation as a Sustainable Community

Chapter 487 of 2010, the Sustainable Communities Act of 2010, established multiple pathways and associated timeframes for an area to be designated as a sustainable community. In addition, Chapter 487 eliminated community legacy areas and community legacy plans, as well as designated neighborhoods under the community legacy program and neighborhood business development program, and replaced them with sustainable communities, sustainable community plans, and sustainable community designations.

There currently are approximately 150 sustainable communities in the State, including Base Realignment and Closure districts and Transit-oriented Development districts that are automatically designated as sustainable communities. To assist with the transition overall,

Chapter 719 of 2012 extended to December 31, 2013, the dates under Chapter 487 when a community legacy area or designated neighborhood designated as a sustainable community would retain the older designation and by when a sponsor could apply for redesignation of a designated neighborhood as a sustainable community with DHCD.

Infrastructure Improvement Financing

The Funding Workgroup of the Sustainable Growth Commission focuses on identifying new financing mechanisms to support the State's "Smart, Green, and Growing" initiatives, among other things. **Chapter 624 of 2013** was the result of the workgroup's research activities. The Act authorized specified local governments to finance the costs of infrastructure improvements located in or which support "sustainable communities," including the cost for operation and maintenance of infrastructure improvements, in the same manner as transit-oriented development districts.

Community Legacy Program

The Community Legacy Program under DHCD was established by Chapter 567 of 2001 to create a process and funding source for several types of revitalization projects. The program provides local governments and community development organizations with financial assistance to strengthen communities through such activities as business retention and attraction, encouraging homeownership, and commercial revitalization. Program funds are restricted to designated sustainable communities.

DHCD indicated that the application approval process by a local government used prior to the 2013 session – which required passage of a resolution – was a time consuming process. To address this issue, **Chapter 13 of 2013** authorized a political subdivision to approve an application for a sustainable community plan or community legacy project by delivery of a letter to DHCD or by passage of a resolution.

Local Government Programs

Unification of Housing Authorities

Housing authorities undertake, construct, maintain, or operate housing projects so as to provide safe, sanitary, and decent housing for State residents. Under State law, every county and municipal corporation is authorized to establish a housing authority, although many jurisdictions have not exercised this authority. Prior to the 2011 session, there were two housing authorities in Talbot County: the Housing Commission of Talbot County, a quasi-governmental agency under the Town of Easton government, and the St. Michaels Housing Authority. In order to maximize efficiency, **Chapter 323 of 2011** authorized the two entities to unite by consolidation or merger to form one housing authority, to be initiated by the passage of a substantially similar proposal of unification by the legislative bodies of the Town of Easton and the Town of St. Michaels.

Fee Waivers for Affordable Housing

Chapters 386 and 387 of 2008 authorized local governments, for three years, 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 under certain circumstances. *Chapter 23 of 2011* repealed the September 30, 2011 termination date under the 2008 law for these local affordable housing program authorizations, based largely on the October 2010 report of DHCD that found that continuing local governments' authority to provide fee waivers for lower-income housing is critical to the ongoing need for affordable housing throughout the State.

Workers' Compensation

During the 2011-2014 term, the General Assembly passed several measures concerning Workers' Compensation Commission procedures, including legislation regarding the commission's jurisdiction, enforcement authority, and subpoena powers. Other procedural changes relate to the filing of reports by employers, venues in which a person may file an appeal, and imposition of assessments under a settlement agreement. In addition, the General Assembly significantly revised workers' compensation dependency death benefits and modified occupational disease presumption benefits, "on duty" benefits, and enhanced benefits for specified employees. Furthermore, the General Assembly passed legislation converting the Injured Workers' Insurance Fund (IWIF) into the Chesapeake Employers' Insurance Company (Chesapeake), a private, nonprofit, nonstock workers' compensation insurer. Although the General Assembly considered several bills concerning prescription drug dispensing and reimbursement, none of these measures passed.

Procedures

Chapters 45 and 46 of 2011 allowed the commission to retain jurisdiction pending an appeal to consider a proposed settlement of a claim. Previously, the circuit court, when hearing an appeal from an individual aggrieved by a decision of the commission, had to remand the case back to the commission for settlement approval, and if the settlement was not approved, a new appeal to the circuit court needed to be filed. These Acts expanded the jurisdiction of the commission to include approval of a settlement reached in a case that was appealed from the commission to the circuit court.

Chapter 676 of 2013 modified procedures for the commission to enforce employer compliance with the requirement that an employer secure workers' compensation insurance for its employees. If an employer fails to secure compensation for all of its employees, the commission must issue an order directing the employer to attend a hearing to show cause as to why the employer should not be required to secure compensation for all covered employees, found to be noncompliant, and assessed a penalty. If the commission finds that the employer is noncompliant, the commission must order the employer to (1) obtain workers' compensation insurance with any authorized insurer; (2) provide the commission with proof of coverage; and

(3) pay to the Uninsured Employers' Fund (UEF) a penalty of up to \$10,000. An employer's failure to pay a penalty constitutes a default in payment of compensation, and the penalty is a lien against the assets of the employer. The Act authorized UEF to bring a civil action to collect certain penalties and assessments. If a corporation or limited liability corporation does not have sufficient funds to satisfy a penalty, an officer of the corporation or member of the limited liability company is jointly and severally liable under specified circumstances. Finally, UEF may suspend the license or permit of an employer to do business in the State for failing to pay a penalty ordered under the Act.

To carry out the responsibilities and requirements assigned to the commission, the commission members, inspectors, special examiners, and the commission secretary may issue subpoenas for witnesses to testify before the commission or for the production of documents or records, such as medical records or wage information. Under *Chapter 89 of 2014*, the documents or records must be relevant, rather than pertinent, to the claim. Also, on request of a party to a proceeding before the commission, the commission is required to issue a subpoena for a hearing before the commission for the personal appearance of a witness. Additionally, on request of a party to a claim on which issues are currently pending, the commission must issue a subpoena for relevant documentation to be produced at the office of the requesting party and distributed to all parties to the claim in accordance with regulations adopted by the commission. Finally, the Act authorized the commission to assess the whole cost of a proceeding, including reasonable attorney's fees, against a requesting party if, after an evidentiary hearing, the commission determines a subpoena was requested in bad faith.

Chapter 38 of 2014 repealed the requirement that an employer send to the Commissioner of Labor and Industry a copy of each report of a workplace accident or injury that the employer is also required to send to the commission or submits to IWIF. The Act also repealed the requirement that the commission report to the Commissioner of Labor and Industry whenever the commission determines that there is probable cause to believe that there has been an excessive number or a high rate of industrial injuries associated with an employer or industry during the immediately preceding one-year period. Instead, the commission must provide the Commissioner of Labor and Industry with electronic access to the data contained in the accidental personal injury, disability, death, or occupational disease reports filed with the commission.

In reaction to a ruling by the Court of Special Appeals, *Chapters 256 and 257 of 2011* modified the venues in which a person may file an order of appeal with the circuit court on a decision by the commission. An appeal is required to be filed with either (1) the circuit court of the county where the covered employee resides; (2) the circuit court of the county where the employer has its principal place of business; or (3) the circuit court of the county where the workplace-related injury occurred.

The commission is required to impose assessments, payable to the Subsequent Injury Fund and UEF, on each amount payable under a settlement agreement approved by the commission. *Chapters 40 and 41 of 2012* excluded from these assessments the amount of medical benefits specified in a formal set-aside allocation that is part of an approved settlement

agreement if (1) the amount of the medical benefits exceed \$50,000 and the payment of the benefits by the employer or its insurer is made directly to an authorized insurer that provides periodic payments to the covered employee pursuant to a single premium authority or (2) the amount of medical benefits is in any amount and the payment of medical benefits by the employer or its insurer is to an independent third-party administrator that controls and pays the medical services in accordance with the formal set-aside allocation, provided there is no reversionary interest to the covered employee or the covered employee's beneficiaries.

Benefits

Death Benefits

Chapters 616 and 617 of 2009 required the commission to conduct a study of statutory provisions related to death benefit payments to individuals dependent on a covered employee. **Chapters 435 and 436 of 2011** resulted from recommendations of the commission study. The Acts changed the calculation of benefits paid by employers or insurers to surviving spouses, children, and other dependents to replace income lost when a person dies due to a work-related accident or occupational disease. Under the Acts, benefits are paid to surviving dependent spouses and children proportionally to reflect family income. The Acts also eliminated a statutory distinction between wholly and partially dependent spouses and children.

Under **Chapters 435 and 436**, the actual amount of benefits received by the dependents of a covered employee is based on several factors, including the average weekly wage of the deceased and the percentage of the total earnings the deceased person contributed to the family income. The amount of benefits that may be paid to the dependents of a deceased employee cannot exceed the State average weekly wage or two-thirds of the employee's actual average weekly wage. An employee's average weekly wage is based on the employee's salary at the date of (1) disablement (in the case of occupational diseases) or (2) the work-related accident that resulted in the employee's death. In general, surviving dependent spouses and children receive their calculated benefits for a minimum of 5 years and a maximum of up to 12 years (624 weeks).

There are several exceptions. For example, all dependent benefits terminate on the date the deceased would have reached 70 years of age, if five years of benefits have been paid. Other exceptions affect surviving spouses who remarry, dependents with disabilities, children of deceased recipients of benefits, and children enrolled in approved or accredited academic programs. The Acts provided a cap of \$65,000 on benefits provided to dependents who are not spouses or children of the deceased. Further, the Acts increased the allowance for funeral benefits from \$5,000 to \$7,000.

The Acts vested the commission with the authority to determine the dependent status of children of an employee and repealed provisions denying persons' benefits if they became dependent on the employee after the employee's first compensable disability resulting from an occupational disease. Additionally, **Chapters 435 and 436** exempted certain public safety and emergency personnel employed with a county or municipal corporation. However, a county or

municipal corporation in the State may elect to subject these employees, and their dependents, to the Acts' provisions.

Chapter 663 of 2012 made further changes to the calculation of workers' compensation benefits for a dependent of a deceased covered employee. The Act altered the calculation of workers' compensation benefits for a dependent of a deceased covered employee who died due to an occupational disease by calculating the average weekly wage by using the date of the last injurious exposure of the covered employee to the hazards of the occupational disease, rather than from the date of disablement from the occupational disease.

Presumption Benefits

Workers' compensation law establishes a presumption of compensable occupational diseases for certain public employees who are exposed to unusual hazards in the course of their employment. It is assumed that these injuries or diseases are due to the employee's work; therefore, no additional evidence is required in the filing of a claim for workers' compensation. Several changes were made regarding the presumptions.

Chapter 445 of 2012 expanded the list of occupational disease presumptions for firefighters and related personnel to include multiple myeloma, non-Hodgkin's lymphoma, brain cancer, testicular cancer, and breast cancer that is caused by contact with a toxic substance that the individual has encountered in the line of duty. In addition, the Act removed pancreatic cancer from the list of compensable occupational diseases. Finally, the Act increased the minimum service requirement for a covered employee to qualify for these occupational disease presumptions from 5 to 10 years.

Chapter 374 of 2014 extended to all paid rescue squad members and paid advanced life support unit members an occupational disease presumption for (1) heart disease, hypertension, or lung disease that results in partial or total disability or death and (2) specified cancers and leukemia that are caused by contact with a toxic substance the individual has encountered in the line of duty.

Chapter 584 of 2011 specified that an Anne Arundel County deputy sheriff who suffers from heart disease or hypertension resulting in partial or total disability or death is presumed to have an occupational disease that is compensable under workers' compensation law, provided that the condition is more severe than the individual's condition existing prior to employment as a deputy sheriff. Under the Act, workers' compensation benefits due to an Anne Arundel County deputy sheriff are in addition to any benefits to which the deputy sheriff may be entitled under the county's retirement system. Total payments from both sources may not exceed the deputy sheriff's weekly salary.

Chapter 629 of 2014 made permanent a workers' compensation occupational disease presumption for park police officers of the Maryland-National Capital Park and Planning Commission who suffer from Lyme disease. The presumption applies only during the time that the officer is regularly stationed in an outdoor wooded environment (and for three years after the

last date that the officer was regularly assigned to an outdoor wooded environment) and if the condition was not pre-existing before the regular assignment.

On Duty Benefits

Whether a member of a volunteer fire company is a covered employee under workers' compensation law may depend on whether the member was on duty when the injury occurred. **Chapters 506 and 507 of 2012** altered the definition of "on duty" to include the performance of a duty assigned to (1) a member of a fire company appointed as a deputy sheriff under certain provisions of law or (2) an individual appointed to serve as a member of the fire police in Washington County under a certain provision of law. The Acts also expanded the definition of "volunteer company" to include a volunteer fire police unit. In addition, a member of a volunteer fire company who is a covered employee may not be considered a paid covered employee for receiving, as a membership benefit, a yearly stipend for expenses of up to \$5,200 to off-set out-of-pocket expenses. Also, the yearly stipend may not be used when determining the average weekly wage of an injured volunteer.

Enhanced Benefits

Certain public safety employees are entitled to receive enhanced workers' compensation benefits for permanent partial disabilities that are determined to be compensable for fewer than 75 weeks. Instead of being paid at one-third of the claimant's average weekly wage, not to exceed 16.7% of the State average weekly wage, the enhanced benefits are paid at two-thirds of the claimant's average weekly wage, not to exceed one-third of the State average weekly wage. This is the rate that is established for claims that are compensable for 75 to 250 weeks. **Chapter 398 of 2012** specified that police officers employed by the Washington Metropolitan Area Transit Authority (WMATA), like other police officers, are eligible for the enhanced workers' compensation benefits. Also, **Chapters 225 and 226 of 2013** added Anne Arundel County deputy sheriffs to the list of public safety officers eligible for the enhanced benefits.

Chesapeake Employers' Insurance Company

IWIF was a statutorily created independent State entity that was required to serve as a competitive insurer in (and only in) the marketplace for workers' compensation insurance in Maryland. Changes to IWIF during the term began with **Chapter 132 of 2011** which specified that employees of IWIF are not subject to any State law, regulation, or executive order governing State employee compensation, including furloughs, salary reductions, or any other general fund cost saving measure. The Act clarified that IWIF's board is responsible for setting compensation rates for IWIF employees and removed a provision of law requiring IWIF's board, to the extent practicable, to set compensation rates for IWIF employees in accordance with the State salary plan.

A year later, **Chapter 570 of 2012** converted IWIF into a statutorily created, private, nonprofit, nonstock workers' compensation insurer named the Chesapeake Employers' Insurance Company (Chesapeake). Under the Act, Chesapeake is subject to – and has the powers, privileges, and immunities granted by – provisions of law applicable to other insurers authorized

to write workers' compensation insurance in the State. Chesapeake is generally regulated in the same manner as other authorized property and casualty insurers and, like other insurers in the State, is a member of the Property and Casualty Insurance Guaranty Corporation. The Act required Chesapeake to continue to set actuarially sound rates in the same manner in which IWIF set rates, subject to review by the Insurance Commissioner. Chesapeake may not be sold, dissolved, or converted into a mutual or stock company and is not, for any purpose, a department, unit, agency, or instrumentality of the State.

Chapter 570 prohibited Chesapeake from canceling or refusing to renew or issue a policy except for nonpayment of a premium, failure to provide payroll information, or failure to cooperate in a payroll audit. Chesapeake is subject to requirements, previously applicable to IWIF, related to the use of minority business enterprises for specified brokerage and investment management services. Correspondingly, the company must submit, to the Governor's Office of Minority Affairs, specified reports that were submitted by IWIF.

Chapter 570 required IWIF to remain in existence for as long as it continued to have employees. Effective October 1, 2013, IWIF may not hire new employees. Employees of IWIF may continue as IWIF employees or elect to be employees of Chesapeake. Employees of IWIF may be assigned to perform functions of Chesapeake under a contract between IWIF and the company. IWIF is responsible to pay for the costs of retirement and retiree health benefits. Effective October 1, 2013, IWIF may not issue new policies or otherwise engage in the business of insurance, although IWIF may continue to serve as the third-party administrator for the State under a contract with the State. The board for IWIF is the board for Chesapeake.

The Act required the Maryland Insurance Administration to contract with an independent consulting firm to conduct a study to determine the fair value of any financial contribution made by the State to IWIF and any financial benefit received by IWIF from the State. The study concluded that the fair value of the net financial benefit to IWIF since 1914 was \$44.5 million. This figure reflected \$59.1 million in financial benefits received by IWIF from the State in direct financial contributions since 1914, tax exemptions, and other State support; less \$14.6 million in financial benefits IWIF provided the State, particularly through investment income earnings. Under **Chapter 1 of the First Special Session of 2012**, the Budget Reconciliation and Financing Act of 2012, the General Assembly authorized the Governor to transfer up to \$50.0 million of the funds from IWIF to the general fund. This transfer resolved any claim the State had or may have had to the property or assets of IWIF, except as provided under federal tax law for dissolution of state sponsored workers' compensation reinsurance organizations.

Chapters 10 and 11 of 2012 modified the manner in which IWIF may cancel a policy for nonpayment of a premium. Specifically, the Acts aligned IWIF's cancellation procedures with those of private workers' compensation insurers by allowing IWIF to cancel under the same conditions and circumstances. The Acts authorized IWIF to pursue collection of the debt of any policyholder whose insurance is canceled for nonpayment of a premium, rather than being required to refer those cases to the Attorney General.

In 2014, further changes were made to the laws governing Chesapeake. **Chapter 4 of 2014** expressly authorized Chesapeake to issue workers' compensation insurance policies for employer's liability insurance and insurance under a federal compensation law, a practice that was allowed for IWIF and is allowed for all other workers' compensation insurers. The Act also allowed Chesapeake to cancel or refuse to renew or issue a policy if the policyholder fails to reimburse Chesapeake under a policy with deductibles. **Chapter 172 of 2014** made two changes to the board for Chesapeake. First, the Act required the board, to the extent practicable, to reflect the geographic and demographic, including race and gender, diversity of the State. Second, of the nine members, (1) at least two members must have substantial experience as officers or employees of an insurer but may not be employed by an insurer that is in direct competition with Chesapeake while serving on the board; (2) at least two members must be policyholders of Chesapeake; (3) at least one member must have significant experience in the investment business; (4) at least one member must have significant experience in the accounting or auditing field; and (5) at least one member must have significant experience as a representative, employee, or member of a labor union.

Prescription Drug Dispensing and Reimbursement

The commission is authorized to regulate fees and other charges for medical services or treatment through medical fee schedules. Fees and other charges for prescription drugs are not regulated through a fee schedule. Instead, fees and other charges are based on usual and customary rates. In response to the significant increase in the cost of prescription drugs dispensed to workers' compensation claimants by physicians through the use of repackagers, the commission and the General Assembly considered making regulatory changes. Although the commission proposed two sets of regulations that would have established a pharmaceutical fee schedule that pertained to both pharmacies and physicians who dispense drugs, neither set of regulations was approved. During the term, the General Assembly considered several bills regarding the reimbursement of and fees for prescription drugs. None of these measures passed.

Senate Bill 247/House Bill 174 of 2013 (both failed) would have prohibited an employer or its insurer from being required to pay for a prescription that is dispensed by a physician to a covered employee who has suffered an accidental personal injury, compensable hernia, or occupational disease unless the prescription was (1) dispensed within 72 hours after either the disease was discovered or the injury or hernia occurred and (2) limited to no more than a 30-day supply of the medication. **Senate Bill 215/House Bill 280 of 2014 (both failed)** had similar provisions. However, the time period within which the prescriptions would have to be dispensed was altered to 30 days after the covered employee's initial appointment with the physician or any other physician in the physician's practice for a consultation, an evaluation, or an office visit related to the injury, hernia, or occupational disease.

Senate Bill 914/House Bill 1389 of 2013 (both failed) would have required the commission to adopt, in regulation, a pharmaceutical fee schedule applicable to repackaged or relabeled prescription drugs. Among other things the bills would have (1) specified the rate to be set for brand name, generic equivalent, repacked, and compounded drugs and (2) require the commission to select, and designate in regulation, the nationally recognized pharmaceutical

publication that would be used to determine the average wholesale price for brand-name and generic equivalent drugs. *Senate Bill 507/House Bill 1342 of 2014 (both failed)* had similar provisions. However, the bills altered the rate that was required to be set by the commission. In addition, the bills would have required the commission to impose a fine on an employer or insurer if the commission found that the employer or its insurer failed, without good cause, to pay for drugs within 45 days after the commission approved the fee for the drugs.

Senate Bill 482/House Bill 368 of 2014 (both failed) would have prohibited, if an employer or its insurer is required by the commission to provide a prescription drug, a covered employee from being required to fill the prescription at a pharmacy selected by the employer or its insurer.

Unemployment Insurance

During the 2011-2014 term of the General Assembly, unemployment insurance (UI) underwent numerous changes affecting benefits, including expanding eligibility of federally funded benefits, altering coverage, and imposing penalties on overpaid benefits. The General Assembly also passed legislation concerning employer contributions and appeals. Additionally, the General Assembly made significant changes to the work sharing program.

Benefits

Federally Funded Extended Benefits

Maryland State unemployment benefits are funded through employers' contributions to the Unemployment Insurance Trust Fund (UITF). Eligible claimants may receive up to 26 weeks of regular UI benefits, which are paid from the State UITF. In addition to State UI benefits, in 2008, federal law established emergency unemployment compensation (EUC) for UI claimants that have exhausted regular UI benefits. Through the American Recovery and Reinvestment Act of 2009 (ARRA) and subsequent actions, federal funding was provided for 47 weeks of UI benefits through EUC in Maryland, for a total of 73 weeks of regular and EUC. Once EUC is exhausted, in relatively high unemployment rate states, claimants may receive 13 to 20 weeks of benefits through the federally funded extended benefits (EB) program. The federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 made significant changes to the EB program, allowing relatively lower unemployment rate states like Maryland to qualify for those additional weeks of federally funded EB. Additionally, the federal Act permitted states to add an additional trigger that would allow eligible workers in states that did not already qualify to receive federally funded EB.

Chapter 170 of 2011 established an additional "on" indicator based on the State average rate of total employment to determine if UI claimants are eligible to receive 100% federally funded EB. Under the Act, the State average rate of total employment must be at least 6.5% for eligible claimants to receive 13 weeks of EB, for a total of 86 weeks of regular, EUC, and EB. The EB applied to weeks of unemployment beginning after January 2, 2010, and ending four weeks prior to the last week for which 100% federal sharing funding is available under

ARRA. EB may not be payable based on a State “on” trigger established under the Act for any week of unemployment that began before October 1, 2011. The Act also established standards for a “high unemployment period,” under which additional weeks of EB payments may be paid to claimants under specified conditions. The State average rate of total employment must be at least 8.0% for eligible claimants to receive an additional seven weeks of EB. The Act also established a special, nonlapsing Extended Benefits Fund to reimburse counties and municipalities for any “net costs” of EB since federal funding cannot be used to reimburse expenses incurred by the state and local governments.

Chapter 170 provided that the Act would terminate when the “on” trigger no longer applied or when 100% of federal funding for EB was no longer available. Since the federal EUC program expired December 28, 2013, the Act has terminated, and EUC is no longer paid to claimants who have exhausted regular UI benefits. However, if the EUC program is reestablished by the U.S. Congress, the Department of Labor, Licensing, and Regulation (DLLR) will resume payment of benefits at that time if all other requirements of the law have been met.

Coverage

Chapter 625 of 2011 codified and expanded the exemption from UI coverage that existed under regulations for work performed by messenger service drivers. Under the Act, work performed by a messenger service driver for a messenger service business is not covered for purposes of UI if that individual is delivering individually addressed mail, messages, and documents in a paper or magnetic format, to the public or commercial establishments on foot, by bicycle, or by motor vehicle. Additionally, the Act expanded the items that a messenger service driver may deliver for a messenger services business to include emergency medical supplies, records, parcels, or similar items. However, for the driver to be exempt from covered service in delivering the expanded items, the messenger service business must provide evidence to the Secretary of Labor, Licensing, and Regulation that the driver is excluded from coverage under the Federal Unemployment Tax Act.

Under State law, an individual who is otherwise eligible to receive UI benefits is disqualified from receiving benefits and is subject to a disqualification penalty if DLLR finds that the unemployment results from voluntarily leaving work without good cause. DLLR is authorized to determine whether an individual who voluntarily leaves work left for a good cause, only in specified situations. **Chapter 53 of 2012** authorized DLLR to find that an individual voluntarily left employment for good cause if the cause is directly attributable to the individual or the individual’s spouse, minor child, or parent being a victim of domestic violence. The individual must (1) reasonably believe that the individual’s continued employment would jeopardize the safety of the individual or the individual’s spouse, minor child, or parent and (2) provide DLLR an active or recently issued temporary protective order or any other court order or police record that substantiates the domestic violence. DLLR may notify the employer in general terms that the individual has left employment as a result of domestic violence, but may not charge the benefits payable to the claimant against the rating record of the employer. Finally, information relating to the domestic violence that is received by DLLR is confidential and not subject to disclosure, except under certain circumstances.

Penalties on Unemployment Insurance Overpayments

The federal Trade Adjustment and Assistance Extension Act of 2011, as a condition of federal administrative grants, required states to assess penalties in cases where UI overpayments resulted from fraud. To comply, **Chapter 103 of 2013** authorized DLLR to impose a monetary penalty equal to 15% of the amount of benefits received for each week for which (1) a false statement or representation was made or (2) the claimant failed to disclose a material fact. The Secretary may also recover interest as allowed by law; however, neither the penalty nor the interest may be recovered by deducting the amount from future UI benefits payable to the claimant. Monetary penalties are deposited directly into the Maryland Unemployment Trust Fund to be used for the payment of benefits.

Employer Contributions

An employer may apply for a refund or adjustment for UI contributions or interest paid. For any amount DLLR determines was erroneously collected, DLLR is required to allow the employer to make an adjustment to UI contributions due. If an adjustment cannot be made, DLLR is required to issue a refund. **Chapter 98 of 2013** extended the time period within which an employer may apply for a refund or adjustment to four years, rather than three, from the last day of the calendar quarter in which the payment was made, if it is later than the alternative deadline of one year from the date of the payment.

The federal Trade Adjustment and Assistance Extension Act of 2011, as a condition of federal administrative grants, required states to charge employers in cases where they failed to timely or adequately respond to a request for information that led to an overpayment. **Chapter 121 of 2013** prohibited DLLR from removing recoverable UI benefits charged to an employer if (1) the benefit was paid as a result of the employer's or the employer's agent's failure to provide timely or adequate information related to a claim for benefits in response to a request from DLLR and (2) the employer or agent has not shown good cause for failing to provide timely or adequate information. In determining whether or not the benefit charges may be removed from the earned rating record, the employer or agent (1) must raise the issue of good cause in writing for the issue to be considered and (2) has the burden of proof that there was good cause for the failure to provide timely or adequate information. In addition, the Act specified that if DLLR recovers benefits charged to a nonprofit or government entity, DLLR is required to remove the charges from the account of the nonprofit or government entity. The requirements regarding the timely or adequate provision of information also are applied to nonprofit and government entities.

Appeals

A claimant for UI benefits who has been denied benefits may file an appeal of that denial to the Lower Appeals Division of DLLR. Additionally, an employer may appeal a determination granting benefits to a former employee. If an appeal is filed, a hearing is held by a hearing examiner who then issues a written decision. The decision of the hearing examiner is final; however, appeals may be made to the Board of Appeals, also within DLLR, then to the circuit

court, and then to the Court of Special Appeals. **Chapter 12 of 2011** removed the requirement that the board pass an order upon a final decision in a judicial proceeding for an appeal. The removal eliminated duplication as the board was issuing an order that merely restated the judicial decision. **Chapter 108 of 2011** established a 10-day period before a UI appeals decision made by a hearing examiner in the Lower Appeals Division or by the Board of Appeals becomes final. Where an error is made in a decision, the Act allowed the hearing examiner or the board to reconsider the decision during the 10-day period before it becomes a final decision.

Work Sharing

A voluntary program within UI, work sharing allows employers to reduce costs by cutting the work hours for an entire group of affected employees by a percentage that corresponds with the total reduction of hours that would otherwise be associated with layoffs. To cushion the financial impact of reduced hours of work, work sharing employees receive a prorated UI benefit corresponding to the percentage by which their work hours have been reduced.

In order to conform the Maryland UI law to enacted federal legislation, **Chapter 251 of 2014** made numerous changes to the work sharing program. The Act required employers to (1) provide certain information regarding advance notice of the work sharing plan given to affected employees who are not covered by a collective bargaining agreement; (2) provide an estimate of the number of layoffs that will be avoided if the work sharing plan is approved and specify whether the layoffs avoided are temporary, permanent, or both; (3) certify that the work sharing plan and its implementation are consistent with applicable federal and State law; and (4) continue to provide health and retirement benefits throughout the duration of the work sharing plan to affected employees who receive these benefits. Additionally, the Act specified that (1) work sharing plan eligibility includes permanent part-time workers; (2) an affected employee is considered able to work and available for the employee's normal weekly hours for purposes of receiving work sharing benefits for each week for all hours in which the employee participates in certain job skills training; and (3) an affected employee who has exhausted work sharing benefits, UI benefits, or both is considered to be an exhaustee for purposes of extended UI benefits and, if otherwise eligible, is eligible for extended UI benefits.

In addition to the conforming changes, **Chapter 251** made other changes to the work sharing program consistent with federal law. The Act prohibited employers from hiring new employees in, or transferring employees to, the affected unit while a work sharing plan is in effect or from using work sharing plans to subsidize temporary or intermittent work. The Act also prohibited the Secretary of Labor, Licensing, and Regulation from approving a work sharing plan that (1) is submitted by an employer that is new and lacks an earned rating record; (2) is submitted by an employer that has failed to file required quarterly wage reports or make required payments due through the date of the application; or (3) is inconsistent with the laws governing work sharing and the purpose of work sharing. The Act increased, from 26 to 52 weeks, the maximum number of weeks work sharing employees may receive UI work sharing benefits. Under the Act, the decision of the Secretary to revoke approval of a work sharing plan is final and not subject to appeal. Work sharing plans must reduce normal weekly work hours by at least

20% (rather than a floor of 10%) but no more than 50%, and the reduction must apply equally to all employees in the affected unit unless waived by the Secretary for good cause. Among other things, the Act also required an employer to identify any week in which the employer provides no work for its employees, and specified that an affected employee who is not provided any work during a week in which a work sharing plan is in effect, but who works for another employer, may be eligible for UI benefits that week.

Labor and Industry

During the 2011-2014 term, the General Assembly passed legislation concerning employment standards and conditions, workforce development, occupational safety and health, and employment protections. Additionally, the General Assembly continued the Division of Labor and Industry (DLI) and required future sunset evaluations of DLI and related boards and councils within the Department of Labor, Licensing, and Regulation (DLLR). The term saw an increase in the minimum wage, an expansion of unpaid parental leave, the creation of the Maryland Employment Advancement Right Now (EARN) program, and an increase in the privacy protections from employers. Furthermore, measures were passed relating to the enforcement and compliance of labor laws, and the General Assembly continued work begun the previous term regarding workplace fraud.

Employment Standards and Conditions

Wages and Hours

State Minimum Wage: The Maryland Wage and Hour Law is the State complement to the federal Fair Labor Standards Act, and it specifies minimum wage and overtime requirements for employers and employees in the State. **Chapter 262 of 2014** required employers in the State, starting on January 1, 2015, to pay the greater of the federal minimum wage (which in 2014 is \$7.25 per hour) or a State minimum wage of \$8.00 per hour to employees subject to various federal or State minimum wage requirements. **Chapter 262** provided for subsequent increases in the State's minimum wage through July 1, 2018, as follows:

- on July 1, 2015, \$8.25 per hour;
- on July 1, 2016, \$8.75 per hour;
- on July 1, 2017, \$9.25 per hour; and
- on July 1, 2018, \$10.10 per hour.

An employer may pay an employee a wage that equals 85% of the applicable State minimum wage for the first six months that the employee is employed by the employer if the employee is younger than age 20. An amusement or recreational employer under specified

conditions may pay an employee a wage that equals the greater of \$7.25 or 85% of the applicable State minimum wage.

Under **Chapter 262** the base wage for a tipped employee in the State is set at \$3.63. An employer, however, must make up any difference if the tipped employee's base wage plus tips falls short of the applicable State minimum wage.

Chapter 262 repealed exemptions from minimum wage requirements for individuals who are age 62 or older and work 25 hours or less per week or are employed in a motion picture theatre. In addition, an individual who is employed in a café, drive-in, drugstore, restaurant, tavern, or other similar establishment that sells food and drink for consumption on the premises and has an annual gross income of \$400,000 or less, instead of \$250,000 or less, is exempt from the State Wage and Hour Law.

Under State and federal law, employers are required to pay an overtime wage of at least 1.5 times the usual hourly wage, generally based on each hour over 40 hours that an employee works during a work week. **Chapter 262** repealed various provisions that exempt employers from overtime requirements, including hotels, motels, restaurants, gas stations, private country clubs, and certain not-for-profit entities that provide temporary at-home care to aged or sick individuals, the disabled, or individuals with a mental disorder, because these State exemptions conflict with federal law. The Act also provided for liquidated damages to be awarded under specified circumstances to employees who are paid less than the minimum wage.

Additionally, **Chapter 262** established a mandated appropriation beginning in fiscal 2016 for community service providers funded by the Department of Health and Mental Hygiene's Developmental Disabilities Administration (DDA). Beginning in fiscal 2016 through 2019, the Governor's proposed budget for DDA *must* include a 3.5% rate increase for community service providers over the funding provided in the prior year's legislative appropriation. A portion of the funds *may* be allocated to address the impact of an increase in the State minimum wage on wages and benefits of direct support workers employed by the community providers.

Enforcement of Local Minimum Wages: Charter counties have the authority to establish a local minimum wage rate under the Express Powers Act. Montgomery and Prince George's counties passed local minimum wage laws in 2013, increasing the minimum in those counties to \$11.50 by October 1, 2017. The minimum wages in both counties will ultimately exceed the State minimum wage established by **Chapter 262**. **Chapter 411 of 2014** required the commissioner of Labor and Industry to also enforce a local minimum wage law. An investigation by the commissioner, under the same powers and duties as the State Wage and Hour Law, to determine whether a local minimum wage law has been violated may be initiated by the commissioner or as a result of the receipt of a written complaint.

Retaliation Prohibited: **Chapters 494 and 495 of 2011** specified that an employer may not take adverse action against an employee who makes a complaint, brings an action, or testifies in an action against the employer for a violation of the State Wage and Hour Law. A complaint may be made to the employer, whether through the employer's internal grievance process or otherwise, or to the commissioner. Prohibited actions include discharging the employee;

demoting the employee; threatening an employee with discharge or demotion; or any other retaliatory action that changes the terms or conditions of employment that would dissuade a reasonable employee from taking any action allowed under State law. Before an employer may be convicted, however, the evidence must demonstrate that the employer had knowledge of the matter for which the prosecution for retaliation is sought.

Wage Payment and Collection Law

The State Wage Payment and Collection Law regulates the payment of wages by employers in the State and is enforced by the commissioner. The law requires employers to pay workers the wage promised; establish regular paydays; pay wages when due; pay employees in a specified manner; pay employees at least once every two weeks, with exceptions; furnish employees with a statement of gross earnings; advise employees of their rate of pay and designated payday; and pay employees all wages due on termination of employment. *Chapter 118 of 2011* amended the law by specifying that an agreement between an employer and an employee to work for a pay rate that is less than the wage required by law is void and, therefore, nonbinding.

Chapters 540 and 541 of 2013 allowed an employee to establish a lien for unpaid wages, not including commissions, against an employer, and established a procedure for the employer to dispute a lien for unpaid wages. A lien for unpaid wages is enforced in the same manner as any other judgment under State law. The commissioner may seek to establish a lien on behalf of an employee, and the commissioner must establish the content of the notice, complaint, and wage lien statement.

The State Wage Payment and Collection Law prohibits an employer from making unauthorized deductions from an employee's paycheck. Additionally, under the federal Fair Labor Standards Act, an employer may not reduce an employee's wages below the minimum wage when making deductions for walk-outs, breakage, or cash register shortages. *Chapter 499 of 2013* prohibited an employer from requiring that a tipped employee pay the employer the cost of a customer's bill should that customer leave without paying for food or beverages. Employers are also prohibited from deducting the amount from a tipped employee's wages.

Leave Policies

The federal Family and Medical Leave Act requires covered employers with 50 or more employees to provide eligible employees with up to 12 work weeks of unpaid leave during any 12-month period under the following conditions: the birth and care of an employee's newborn child; the adoption or placement of a child with an employee for foster care; care for an immediate family member with a serious health condition; medical leave when the employee is unable to work due to a serious health condition; or any qualifying circumstance arising out of the fact that the employee's spouse, son, daughter, or parent is a covered military member on "covered active duty."

Chapters 333 and 334 of 2014 required employers with 15 to 49 employees in the State to provide employees with unpaid parental leave benefits. An eligible employee may take

unpaid parental leave up to a total of six weeks in a 12-month period for the birth, adoption, or foster placement of a child. To be eligible for the unpaid parental leave, an employee must have worked for the employer for at least one year and for 1,250 hours in the previous 12 months. Prior to taking unpaid parental leave, an employer may require that an employee, or an employee may elect to, use paid leave, if available. During parental leave, the employer must maintain existing coverage for a group health plan and, in specified circumstances, may recover the premium if the employee fails to return to work. An employee has a right of action against an employer for damages caused by an employer's noncompliance with the law.

Prevailing Wage

Chapter 402 of 2013 established the Task Force to Study the Applicability of the Maryland Prevailing Wage Law. The task force elected not to make any recommendations with respect to the applicability of the prevailing wage law. *Chapters 281 and 282 of 2014* lowered the share of total school construction project costs that must be paid by the State for the prevailing wage to apply from 50% to 25%, thereby expanding its application. For more detailed discussions on Prevailing Wages, see the subpart "Procurement" within Part C – State Government and the subpart "School Construction" within Part L – Education in this *Major Issues Review*.

Labor Relations

Chapters 375 and 376 of 2014 required the Board of Directors of the University of Maryland Medical System Corporation to establish a nonprofit subsidiary to operate all or part of the University of Maryland Medical Center, to the extent approved by the University of Maryland, Baltimore in its annual contract. *Chapters 375 and 376* authorized the board to amend its articles of incorporation to add up to three voting members that represent an entity that affiliates with the corporation on or after October 1, 2014. The Acts further established that employees of the corporation include employees of a nonprofit subsidiary that operates all or part of the medical center. It was the legislative intent that a subsidiary of the corporation falls under the jurisdiction of the federal National Labor Relations Board, and that its employees are subject to the benefits and protections of the federal National Labor Relations Act.

Workforce Development

DLLR's Division of Workforce Development and Adult Learning is charged with promoting apprenticeship and training programs; administering job training, placement, and service programs; implementing the federal Workforce Investment Act (WIA); and other programs that promote employment through labor exchange and training services.

Chapters 1 and 2 of 2013 established the Maryland EARN program within DLLR. The goal of EARN is to create industry-led partnerships with businesses, State and local governments, and educational institutions to advance the skills of the State's workforce, grow the State's economy, and increase sustainable employment for working families. DLLR must establish and administer the program in consultation with the Department of Business and

Economic Development and the Governor's Workforce Investment Board. Under EARN, competitive grants will be awarded to industry partnerships and training programs for:

- approved strategic industry partnerships for the development of a plan consistent with the purpose of the EARN program;
- workforce training programs and other qualified programs that provide industry-valued skills training to individuals that result in a credential or identifiable skill consistent with an approved strategic industry partnership plan; and
- job-readiness training and skills training that result in a credential or an identifiable skill.

A strategic industry partnership must identify common workforce needs for high-demand occupations within a target industry and develop and implement industry strategies to meet the common workforce needs and shortages based on regional needs. DLLR must also monitor all grants provided under the program and may require all grant recipients to demonstrate an ability to collaborate successfully.

A national apprenticeship and training program was established in federal law in 1937 with the passage of the National Apprenticeship Act, also known as the Fitzgerald Act. Along with 27 other states, Maryland has chosen to operate its own apprenticeship programs through the Maryland Apprenticeship and Training Council (MATC) and Maryland Apprenticeship and Training Program. Within the framework established in federal law, the State's apprenticeship and training law established the guidelines, responsibilities, and obligations for training providers and created certain guarantees for workers who become apprenticed. MATC serves in a regulatory and advisory capacity by providing guidance and oversight to the program, which is responsible for the daily oversight of apprenticeship programs in the State.

Chapter 120 of 2014 specified that the duties of MATC must be consistent with the approval of DLI. Apprenticeship or on-the-job training programs and reciprocity agreements with other states or U.S. apprenticeship and training councils must be jointly approved by MATC and DLI. If MATC and DLI disagree on any of MATC's duties and responsibilities, the Secretary of the Department of Labor, Licensing, and Regulation must issue a final decision after hearing from both parties.

Chapter 646 of 2014 established a Youth Apprenticeship Advisory Committee within DLI. The Act specified the committee members, some of whom must be appointed by the Governor. The committee must evaluate the effectiveness of existing high school youth apprenticeship programs in the State, other states, and other countries based on a systematic review of data. The committee must review and identify ways to implement high school youth apprenticeship programs in the State and means through which employers and organizations can obtain grants, tax credits, and other subsidies to support establishment and operation of high school youth apprenticeship programs. Lastly, the committee must set targets for the number of apprenticeship opportunities for youth that the State should reach over the next three years.

Occupational Safety and Health

To comply with federal requirements, an employer, including a governmental unit, must compile and maintain a chemical information list for every hazardous chemical that is formulated, handled, manufactured, packaged, processed, reacted, repackaged, stored, or transferred in the employer's workplace. An employer must add a hazardous chemical to the chemical information list within 30 days of it being introduced into the workplace, revise the list every 2 years, and keep a record of each list for at least 40 years.

Chapters 548 and 549 of 2014 repealed the requirement that an employer submit the above-mentioned chemical information list to the Maryland Department of the Environment (MDE). In addition, MDE no longer must provide information on hazardous or toxic chemicals to specified organizations and individuals and maintain information in a central repository for 40 years on all chemical information lists and material safety data sheets. Instead, if an employer's business ceases to operate or formulate, handle, manufacture, package, process, react, repackage, store, or transfer hazardous chemicals, the employer must promptly submit the most recent chemical information list to DLLR. DLLR must keep that chemical information list for at least 40 years. On receipt of a written request, an employer, or DLLR if the business has ceased operations, must provide access to information on a chemical list to specified individuals and organizations.

Chapter 510 of 2014 required nursing homes that are licensed for 45 or more beds to assign to an appropriate workplace safety committee the task of conducting an annual assessment of "workplace safety" issues and making recommendations to the nursing home for reducing workplace injuries. Likewise, health care facilities, including hospitals, State residential centers, and State-operated hospitals, must establish a workplace safety committee, which must establish and administer a workplace safety program that is appropriate for the size and complexity of the health care facility.

Employment Protections

The Workplace Fraud Law was enacted in 2009 for the purpose of establishing a presumption that work performed by an individual paid by an employer created an employer-employee relationship, subject to specified exemptions. Specifically, the law prohibits construction companies and landscaping businesses from failing to properly classify an individual as an employee and established investigation procedures and penalties for noncompliance.

An employer misclassifies an employee when an employer-employee relationship exists, but the employer did not classify the individual as an employee. An employer-employee relationship is presumed to exist unless an employer could demonstrate that a worker was an exempt person or independent contractor, as defined in statute. The law also distinguishes between an employer who *improperly* misclassified an employee and an employer who *knowingly* misclassified an employee.

Investigation of a misclassification complaint may be initiated by the commissioner, on receipt of a written complaint, or on referral from another unit of State government. The law authorizes the commissioner to enter a place of business or work site to observe work being performed, interview employees and contractors, and review records as part of the investigation. In September 2010, the Workplace Fraud Unit under the commissioner began conducting audits to determine if businesses were misclassifying employees. The unit initiated audits by sending letters that requested different types of records that a business was supposed to have maintained for a period of time for all individuals working for the company. Some business owners reported that the unit's enforcement activities caused administrative and financial challenges and left cases open or unresolved for extended periods of time.

Chapters 206 and 207 of 2012 made various changes to the Workplace Fraud Law with the purpose of enhancing employer compliance with the law. *Chapters 206 and 207* provided an exemption from the presumption mentioned above, if an employer produces several specified documents attesting to the status of employees, including (1) a contract signed by the employer and the business entity; (2) an affidavit signed by the business entity indicating that it is an independent contractor; (3) a certificate of status of the business entity by the State Department of Assessments and Taxation; and (4) proof that the business entity holds all required occupation licenses. The employer is required to provide to each individual classified as an independent contractor or exempt person notice describing the implications of being classified as an independent contractor. Otherwise, the Acts left intact the law's provisions regarding the presumption and provisions concerning individuals exempt (generally sole proprietors) from the presumption.

Chapters 206 and 207 also altered various provisions relating to the audit process and enforcement, providing employers with a more definitive timeframe and greater flexibility to comply with information requests from the unit. The Acts specified that copies of records may satisfy the requirement to produce records, and an employer would now receive up to 30 days, rather than 15 days, to comply with a request to copy or inspect records, unless the commissioner and the employer agree to an extension of time. Within 90 days of receiving all requested records, the commissioner must either issue a citation or close the investigation. If the employer requests a hearing on the citation, the hearing must be held within 90 days of the request, unless the employer waives that right. Lastly, for the purpose of a public body withholding funds, the commissioner may only issue a citation for a *knowing* violation of the law if the employer is engaged in a public work project.

In 2010 and 2011, the Department of Public Safety and Correctional Services requested prospective employees for their user names and passwords to social media websites as part of the department's background investigation process. The practice was discontinued after an employee in the recertification process to return to work with the agency claimed that the process was a violation of personal privacy.

Chapters 233 and 234 of 2012 prohibited an employer, including the State and local governments, from requesting or requiring an applicant for employment or an employee, to disclose a user name, password, or other means of accessing a personal email account or Internet

service. The Acts prohibited an employer from penalizing or threatening to penalize an employee or applicant for refusing to disclose this information.

Chapters 233 and 234 imposed two limitations and two exceptions regarding the privacy protections. First, an employer may require an employee to disclose a user name, password, or other means for accessing nonpersonal email accounts or Internet services that provide access to the employer's internal computer or information systems. Second, unless authorized by the employer, an employee may not download an employer's proprietary or financial information to the employee's personal website or other Internet site or account. An employer, however, may conduct an investigation to ensure compliance with applicable securities or financial law or regulations if the employer receives information about the use of a personal account or website for business purposes. In addition, an employer may investigate an employee's actions if the employer receives information about the unauthorized downloading of proprietary information to a personal website or similar Internet site or account.

Chapters 28 and 29 of 2011 limited an employer's ability to use an individual's credit report or credit history to deny employment to a job applicant, discharge an employee, or determine a job applicant's or employee's compensation or terms of employment. An employer may request or use the credit report or credit history of a job applicant or employee if the individual has received an offer of employment and the employer has a bona fide, job-related reason, for requesting the information. In addition, only certain positions or types of employment fall under the bona fide purposes established by the Acts for requesting or using credit reports or credit histories. Certain types of employment or businesses are exempt from the Acts' requirements including financial institutions, and if federal law requires credit report or credit history checks as a condition of employment for a job.

If an employer violates the provisions of **Chapters 28 and 29**, the aggrieved job applicant or employee may file a written complaint with the commissioner. If the commissioner determines that the employer has committed a violation of the Act, the commissioner must try to resolve the matter informally. If the matter cannot be resolved informally, the commissioner may assess a fine against the employer not exceeding \$500 for a first offense, or up to \$2,500 for any subsequent offenses. Upon failure of the employer to comply with the administrative procedures if a complaint was filed, the commissioner or the job applicant or employee may bring an action to the circuit court where the employer or job applicant or employee is located.

Sunset Extension and Program Evaluation

The Department of Legislative Services (DLS) conducted a full evaluation of DLI and its associated boards and councils in 2012. **Chapter 224 of 2013** generally implemented the statutory recommendations developed by DLS during the evaluation. The Act repealed the termination date for DLI and requires an evaluation of DLI and its associated boards and councils by July 1, 2023. **Chapter 224** also repealed the termination dates of the State Employment of Minors Law and the State Wage and Hour Law. It retained the termination dates for all other associated boards and the Apprenticeship and Training Council and extended them by 10 years to July 1, 2024.

Chapter 224 eliminated the penal bond requirement (\$7,000) for employment agencies and repealed the Advisory Council on Prevailing Wage Rates and transferred its duties to the Prevailing Wage Unit. The Act standardized the authority of the commissioner to investigate existing labor laws; accordingly, in response to written complaints received, the commissioner must investigate all labor laws enacted in Title 3 of the Labor and Employment Article. The commissioner may assess a penalty of no more than \$50 a day for noncompliance with the notification requirements under the Workplace Fraud Law. The Board of Boiler Rules must meet and consult at least once annually with the State Board of Stationary Engineers, and a corresponding change is made to the requirement for the State Board of Stationary Engineers.

Alcoholic Beverages

Direct Wine Shipment

From the time it was established in 1933, Maryland's three-tier system for the manufacture, distribution, and retail sale of alcoholic beverages prevented a winery from accepting orders from and shipping its product directly to a Maryland consumer. In 2002, responding to consumer demand, Maryland enacted legislation creating a direct wine seller's permit that authorized out-of-state wineries to accept orders that Maryland consumers placed on the Internet. But that legislation also set out a cumbersome shipping process, involving Maryland wholesalers and retailers, and it was rarely used. Meanwhile, demand for direct shipment grew. In 2010, the Comptroller reported to the General Assembly on the steps needed to create a viable and efficient process for the direct shipment of wine from in-state and out-of-state wineries. The General Assembly responded by passing legislation, enacted as **Chapters 204 and 205 of 2011**, to repeal the direct wine seller's permit and replace it with a direct wine shipper's permit.

Under **Chapters 204 and 205**, to qualify for a direct wine shipper's permit the applicant must be (1) a person licensed outside of the State to engage in the manufacture of wine or (2) a holder of a State-issued Class 3 manufacturer's (winery) license. Retailers, such as stand-alone wine-of-the-month clubs, are excluded.

A direct wine shipper may not ship more than 18 9-liter cases of wine annually to a single delivery address or deliver wine on Sunday to an address in the State.

A shipment from outside the State may not be delivered by the direct wine shipper, but instead, must be delivered in the State by a holder of a common carrier permit issued by the Comptroller. Also, the shipment must be accompanied by a shipping label that clearly indicates the name of the direct shipper and the name and address of the recipient. To complete delivery of a shipment, the common carrier must require the signature of the consumer or another individual at the address and photo identification demonstrating that the individual is at least 21 years old.

In December 2012, the Comptroller's Office issued a report on the impact in Maryland of direct wine shipment, using statistics from the first year the direct wine shipment law was in

effect. The report concluded that although the gallons of wine sold in Maryland and accompanying tax revenues increased only nominally, “there was a measurable positive impact on product availability and consumer choice.”

Refillable Containers – “Growlers”

Micro-breweries and pub-breweries have long been authorized to sell beer in refillable containers (commonly called “growlers”), allowing a purchaser to consume off the licensed premises beer that was poured from the tap. In the past several years, however, the popularity of growlers has grown dramatically. Legislation passed by the General Assembly has enabled local licensing boards to grant growler permits to liquor stores, restaurants, and bars, depending on the jurisdiction. *See Chapters 92 and 93 of 2012 (Baltimore City); Chapter 412 of 2012 and Chapter 117 of 2013 (Howard County); Chapters 486 and 487 of 2014 (Calvert County); and Chapters 517 and 518 of 2014 (multiple jurisdictions).*

As of 2014, alcoholic beverages licensing boards in 15 jurisdictions were authorized to issue refillable container permits for draft beer: the City of Annapolis, Anne Arundel County, Baltimore City, Baltimore County, Calvert County, Carroll County, Cecil County, Dorchester County, Garrett County, Harford County, Howard County, Montgomery County, Prince George’s County, St. Mary’s County, and Wicomico County. Refillable container permits for wine were authorized in Howard County. Also, *Chapter 589 of 2013* allowed holders of brewery licenses to sell refillable containers.

Chapters 517 and 518 of 2014 established requirements for refillable containers, including:

- A refillable container for beer must have a capacity of not less than 32 ounces and not more than 128 ounces and must bear a label stating that the contents of the container are perishable and should be refrigerated immediately and consumed within 48 hours after purchase.
- A refillable container for wine must have a capacity of not less than 17 ounces and not more than 34 ounces.
- A refillable container used for beer or wine must (1) be sealable; (2) be branded with an identifying mark of the seller of the container; (3) bear a specified federal health warning statement; (4) display instructions for cleaning the container; and (5) bear a label stating that cleaning the container is the responsibility of the consumer.

Chapters 517 and 518 also authorized the Comptroller to adopt standards for refillable containers, including containers originating from outside the State. As a result, a permit holder in one jurisdiction in the State may refill a customer’s container originating from another jurisdiction in the State or from outside the State, as long as the container meets standards that the Comptroller adopts.

Class 8 Farm Brewery

Chapter 355 of 2010 greatly expanded the ability of Maryland wineries to sell their products to visitors to their facilities. Among its provisions, the 2010 legislation allowed wineries to hold wine tastings and promotional events, and to sell or serve their visitors a wide variety of foods. Using the 2010 winery legislation as a model, **Chapters 542 and 543 of 2012** granted similar authority to farms that grow grain used in the manufacture of beer. Distilleries and rectifying facilities (facilities that color, flavor, or otherwise process liquor) also were granted authority to conduct guided tours of their facilities and to provide samples of their products to individuals on tour. Neither distilleries nor rectifying facilities, however, were granted the authority to sell or serve food.

The Acts established a Class 8 farm brewery manufacturer's license, which authorizes a holder to sell and deliver beer manufactured in a facility on the licensed farm or in a facility other than one on the licensed farm to (1) a wholesaler licensed to sell and deliver beer in Maryland or (2) a person in another state authorized to acquire beer. The beer to be sold and delivered must be manufactured with an ingredient from a Maryland agricultural product, including hops, grain, and fruit, produced on the licensed farm.

A farm brewery licensee is authorized under the Acts to (1) sell beer produced by the licensee for consumption on the licensed farm; (2) provide samples of beer that the licensee produces, in an amount not exceeding six fluid ounces per brand, to a consumer at no charge or for a fee; and (3) sell or serve specified foods. In addition, **Chapters 542 and 543** authorized the license holder to brew, bottle, or contract for not more than 15,000 barrels of beer each calendar year.

Alcoholic Beverages Sales and Use Tax

Chapters 571 and 572 of 2011 increased the sales and use tax on alcoholic beverages from 6% to 9%. For an additional discussion of this issue, see the subpart "Sales Tax" of Part B – Taxes of this *Major Issues Review*.

Maximum Alcohol Content

An alcoholic beverage containing 95% alcohol (190 proof) or more is often referred to as "grain alcohol." The retail sale of grain alcohol is illegal or restricted for nonpotable use in at least a dozen states, including Pennsylvania, Virginia, and West Virginia. For years, Maryland health officials, college administrators, and others attempted to prohibit the sale of these alcoholic beverages in light of their extreme potency and particular appeal to young adults. In 2014, the General Assembly responded by passing legislation, enacted as **Chapters 271 and 272 of 2014**, that prohibited a person from selling at retail an alcoholic beverage with an alcohol content of 95% (190 proof) or more.

Winery and Brewery Off-site Permits

In fiscal 2012, hundreds of winery special events permits were issued by individual counties to sell wine at a limited number of county farmers' markets. To simplify the process and to broaden the scope of the permit, **Chapter 396 of 2013** authorized the Comptroller to issue a winery off-site permit to a Class 4 limited winery. The permit may be used only (1) during the Montgomery County Agricultural Fair; (2) one night each week from June through November at the North Beach Friday Night Farmers' Market; (3) at an event that has as its major purpose an activity that is other than the sale and promotion of alcoholic beverages and for which the participation of a winery is a subordinate activity; (4) at farmers' markets that are listed on the farmers' market directory of the Maryland Department of Agriculture; and (5) at a wine festival that has as its primary purpose the promotion of Maryland wine and is authorized by the Comptroller. In addition, **Chapter 396** created a wine festival permit to allow nonprofit organizations to conduct wine festivals.

Similarly, **Chapter 280 of 2014** established a brewing company off-site permit for (1) a micro-brewery that produces less than 3,000 barrels per year or (2) a farm brewery subject to specified requirements. The permit may be used to sell to a consumer for off-premises consumption up to 288 ounces of beer produced by the permit holder. The permit may also be used to sell beer at certain farmers' markets and other events.

Restaurants, Clubs, and Hotels – “Corkage”

With limited exceptions, it had been unlawful in Maryland prior to 2012 to consume on a licensee's premises alcoholic beverages that were not purchased from the license holder. **Chapters 86 and 87 of 2012** allowed customers to bring their own bottles of wine to drink with a meal at a restaurant under certain conditions through a practice commonly referred to as “corkage.” **Chapters 86 and 87** permitted an individual in a restaurant, club, or hotel with a Class B or Class C alcoholic beverages license to consume wine not purchased from or provided by the restaurant or facility if (1) the wine is consumed with a meal; (2) the individual receives the approval of the license holder; (3) the wine is not available for sale on the license holder's wine list; and (4) the license holder obtains a specified permit from the local licensing board.

Local Bills

Baltimore City Board of Liquor License Commissioners

In response to a March 2013 Office of Legislative Audits report, **Chapters 346 and 347 of 2014** made significant changes to provisions governing the issuance, transfer, and renewal of licenses in Baltimore City, including changes to the collection and allocation of board revenues. Additionally, the Acts specified that the Baltimore City Board of Liquor License Commissioners would consist of three regular members and one alternate member, each appointed by the Governor.

License Transfers in Baltimore County

Chapter 558 of 2012 altered the law related to the transfer and issuance of alcoholic beverages licenses within Baltimore County. *Chapter 558* allowed the transfer of up to 25 alcoholic beverages licenses from Election District 15 (an area in the southeastern part of the county that retained a high concentration of licensed establishments even as population previously tied to the steel industry decreased) to other election districts in the county over a five-year period under specified circumstances.

Beauty Salon Licenses in Montgomery County

Chapter 387 of 2014 authorized the Board of License Commissioners for Montgomery County to issue a special beauty salon beer and wine license to a holder of a beauty salon permit. The license allows the licensee to provide no more than five ounces of beer or wine by the glass for on-premises consumption by a beauty salon customer during specified cosmetology services and permitted fundraising events.

Replacement of Liquor Control Board in Worcester County

Chapter 304 of 2011 abolished the Liquor Control Board for Worcester County, which was not a part of county government, but rather a nonprofit organization that served as the exclusive wholesaler of hard liquor in the county. The board was replaced by the Worcester County Department of Liquor Control. *Chapter 304* was enacted following an investigation by the Comptroller in 2010 that found that the board for Worcester County had engaged in price discrimination and below cost sales. Under *Chapter 304*, the Department of Liquor Control is designated as a unit of the county government with the powers of a liquor control board. Starting on July 1, 2014, a licensee in the county may elect to purchase wine or liquor from a licensed wholesaler in addition to or instead of purchasing from the department.

Part I

Financial Institutions, Commercial Law, and Corporations

Financial Institutions

Commissioner of Financial Regulation

Information Sharing

The Commissioner of Financial Regulation is authorized to enter into cooperative and information-sharing agreements with (1) any federal or state regulatory agency with authority over financial institutions, provided the agreements prohibit the agency from disclosing shared information without the commissioner's prior written consent; (2) federal or state law enforcement agencies in specified situations; and (3) any other bank supervisory agency.

Chapter 109 of 2011 increased the number of authorized agencies with which the commissioner may enter into cooperative and information-sharing agreements to include any federal or state law enforcement agency and the Office of Foreign Assets Control. In addition, if an agency providing information under such an agreement retains ownership of the record, the Act prohibited the commissioner from disclosing the record pursuant to a Maryland Public Information Act request and required the commissioner to forward the request to the agency that owns the record for processing by that agency.

Continuance of Office

The Office of the Commissioner of Financial Regulation is the primary regulator for financial institutions chartered in Maryland, including State-chartered banks, credit unions, and trust companies. The office also is responsible for licensing and supervising consumer loan companies, mortgage lenders, mortgage brokers, mortgage loan originators, mortgage servicers, check cashers, consumer debt collection agencies, debt management companies, credit services businesses, and money transmitters.

Chapter 332 of 2011 extended the termination dates for the Office of the Commissioner of Financial Regulation and the State Collection Agency Licensing Board by 10 years to

July 1, 2022, and required evaluation of both the commissioner's office and the board by July 1, 2021. The Act also repealed the Banking Board which was charged with advising the commissioner on matters relating to Maryland's banking industry and the regulation of State-chartered banks, but which had not convened in several years.

Automated Teller Machines – Video Cameras

An operator of an automated teller machine (ATM) is required to notify customers of safety precautions customers should employ when using an ATM and provide minimum outdoor lighting levels. Before installing an ATM, an operator also must consider a variety of factors, including lighting, potential obstructions such as vegetation, the access area, and the availability of parking.

Chapter 609 of 2011 added to the duties of an operator of an ATM first installed on or after October 1, 2011, by requiring the operator to (1) install and maintain in specified ATMs a video camera that views and records an image of a user as the user performs a transaction at the ATM and (2) preserve the recordings for at least 45 calendar days. An operator of an ATM is not liable for a video camera malfunction that occurs due to a reason beyond the operator's control.

Lending and Banking Institutions – Interest on Accounts

A lending institution may require borrowers with loans secured by residential real property to place funds into an escrow account. The funds maintained in the escrow account are used to pay taxes, insurance premiums, and other expenses related to the mortgaged property. If a lending institution creates, or is the assignee of, an escrow account in connection with a loan secured by a first mortgage or first deed of trust on any interest in residential real property, the lending institution must pay interest to the borrower on the funds in the escrow account at a specified minimum rate. Moreover, a banking institution must pay interest on each interest-bearing account that is instituted for a specific purpose, including "Christmas" or "vacation" accounts, for a period of one year or less.

The method used to calculate the interest payable by a lending institution on escrow accounts and a banking institution on interest-bearing specific purpose accounts was altered twice during the 2011-2014 legislative term. The rate for escrow accounts of the greater of 3% per annum simple interest or the rate regularly paid by the lending institution on passbook savings accounts, and the rate for specific purpose accounts of 3% per annum, were replaced by *Chapters 528 and 529 of 2012*, which required interest on both types of accounts to be paid at an annual rate not less than the six-month average dealer bid rate on nationally traded certificates of deposits, as published by the Federal Reserve in "Selected Interest Rates (Daily) – H.15," as of the first business day of the calendar year. However, in 2013, the Federal Reserve Board discontinued tracking and publishing the six-month average dealer bid rate on certificates of deposit and, in response *Chapter 306 of 2014* replaced the discontinued rate with an annual interest rate not less than the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one year as published by the Federal Reserve in "Selected Interest Rates

(Daily) – H.15,” as of the first business day of the calendar year. Under the Act, the new interest rate applies retroactively to escrow accounts and specific purpose accounts in existence on or after January 1, 2014.

Savings Banks – Conversions

A savings bank may convert to a capital stock commercial bank under the State’s “wild-card” statute (which authorizes a banking institution to engage in any activity, service, or practice that a national banking institution may perform under federal law). *Chapter 52 of 2012* clarified that a mutual savings bank may convert to a capital stock commercial bank with the approval of its members and the Commissioner of Financial Regulation. The Act also required the commissioner to charge and collect, in advance, an application fee of \$5,000 for a conversion and to adopt regulations governing conversions.

Credit Unions and Depository Institutions

Savings Promotion Raffles

Federal law prohibits all federally regulated banks, thrifts, and trust institutions from engaging in lotteries, including prize-linked savings products. However, federal credit unions may use promotional raffles and provide prize-linked savings products under the National Credit Union Administration. Chapters 627 and 628 of 2010 authorized credit unions and depository institutions to conduct savings raffles that give consumers a chance to win cash prizes for making a deposit in a specified bank account, subject to the approval of the Commissioner of Financial Regulation, and contingent on federal regulatory and legislative action being taken to allow depository institutions to provide prize-linked products such as savings raffles.

Chapter 393 of 2012 altered the conditions under which a savings promotion raffle may be conducted so that it is possible for a depository institution to conduct this type of raffle without violating federal law. The Act also repealed the contingency language in Chapters 627 and 628 discussed above, thus allowing credit unions and depository institutions to conduct savings promotion raffles under the conditions specified in the Act.

Credit Unions – Elections of Boards of Directors

A federally chartered credit union may conduct electronic elections for its board of directors if appropriate notice is given to its members. *Chapter 311 of 2011* altered State law, which had required the board of directors of a State-chartered credit union to be elected exclusively by mail ballot, to authorize the conduct of elections electronically. The Act also required the Commissioner of Financial Regulation to establish electronic election procedures, including procedures for (1) providing notice of the election to each member in good standing; (2) providing a specified information and identification form; (3) providing instructions on how to access and use the electronic election system; and (4) allowing a member to opt out of using the electronic election system and vote by mail ballot.

Fiduciary Institutions – Reporting of Financial Abuse of Elder Adults

In fiscal 2010, the Maryland Long-Term Care Ombudsman Program within the Maryland Department of Aging received 2,797 complaints, including 50 financial exploitation cases. To address this problem, **Chapters 324 and 325 of 2012** created an affirmative duty for a fiduciary institution to make an abuse report to specified persons if an employee, while acting within the scope of employment (1) has direct contact with an elder adult or reviews or approves an elder adult's financial documents, records, or transactions in connection with financial services provided to or for the elder adult and (2) observes or obtains knowledge of unusual circumstances that lead the employee to know or have reasonable cause to suspect that the elder adult is the victim of financial abuse. Under the Acts, an "elder adult" is defined as an individual who is believed to be at least 65 years old and residing in the State.

The Acts do not require a fiduciary institution to either investigate an allegation of financial abuse or make an abuse report if an abuse report has already been submitted. A fiduciary institution that fails to file an abuse report is subject to civil penalties of up to \$1,000, or up to \$5,000 if the failure is willful. Finally, the Acts required fiduciary institutions to establish and implement a training program to assist employees in recognizing signs of elder financial abuse and inform employees about the Acts' disclosure requirements.

Money Transmitters

Fraud Protections

"Money transmission" is the business of selling or issuing payment instruments or stored value devices, or receiving money or monetary value, for transmission by any means, including electronically or through the Internet. "Money transmission" includes (1) a bill payer service; (2) an accelerated mortgage payment service; and (3) any informal money transfer system engaged in as a business for facilitating the transfer of money outside the conventional financial institutions system. Over the last decade, several money transfer scams have targeted elder adults encouraging them to unknowingly transfer money to a scam artist.

Expanding on protections from financial abuse provided to elder adults by **Chapters 324 and 325 of 2012**, discussed above, **Chapter 421 of 2014** required a licensee that engages in the business of money transmission to provide training materials to its agents on how to recognize financial abuse and financial exploitation of elder adults, and how to respond appropriately if the agent suspects that a request is for a fraudulent transaction in which an elder adult is the victim of financial abuse or financial exploitation. A licensee must provide the training materials to newly appointed agents within one month after appointment.

The Act also required a licensee to (1) include a fraud warning on all transmittal forms used to send money from one individual to another; (2) allow an individual to voluntarily be disqualified from sending money transmissions from or receiving money transmissions in the State; and (3) retain records relating to training materials provided to the licensee's agents for at least three years. The Act does not apply to a licensee or an agent that engages in (1) the

business of money transmission solely through the Internet or (2) selling or issuing stored value devices, traveler's checks, or money orders, or providing bill payer services, as long as the licensee or agent does not engage in any other business regulated under the money transmission law.

Licensing Requirements

Chapter 78 of 2012 authorized the Commissioner of Financial Regulation to participate in the establishment and implementation of a multistate automated licensing system for persons who engage in money transmission. The system is intended to operate similarly to the Nationwide Mortgage Lender Licensing System and Registry (NMLSR), a web-based system that allows state-licensed mortgage lenders, mortgage brokers, and mortgage loan originators to apply for, amend, update, or renew a license online using a set of uniform applications.

Under the Act, each license applicant and licensee must apply for a license or license renewal and obtain a valid unique identifier issued by the nationwide licensing system when forming an account with the system on or after November 1, 2012, or, if the commissioner has not joined the system by November 1, 2012, on the date specified by the commissioner. The Act required each principal office to display the licensee's unique identifier, and each office of an authorized delegate and, if applicable, website, to prominently display a notice that states the licensee's license number and unique identifier. An applicant for an initial license, including a branch location license, must pay the nationwide licensing system the appropriate fee in connection with processing the application.

According to the Office of the Commissioner of Financial Regulation, new applications for money transmitter licenses were transitioned to the nationwide licensing system in November 2012, and all license renewals were transitioned to the nationwide licensing system on or before January 1, 2013.

Mortgage Loan Originators and Mortgage Lenders

Licensing Requirements

Chapter 4 of 2009 overhauled the State's mortgage lender and mortgage loan originator laws to conform to the requirements of the federal Secure and Fair Enforcement Mortgage Licensing Act of 2008. Legislation enacted during the 2011-2014 term made several additional changes to licensing laws for mortgage lenders and mortgage loan originators.

Chapter 148 of 2011 required specified persons that are exempt from licensing as mortgage lenders and that employ a licensed mortgage loan originator to register with NMLSR. The Act also authorized the commissioner to request from specified databases information relating to a licensee's or applicant's criminal records and authorized a mortgage loan originator licensee with nonactive status to renew a license while remaining in nonactive status if specified requirements are met. Finally, the Act repealed provisions of law relating to (1) an alternative method of licensing for sole proprietor mortgage lenders who do not meet a specified experience requirement; (2) the requirement that a mortgage lender with whom a mortgage loan originator is

affiliated must maintain an office in the State under specified circumstances; (3) interim mortgage loan originator licenses; and (4) provisional licenses for mortgage loan originators.

Chapter 254 of 2012 altered various provisions of law relating to the licensing of mortgage lenders and mortgage loan originators, including (1) requiring an applicant for a mortgage lender license or mortgage loan originator license to complete, sign, and submit the application to the Commissioner of Financial Regulation according to the process the commissioner requires and provide all information the commissioner requests and (2) making any mortgage lender license or mortgage loan originator license application fee paid to the commissioner nonrefundable.

For mortgage lenders, **Chapter 254** also (1) required a mortgage lender licensee renewing a license to provide the commissioner with proof of satisfying specified minimum net worth requirements within 90 days after the last day of the licensee's most recent fiscal year; (2) altered the length of time a mortgage lender license is valid and extended the amount of time a licensee is able to renew a license before its expiration; and (3) altered the frequency with which a mortgage lender licensee must provide a call report to NMLSR. A mortgage lender exempt from licensing by the commissioner must submit call reports on behalf of its mortgage loan originators licensed under laws governing mortgage loan originators.

In addition, **Chapter 254** altered the circumstances under which an individual may act as a mortgage loan originator under a name or for an employer that is different than the one that appears on the individual's license. In the case of a new employer, the individual must amend the sponsorship information in NMLSR by submitting the amendment in the form required by the commissioner. The individual no longer is required to return the license, or an affidavit stating that the license has been lost or destroyed, to the commissioner.

Chapter 55 of 2012 removed the mortgage lender licensing exemption for (1) a person who makes three or fewer mortgage loans per calendar year; (2) a person who brokers, at most, one mortgage loan per calendar year; (3) a subsidiary or affiliate of certain financial institutions, subject to audit or examination of the federal government; and (4) a subsidiary or affiliate of certain financial institutions incorporated under federal law. The Act also provided the commissioner with investigative and enforcement powers over a subsidiary or affiliate of specified financial institutions over which the commissioner has jurisdiction.

Chapter 579 of 2014 provided an expedited licensing process for an individual who, within 45 days before the date of application for a mortgage loan originator license, was employed by a financial institution as a registered mortgage loan originator. The Act required the commissioner to waive, as applicable, the State criminal history records check for the applicant. Since a registered mortgage loan originator must pass a criminal background investigation as part of the process of registering with NMLSR, the individual's criminal history records check already is on file with NMLSR. The registered mortgage loan originator still must fulfill other prerequisites before obtaining licensure, including education requirements. The Act also required the commissioner to publish on the commissioner's website, or to have published on a third-party website, the expedited licensing process established under the Act.

Prohibited Actions

In October 2010, the Federal Reserve Board announced an interim rule designed to protect the integrity of the appraisal process relating to secured mortgages. Compliance with the rule was mandatory as of April 1, 2011.

Consistent with the federal rule, *Chapter 97 of 2011* established State law protections for real estate appraisers and other individuals from undue influence or coercion in connection with a mortgage loan or loan application. Specifically, the Act prohibited a mortgage loan originator from taking specified actions, including (1) withholding or threatening to withhold payment for a real estate appraisal with the intent to coerce the appraiser to agree to a value, range of values, or minimum value for the residential real estate; (2) conditioning the payment of an appraisal fee on the opinion, conclusion, or valuation to be reached by the appraiser; or (3) requesting the appraiser to report a predetermined opinion, conclusion, or valuation.

Commercial Law – Credit Regulation

Installment Loans

A balloon note motor vehicle loan allows a dealer to offer a consumer low monthly payments with a larger balloon amount due at the end of a specified period, typically 24 or 36 months. A hybrid form of motor vehicle financing involves a balloon note with a “walk away” feature that combines a traditional motor vehicle loan with elements of a lease agreement. In a “walk away” balloon note, the vehicle is titled in the consumer’s name with the leasing company as the lien holder. At the end of the term stated in the note, the consumer may return the vehicle to the dealer and owe nothing more, or the consumer may elect to purchase the motor vehicle at the agreed-on price, the “balloon” amount due on the loan. *Chapters 202 and 203 of 2012* altered the circumstances under which a credit grantor could require a consumer borrower to pay a balloon payment at maturity of an installment loan for purchase of a motorcycle. The installment loan must be secured by a lien on the motorcycle and exceed \$10,000 rather than \$30,000, the limit for passenger cars.

Chapters 618 and 619 of 2012 altered the definition of “debt cancellation agreement” in relation to retail installment sales and closed-end credit transactions by including an agreement under which the outstanding balance or remaining loan balance payable on an installment loan is reduced by the actual cash value of a motor vehicle at the time of loss, determined under the agreement, if the buyer does not have insurance. The Acts also altered the definitions of “outstanding balance” and “remaining loan balance” in relation to retail installment sales and closed-end credit transactions to exclude any deferred payments and the portion of any financed taxes or charges, including charges for credit life insurance, credit health insurance, credit involuntary unemployment benefit insurance, and mechanical repair contracts, actually refunded to the buyer or credited as a reduction to the loan balance.

Financing Statements

A financing statement is part of the credit information that potential creditors consider when reviewing the present credit standing of the debtor. In general, a financing statement is required to provide the name of the debtor, the name of the secured party or a representative of the secured party, and the collateral covered by the financing statement. According to the National Association of Secretaries of State (NASS), fraudulent financing statement filings were on the rise across the country as of 2014. In response to the increase in fraudulent filings, **Chapter 58 of 2014** required the State Department of Assessments and Taxation (SDAT) or another office that receives a specified financing statement for filing to provide a written notice of the filing to the debtor identified on the financing statement, if the secured party and the debtor identified on the financing statement were individuals. The Act did not apply to a mortgage or deed of trust. The written notice to the debtor must contain (1) the debtor's name as shown on the financing statement; (2) the secured party's name and address as shown on the financing statement; and (3) the remedies available to the debtor if the debtor believes that the financing statement was erroneously or fraudulently filed. The filing office determines the form of the notice. The Act applied to financing statements that must be filed if the local law of Maryland governed perfection of a security interest or agricultural lien. SDAT is the filing office for a financing statement to perfect a security interest in collateral, including fixtures, of a transmitting utility.

Commercial Law – Consumer Protection

Arbitration of Consumer Claims

Chapters 216 and 217 of 2011 created the Transparency in Consumer Arbitrations Act (TCAA). Under TCAA, an arbitration organization that performs an arbitration activity related to 50 or more “consumer arbitrations” during a five-year period must collect, publish, and make publicly available specified information about the parties involved, types of claims handled, and arbitration outcomes. A “consumer arbitration” is a binding arbitration conducted in accordance with a consumer arbitration agreement. The information must be updated by the arbitration organization at least every quarter and could be considered in determining whether a consumer arbitration agreement was unconscionable or unenforceable under law. TCAA also granted a consumer the power to seek injunctive relief against an arbitration organization.

TCAA excluded from its scope (1) an arbitration conducted in accordance with provisions of specified insurance policies; (2) an arbitration governed by rules adopted by a securities self-regulatory organization and approved by the federal Securities and Exchange Commission; (3) an arbitration between a consumer and certain nursing homes or long-term care facilities; and (4) a public or private-sector collective bargaining agreement.

Maryland Consumer Protection Act – Scope

The Maryland Consumer Protection Act (MCPA) prohibits a person from engaging in unfair or deceptive trade practices in connection with the sale, lease, or rental of consumer goods, consumer services, or consumer realty. An unfair or deceptive trade practice under MCPA includes, among other acts, 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.

The Consumer Protection Division of the Office of the Attorney General (OAG) is responsible for enforcing MCPA and investigating the complaints of aggrieved consumers. The division may attempt to conciliate the matter, hold a public hearing, seek an injunction, or bring an action for damages. A merchant who violates MCPA is subject to a fine of up to \$1,000 for the first violation and up to \$5,000 for each subsequent violation. In addition to any civil penalties that may be imposed, any person who violates MCPA is guilty of a misdemeanor and, on conviction, is subject to a fine of up to \$1,000, imprisonment for up to one year, or both.

Chapters 416 and 417 of 2011 expanded the scope of MCPA to encompass certain transactions in which a consumer sold goods to a merchant. Specifically, the Acts prohibited a merchant from engaging in unfair or deceptive trade practices in connection with the purchase or offer for purchase of consumer goods or consumer realty from a consumer if the merchant's business included paying off consumer debt in connection with the purchase.

Chapter 350 of 2013 further expanded the scope of MCPA to include certain not-for-profit organizations. Specifically, the Act expanded the definitions of "consumer," "consumer goods," and "consumer services" so that MCPA would protect fraternal, religious, civic, patriotic, educational, or charitable organizations that purchased, rented, or leased goods or services for the benefit of the members of the organizations.

Unfair and Deceptive Trade Practices

Household Goods Movers

Chapter 377 of 2011 required a household goods mover to provide a written estimate containing specified information to a consumer before providing household goods moving services for an intrastate move. Under the Act, however, a consumer could waive the right to receive a written estimate.

If the written estimate is a binding estimate, the mover may not require the consumer to pay more than the estimated total price for the services described in the estimate. If the written estimate provided to the consumer is a nonbinding estimate, the mover may not require the consumer to pay more than 125% of the estimated total price for the services described in the estimate plus any excess charges. Violation of the Act is an unfair or deceptive trade practice under MCPA, subject to MCPA's civil and criminal penalty provisions.

Interference with Internet Ticket Sales

Ticket scalpers often use software tools known as “bots,” or robotic software programs, to bypass the security measures of websites that facilitate ticket sales for major events. Bots allow users to buy tickets online automatically on a repetitive basis, jump in front of individual consumers, and purchase tickets in bulk.

Although online ticket sellers have developed security measures to prohibit the use of bots, users can circumvent website security measures by purchasing bots as inexpensive programs or software. *Chapter 42 of 2014* prohibited a person from intentionally selling or using software to circumvent a security measure, an access control, or any other control or measure on a ticket seller’s website that was used to ensure an equitable ticket buying process. The Act applied to the purchase of a ticket for admission to an “entertainment event,” which is a performance, a recreation, an amusement, a diversion, a spectacle, a show, or any similar event. Violation of the Act is an unfair or deceptive trade practice under MCPA, subject to MCPA’s civil and criminal penalty provisions.

Leased Motor Vehicles

Chapter 367 of 2011 prohibited a person who leases vehicles from failing to include a dealer processing or freight charge when determining the adjusted capitalized cost used to calculate the base lease payment shown in an advertisement for a leased vehicle. Under Maryland law, the “adjusted capitalized cost” serves as the basis for determining the base lease payment of a vehicle.

The Act also prohibited a person who leases vehicles from advertising to the general public a capitalized cost reduction in connection with a vehicle lease unless the capitalized cost reduction is offered to all potential lessees. Violation of the Act is an unfair and deceptive trade practice under MCPA. An individual aggrieved by a violation of the Act, however, is limited to the damage remedies available under the provisions governing consumer vehicle leasing contracts.

Retail Pet Stores – Purchase of Dogs

Chapters 214 and 215 of 2012 established remedies for a purchaser of a dog from a “retail pet store” when the dog was found to have an undisclosed disease, illness, or prior condition. The Acts also established recordkeeping, notification, and public disclosure requirements for retail pet stores that conduct business in the State, as well as penalties for noncompliance. The Acts specified that it was an unfair or deceptive trade practice for a retail pet store to include any false or misleading statements in the health certificate or written record provided to a purchaser. Violation of the Acts is an unfair and deceptive trade practice under MCPA, subject to MCPA’s civil and criminal penalty provisions. For a more detailed discussion of this issue, see the subpart “Business Occupations” within Part H – Business and Economic Issues of this *Major Issues Review*.

Consumer Reporting Agencies – Security Freezes

Children and Individuals under Guardianship

In recent years, the General Assembly passed several bills enabling consumers to fight identity fraud and theft, including the placing of a security freeze on personal credit records. *Chapters 208 and 209 of 2012* established a procedure for a protected consumer's representative to request that a consumer reporting agency place a security freeze on the protected consumer's consumer report. A "protected consumer" is (1) an individual under the age of 16 or (2) an incapacitated person or a protected person for whom a guardian or conservator has been appointed.

The Acts required a consumer reporting agency to place a security freeze for a protected consumer within a certain time period if the agency receives such a request from the protected consumer's representative. In addition, the Acts prohibited a consumer reporting agency from releasing the protected consumer's consumer report, any information derived from the report, or any record created for the protected consumer, unless a security freeze is removed, with certain exceptions.

The Acts also established a similar procedure for a protected consumer or the representative to request the consumer reporting agency to remove the security freeze. The agency could also remove a security freeze for a protected consumer or delete a record of a protected consumer if the freeze was placed or the record was created based on a material misrepresentation of fact by the protected consumer or the protected consumer's representative.

Under *Chapters 208 and 209*, a consumer reporting agency may not charge a fee (1) for any service related to a security freeze other than its placement and removal or (2) for the placement and removal of the security freeze in a case of reported identity theft or for a minor for whom a consumer report already existed. The exclusive remedy for a violation of the Acts is a complaint filed with the Office of the Commissioner of Financial Regulation.

Children in Foster Care Settings

Chapters 329 and 330 of 2013 established a mandatory process for placing security freezes on the records of children in foster care. The Acts required a consumer reporting agency to place, on request of the Department of Human Resources (DHR), a security freeze for a child who was in the custody of a local department of social services and had been placed in a foster care setting. At least once a year, DHR must electronically transmit to each consumer reporting agency a list of children who are in the custody of a local department and have been placed in a foster care setting for the first time. DHR also must request a security freeze for each child on the list. The placement of a security freeze prohibits a consumer reporting agency from releasing the child's consumer report, any information derived from the consumer report, or any record created for the child.

The Acts also established procedures that must follow a request for a security freeze for a child in foster care. The security freeze for a child has to remain in effect until either the child or

DHR requests the removal of the security freeze. The exclusive remedy of a violation of a provision of the Acts is a complaint filed with the Commissioner of Financial Regulation.

Office of the Attorney General

Children's Online Privacy Workgroup

As an extension of concern for children's privacy and the opportunity for various types of commercial and other abuse, *Chapter 246 of 2013* required OAG to convene and direct a workgroup to examine issues relating to the protection of children's privacy while using the Internet and mobile applications, including (1) the nature and extent of data collected about children through Internet-based and mobile application-based advertising and (2) federal and state regulation of children's online privacy and online advertising and associated data collection.

Consumer Affairs Satellite Office in Prince George's County

For several years, OAG has maintained small satellite offices in Hagerstown, Leonardtown, and Salisbury that are not staffed by lawyers. These satellite offices are intended to broaden the reach of OAG to better serve the consumer protection needs of people from those areas of the State. However, as of 2014, OAG had no satellite office in the Washington metropolitan area. *Chapters 300 and 301 of 2014* required OAG to establish a consumer affairs satellite office in Prince George's County by October 1, 2014, to provide assistance to consumers who wish to file complaints or receive consumer counseling.

Financial Education and Capability Commission

To address ongoing concerns regarding the need to improve the financial literacy of residents of the State, *Chapters 519 and 520 of 2012* established the Financial Education and Capability Commission to (1) monitor the implementation of public and private initiatives to improve the financial education and capability of residents of the State and (2) make recommendations on the coordination of financial education and capability efforts across State agencies. The Acts required the commission to complete a report each year on its recommendations and the status of the State's efforts to improve the financial education and capability of residents of the State and include a more comprehensive discussion in the report every three years. *Chapters 264 and 265 of 2014* altered the membership of the commission and required the commission to encourage financial education events and activities to highlight April as "Financial Education Month."

Commercial Law – Generally

Debt Settlement Services

Chapters 280 and 281 of 2011 enacted the Maryland Debt Settlement Services Act to regulate the business of providing debt settlement services in the State. A "debt settlement

service” was defined as any service or program represented, directly or by implication, to renegotiate, settle, reduce, or in any way alter the terms of payment or other terms of a debt between a consumer and one or more unsecured creditors or debt collectors, including a reduction in the balance, interest rate, or fees. The Maryland Debt Settlement Services Act (1) prohibited a person from offering, providing, or attempting to provide debt settlement services unless the person is registered with the Commissioner of Financial Regulation or exempt from registration and (2) established a registration process, exemptions from registration, various consumer protections including limits on the fees that could be charged for services and disclosures that must be included in a debt settlement services agreement, and penalties for violations of the Act.

The Acts also required each registered debt settlement services provider to report to the commissioner, on or before March 15 of each year beginning in 2012 and ending in 2014, on the debt settlement services business conducted by the registrant during the preceding calendar year. The commissioner, in consultation with the Consumer Protection Division, was required to report on or before December 1, 2014, to specified legislative committees on recommendations regarding changes to the Maryland Debt Settlement Services Act. Under **Chapters 280 and 281**, the Maryland Debt Settlement Services Act was to terminate on June 30, 2015.

Chapters 276 and 277 of 2014 extended the termination date of the Maryland Debt Settlement Services Act by one year to June 30, 2016. The Acts also extended (1) the reporting period for registered debt settlement services providers for one additional year; (2) the due date for the commissioner’s report until December 1, 2015; and (3) the expiration date of a registration or renewal of a registration for a debt settlement services provider until June 1, 2016.

In the related area of debt management services, **Chapter 56 of 2012** altered a notice that must be included in a debt management services agreement to state that a party to the agreement may rescind the agreement *at any time* by giving written notice of rescission to the other party. In addition, that Act prohibited a licensee from violating any provision of federal or State law governing debt management services or other related services.

Rental Purchase Agreements

Under **Chapters 575 and 576 of 2012**, a lessor in a rental-purchase agreement was required to maintain a copy of the rental-purchase agreement for three years after final payment. A lessor must provide the consumer with a written receipt for each payment under a rental-purchase agreement made in person by cash or money order or, if the payment is made in any other form, on request. The written receipt must contain the total amount paid, the total amount due that week or month, and the total remaining rental payments necessary to acquire ownership of the item. The lessor must provide the consumer with a written statement of account within three days after the consumer requested it. The Acts prohibited a lessor from bringing a court action to recover property subject to a rental-purchase agreement until 15 days after the consumer had been sent a specified notice of default. If applicable, the notice must include any amount the consumer must pay to reinstate the rental-purchase agreement. The Acts required the Attorney General’s website to include the sample rental-purchase agreements.

The Maryland Rental-Purchase Agreement Act governs the use of agreements to sell certain personal property such as furniture on a short-term rent-to-own basis. In order to ensure that consumers would know the difference between the final purchase price of the rental property and its cash price, *Chapters 294 and 295 of 2013* required a lessor in a rental purchase transaction to deliver a summary of costs chart to a consumer before the consummation of the agreement. This information would enable consumers to make more informed decisions about whether to purchase an item through a rent-to-own transaction. The face of the summary of costs chart must disclose, as applicable (1) the cash price of the rental property; (2) the timing of payments for the rental property; (3) the total purchase price, if the purchaser would comply with the payment schedule; and (4) the cost of lease services of the rental property. In addition, the lessor must include the rental property's cost of lease services on the face of the rental-purchase agreement. The Acts updated the sample rental agreement form and created a sample summary of costs chart. Any required disclosure must be in English or in any other language the lessor uses in an advertisement for the rental-purchase transaction.

Uniform Commercial Code

Chapter 673 of 2012 revised, updated, reorganized, and clarified Title 1 of the Maryland Uniform Commercial Code (MUCC), the general provisions applicable to all of MUCC. The Act clarified the transactions to which Title 1 of MUCC applied.

The Act (1) altered the definition of “good faith” to mean honesty in fact in the conduct or transaction concerned and (2) authorized evidence of “course of performance” to be used to interpret a contract. The Act defined “course of performance” as a sequence of conduct between parties to a particular transaction that exists if (1) the agreement of the parties with respect to the transaction involved repeated occasions for performance by a party and (2) the other party, with knowledge of the nature of the performance and opportunity to object to it, accepts the performance or acquiesces in it without objection. If the express terms of an agreement contradict course of dealing, usage of trade, and course of performance, the express terms control course of performance, course of dealing, and usage of trade. However, if course of performance contradicts course of dealing and usage of trade, course of performance prevails. In addition, the Act specified that, with two exceptions, Title 1 of MUCC modified, limited, and superseded the federal Electronic Signatures in Global and National Commerce Act.

Chapter 674 of 2012 altered various provisions of Title 9 of MUCC, the State law of secured transactions. The Act clarified that, in order for a secured party to have control of electronic chattel paper, a system employed for evidencing the transfer of interests in the chattel paper must reliably establish that the secured party is the person to whom the chattel paper was assigned.

The Act established specific rules that apply to collateral to which a security interest attaches within four months after the debtor changes its location to another jurisdiction. Additionally, the Act established rules regarding when a financing statement naming an original debtor must be filed under State law regarding the perfection of a security interest and the new debtor is located in another jurisdiction. The Act altered the circumstances in which (1) a

security interest created by a new debtor is perfected and (2) a record of a mortgage is effective as a financing statement filed as a fixture filing or as a financing statement covering as-extracted collateral or timber to be cut. In addition to other requirements, a record of a mortgage must satisfy the requirements for a financing statement with certain exceptions. The Act altered the circumstances in which a financing statement sufficiently provides the name of a debtor. The Act authorized a secured party of record to file an information statement with respect to a record even though the secured party believes that the person that filed the record was not entitled to do so. The secured party must identify the record by specified means, indicate that the filing is an information statement, and provide the basis for the person's belief that the person that filed the record was not entitled to do so.

Chapter 302 of 2014 altered the applicability of the provisions of MUCC governing certain transfers of funds. A funds transfer is a specialized method of payment, also known in the commercial community as a wholesale wire transfer. The Dodd-Frank Wall Street Reform and Consumer Protection Act amended the federal Electronic Fund Transfer Act (EFTA) to apply to "remittance transfers." Under the federal law, a remittance transfer provider is a business that transfers money electronically for consumers to people and businesses in foreign countries. According to the federal Consumer Financial Protection Bureau, the Dodd-Frank Act raised certain issues relating to traditional cash-based remittance transfers sent through money transmitters, which had not been previously covered by EFTA, as well as international wire transfers, which are not electronic fund transfers. The National Conference of Commissioners on Uniform State Laws (NCCUSL) recommended that states consider amending their Uniform Commercial Codes (UCC) so that these laws would continue to apply to commercial wire transfers, including wholesale remittance transfers, while consumer remittance transfers were covered by federal laws. In response to the NCCUSL recommendations, the Act required the UCC provisions to apply to a funds transfer that was a "remittance transfer," unless the remittance transfer is an "electronic fund transfer" as those terms are defined in EFTA. To the extent the applicable UCC provisions governing fund transfers were inconsistent with the EFTA, the federal law governs. According to NCCUSL, without the changes made by the Act the UCC provisions might not apply to some aspects of remittance transfers, including mistaken addresses or payees, duties of intermediaries, and other issues beyond the initial sending of the transfer.

Tobacco Products – Sales of Unpackaged Cigarettes

Chapter 22 of 2011 specified that a retailer, wholesaler, or vending machine operator could not sell or distribute unpackaged cigarettes. Any cigarette not contained in a sealed package of 20 or more cigarettes was considered an unpackaged cigarette. Violators are guilty of a misdemeanor and are subject to a maximum \$500 fine or imprisonment for up to three months or both. The Act did not apply to an individual who produced unpackaged cigarettes for the individual's own consumption by using a mechanical rolling machine or a hand-rolling device or procedure.

Information Printed on Receipts

Chapter 595 of 2011 decreased from eight to five the number of digits of a payment device number that a merchant may print on an electronically printed receipt provided to the purchaser in connection with a purchase of consumer goods or services. The Act also prohibited a merchant from printing the expiration date of the payment device on the electronically printed receipt. By restricting the information that could be printed on an electronically printed receipt, the Act conformed Maryland law to the federal Fair and Accurate Credit Transaction Act.

However, *Chapter 595* went beyond federal law, in that it extended the restriction on the printing of payment device numbers and expiration dates to cover electronically printed receipts retained by a merchant. A person that violates the Act is subject to a civil penalty of up to \$25 for each violation.

Self-service Storage Facilities

In Maryland there were more than 500 self-storage facilities as of 2013. The Maryland Self-Service Storage Act, first enacted in 1983, governs transactions at those facilities and liens on property stored at them. *Chapters 302 and 303 of 2013* made a number of changes to the Act regarding notification of default, enforcement of a lien on stored property, and late fees.

For an occupant in default longer than 60 days, the Acts authorized an operator of a self-service storage facility to tow or remove the occupant's motor vehicle or watercraft instead of selling the motor vehicle or water craft to enforce a lien. The operator must include a statement of this authorization, in bold type, in the rental agreement for the leased space. In addition, the operator is immune from civil liability for any damage to a motor vehicle or watercraft that occurs after the person that undertakes the towing or removal taken possession of the personal property.

The Acts also altered how an operator was required to notify the defaulting occupant before selling personal property held in the leased space. The operator must notify the occupant of the default by hand delivery or any method of mailing offered by the U.S. Postal Service or private delivery service that provides evidence of mailing. The operator could also send notice through electronic mail, if the rental agreement or a written change to the rental agreement specifies that notice could be given by electronic mail but must send a second notice by verified mail to the occupant's last known postal address if the operator does not receive a response or confirmation of delivery sent from the occupant's electronic mail address. An operator could hold a lien sale on an online auction website. The Acts also authorized an operator to charge a reasonable late fee for each month the occupant does not pay rent when due but required the rental agreement to include the amount and timing of the fee.

Patent Infringement

A growing problem in the area of intellectual property has been the issue of persons who make an assertion of patent infringement against another in bad faith, known colloquially as

“patent trolls.” **Chapter 307 of 2014** prohibited a person from making an assertion of patent infringement in bad faith and established factors for a court to consider as evidence of whether a person has made an assertion in bad faith or in good faith. The Act granted to the Attorney General and the Division of Consumer Protection of the Office of the Attorney General the same authority that they had, under the Maryland Consumer Protection Act, to adopt regulations, conduct investigations, and bring civil and criminal actions.

In addition to any action by the division or the Attorney General, **Chapter 307** authorized a “target” of a bad faith assertion to bring a civil action in the appropriate court to recover for injury or loss sustained as a result of a violation of the bills. A “target” is defined as a person (1) who has received a demand letter or against whom an assertion of patent infringement has been made; (2) who has been threatened with litigation or against whom a lawsuit had been filed alleging patent infringement; or (3) who has at least one customer who has received a demand letter asserting that the person’s product, service, or technology has infringed a patent. If a target prevails and is awarded damages, a court could also award court costs and fees, including reasonable attorney’s fees, exemplary damages, and any equitable relief that the court determines appropriate. An assertion of patent infringement that included a claim for relief arising under federal law was exempted from the Act.

Corporations and Associations

Limited Liability Companies

Limited Liability Company Act

Legislation enacted during 2011 and 2012 modernized and clarified various provisions of the Maryland Limited Liability Company Act (LLC Act) including provisions relating to operating agreements, rights of assignees and creditors of limited liability company (LLC) members, articles of organization, and proxy voting.

Chapter 597 of 2011 made changes in the following areas:

- **Operating Agreements – Generally:** Members of an LLC generally may enter into an operating agreement to regulate any aspect of the LLC’s affairs. **Chapter 597** clarified that the policy of the LLC Act is to give the maximum effect to the principles of freedom of contract and to the enforceability of operating agreements. The Act also made certain clarifying changes regarding the provisions that may be included in an operating agreement.
- **Amendment of an Operating Agreement:** **Chapter 597** also clarified that when an operating agreement specifies the manner in which the operating agreement may be amended, the operating agreement may be amended only in that manner. However, if the operating agreement requires that a specified person approve an amendment, that person may waive the required approval. Likewise, if an operating agreement requires that

specified conditions be met to amend the operating agreement, the conditions may be waived by a person for whose benefit the conditions were intended.

- ***Enforceability of an Operating Agreement:*** *Chapter 597* further clarified that an LLC is bound by its operating agreement regardless of whether the LLC has executed the operating agreement. Moreover, an operating agreement that is duly adopted or amended is binding on each person who is or becomes a member of the LLC and each person who is or becomes an assignee of a member of the LLC, regardless of whether the person has executed the operating agreement or amendment.
- ***Rights of Assignees:*** *Chapter 597* specified that, unless otherwise provided in the operating agreement, an assignment of a member's interest entitles the assignee to receive only the assignor's share of profits, losses, and distributions. The Act also clarified how an assignee may be admitted as a member of an LLC.
- ***Rights of an LLC Member's Creditors:*** *Chapter 597* clarified a creditor's rights with respect to a member's interest in an LLC. The Act provided that the exclusive remedy available to a creditor of an LLC member is to obtain, from a court having jurisdiction, a charging order against the member's interest, which constitutes a lien on the member's interest. The Act specified the actions the court may take, which include ordering foreclosure of the member's interest. Under the Act, any purchaser of the interest at the foreclosure sale has the rights of an assignee with respect to the foreclosed interest.

Chapters 599 and 600 of 2012 made additional changes in the following areas:

- ***Articles of Organization:*** The Acts repealed the requirement that the articles of organization of an LLC must include the purpose for which the LLC is formed. The Acts also altered one of the requirements for an amendment to the articles of incorporation by specifying that the amendment must be approved by the members "unless otherwise agreed," which as defined, means unless otherwise stated in the articles of organization, in the operating agreement, or by unanimous consent of all the members and any other person required by the operating agreement.
- ***Abandonment of a Conversion of a Partnership to an LLC:*** A partnership may convert to an LLC by filing articles of organization that meet specified requirements and include specified information. *Chapters 599 and 600* authorized a conversion to be abandoned by (1) a vote of the partners in the manner provided in the partnership agreement for amendments to the agreement or (2) unanimous agreement of the partners, if no such provision is made in the partnership agreement.
- ***Scope and Amendment of an Operating Agreement:*** *Chapters 599 and 600* expanded the list of provisions that may be included in an operating agreement to include procedures relating to specified meeting notice requirements and voting rights. The Acts also clarified that an amendment to an operating agreement must be evidenced by a

writing signed by an authorized person if an economic interest in the LLC has been assigned to a nonmember.

- **Consent by Members:** Unless otherwise provided by an LLC's operating agreement, members must vote in proportion to their respective interest in the LLC's profits. Any decision regarding the LLC's affairs requires the consent of members holding at least a majority of the interests in the LLC's profits. *Chapters 599 and 600* authorized a meeting of the members to be called by the written request of members holding at least 25% of the interests in profits of the LLC. The Acts also specified a number of actions that may not be taken without the consent of members holding at least two-thirds of the interest in profits of the LLC. In addition, the Acts authorized members of an LLC to participate in a meeting by means of conference telephone or other communications equipment or by remote communication if specified requirements are met.
- **Proxy Voting:** *Chapters 599 and 600* authorized a member of an LLC to authorize another person to act as proxy for the member. The Acts established procedures by which a member may assign a proxy.
- **Information Regarding Affairs of an LLC:** A member of an LLC may inspect and copy specified information, in person or by agent, from time to time on reasonable written demand. *Chapters 599 and 600* limited that right by requiring that it be done for a purpose reasonably related to the member's membership interest and according to standards established in the articles of organization or operating agreement of the LLC.
- **Assignment of Interest:** Unless otherwise provided in the operating agreement, an interest in an LLC is assignable in whole or in part. *Chapters 599 and 600* clarified that unless otherwise agreed, only an economic interest may be assigned, and that an economic interest may be assigned wholly or partly. The Acts also clarified that by assigning all of a member's economic interest, the member forfeits the member's noneconomic interest in the LLC.
- **Member Withdrawal:** The Acts specified that, unless otherwise agreed, a member may withdraw from an LLC prior to the dissolution and winding up of the LLC by giving at least six months prior written notice to the other members at their respective addresses as shown on the LLC's books and records.
- **Rights of an LLC Member's Creditors:** *Chapters 599 and 600* specified that, on application by a creditor of a debtor holding an economic interest in an LLC, a court having jurisdiction may charge the economic interest of the debtor for the unsatisfied amount of the debt. The Acts further clarified that a charging order placed against an economic interest of the debtor requires the LLC to pay the creditor only any distributions that would otherwise be paid to the debtor. Any such charging order does not affect the noneconomic interest of a debtor. Finally, the Acts specified that, before a foreclosure on an economic interest under a charging order, the economic interest may be

redeemed with property of the LLC with the consent of the members as provided in the operating agreement. If the operating agreement does not address the issue, all members whose economic interests are not so charged must consent.

Benefit Limited Liability Companies

Chapters 500 and 501 of 2011 authorized a Maryland LLC to elect to be a “benefit LLC.” Under the Acts, an LLC may elect to be a benefit LLC by including in its articles of organization a statement that the LLC is a benefit LLC. A benefit LLC must have the purpose of creating a “general public benefit.” The Acts defined a general public benefit to mean a “material, positive impact on society and the environment ... through activities that promote a combination of specific public benefits.” A benefit LLC’s operating agreement may also identify a “specific public benefit” as one of the purposes of the LLC. Clear reference to the fact that an LLC is a benefit LLC must appear prominently at the head of the benefit LLC’s articles of incorporation and on each certificate representing outstanding interests in the benefit LLC. Like a benefit corporation, a benefit LLC must deliver to each member an annual benefit report that includes an assessment of the societal and environmental performance of the benefit LLC prepared in accordance with a third party standard.

Conversions

Prior to the 2013 legislative session, conversions from one entity to another were not authorized by State statute. An entity could, however, cause the same effects by creating another entity and then merging with it. *Chapters 527 and 528 of 2013* authorized the conversion of a Maryland corporation to an “other entity” and an “other entity” to a Maryland corporation having capital stock, as well as similar conversions involving LLCs, real estate investment trusts (REITs), partnerships, limited partnerships, and statutory trusts.

“Other entity” is defined in the Acts to mean a foreign corporation, a domestic LLC, a foreign LLC, a partnership, a limited partnership, a foreign limited partnership, a business trust, or another form of unincorporated business formed under state or federal laws or the laws of a foreign country. The term also may include other types of business entities, as specified in the Acts, depending on the type of conversion authorized.

Chapters 527 and 528 established procedures for the conversion of an entity to an “other entity” that include approving the conversion in a specified manner and filing for record with the State Department of Assessments and Taxation (SDAT) properly executed articles of conversion. In addition, the Acts specified the required contents of articles of conversion, the effects of a conversion, the completion date of a conversion, and a method by which a conversion may be abandoned, and established a fee for filing articles of conversion with SDAT.

Under the Acts, articles of conversion are effective on the later of the time SDAT accepts the articles for record or the future effective time of the articles as set forth in the articles. The effects of the conversion commence once the conversion is completed.

Corporations and Real Estate Investment Trusts

Chapters 550 and 551 of 2014 altered various provisions of Maryland's corporation and REIT laws.

Authority of a Corporation or REIT to Renounce a Business Opportunity

The Acts authorized a Maryland corporation or a REIT to renounce, in its charter or declaration of trust or by resolution of its board, any interest or expectancy of the corporation or REIT in, or in being offered an opportunity to participate in, business opportunities or classes or categories of business opportunities that are presented to the corporation or REIT or developed by or presented to its directors or trustees or its officers.

Stock Dividends and Stock Splits

The Acts repealed the requirement that a dividend payable in shares of one class of a corporation's stock be approved by the board of directors or stockholders in a specified manner before being declared or paid to the holders of another class of stock.

Redemption of Shares by Open-end Investment Companies

To allow for the elimination of small investment accounts that are not economical for an open-end investment company to maintain, the Acts increased, from \$1,000 to \$2,000, the aggregate net asset value of the shares that may be redeemed by the company in the absence of an express prohibition in the corporation's charter.

Directors

Chapters 550 and 551 required each nominee for director of a corporation to have the qualifications required by the corporation's charter or bylaws. If the charter or bylaws so required at the time a director was elected, the director's term must end on the failure to meet the qualifications required when the director initially was elected. The Acts also (1) established a method to determine the directors who will hold over in the event that the number of directors to be elected at the designated time, together with the number of directors who otherwise would hold over, is greater than the number of directors who were to be elected; (2) clarified specified board voting procedures; and (3) allowed a corporation's charter or bylaws to determine specified powers of the board.

Voting Agreements

Maryland law authorizes one or more stockholders of a corporation to confer the right to vote or otherwise represent their stock to a trustee by entering into a written voting trust agreement detailing the voting trust's terms and conditions. The Acts authorized two or more stockholders of a corporation to enter into a written agreement that the stock held by the parties to the agreement must be voted (1) as provided in the agreement; (2) as the parties may agree; or (3) based on a procedure set forth in the agreement.

Exemption to Merger Procedures

Generally, a consolidation, merger, share exchange, or transfer of assets must be approved in a specified manner. *Chapters 550 and 551* established an exception for a merger of a “subject corporation” – a corporation or REIT that is the subject of a tender or exchange offer – with or into an “acquiring entity.” Under the Acts, unless the charter of a corporation or the declaration of trust of a REIT provides otherwise, a merger of a subject corporation with or into an acquiring entity may be completed if the conditions specified in the Acts are met.

The Acts also required certain entities to approve the proposed merger and required an acquiring entity to provide notice of the merger under specified circumstances. A minority stockholder of the subject corporation has the right to demand and receive payment of the fair value of the minority stockholder’s shares as, and to the extent provided to, objecting stockholders.

Contents of Articles

Chapters 550 and 551 authorized the treatment of ownership interests disclosed in articles of consolidation, merger, or share exchange to be made dependent on facts ascertainable outside the articles. The Acts also authorized the nature and amount of the consideration to be paid, transferred, or issued for the assets of the transferor disclosed in articles of transfer to be made dependent on facts ascertainable outside the articles of transfer.

Meetings of Stockholders after Revival

The Acts repealed the requirement that the president or a director of a corporation must call a meeting of the stockholders to elect a full board of directors promptly after the charter of the corporation is revived.

Real Estate Investment Trusts

Chapters 550 and 551 clarified that a REIT is a separate legal entity and required that a declaration of trust be filed for record with SDAT before a REIT is formed. The Acts also altered the manner in which an “other entity” may convert to a REIT by requiring the entity to file and execute a declaration of trust in a specified manner.

Document Filing and Processing

SDAT may accept corporate and other business entity documents that are filed for record by electronic transmission, mail, or in person. Approximately 47,000 new businesses are registered in Maryland through these methods each year. On January 14, 2013, the Governor announced an online business registration system to streamline the process. The system, part of the ongoing effort *Maryland Made Easy*, allows business owners to fill out and file the necessary forms to register a new business and establish a legal entity, register a new business trade name, register tax accounts with the Comptroller’s Office, and review information regarding licensing requirements.

Chapters 67 and 68 of 2013 updated the process and fees required to file corporate and other business entity documents with SDAT. The Acts required SDAT, on payment of a \$425 fee, to process any document within two hours after the document is received by SDAT if the document is received at least two hours before the close of business. The Acts also authorized SDAT to (1) accept documents that are filed for record by electronic mail, facsimile transmission, and Internet transmission; (2) accept for preclearance, as defined by the Acts, specified documents on payment of a nonrefundable \$275 fee; and (3) waive the requirement that an entity must file a resident agent's written consent before the entity may designate the person as the entity's resident agent.

Electric Cooperatives – Electronic Notices and Voting

An electric cooperative is a nonprofit, private business and must be governed by its consumers, meaning every consumer-member may vote to elect the cooperative's board. This is a federal requirement and true of all types of cooperatives.

Chapters 285 and 286 of 2012 authorized an electric cooperative organized under the Maryland Electric Cooperative Act to provide notice of a meeting by electronic transmission and authorized the cooperative's bylaws to specify that voting by a member at a meeting may be by electronic transmission, provided that the bylaws establish the conditions under which voting by electronic transmission is allowed.

Maryland Securities Act – Registration and Filing Exemptions

On April 5, 2012, President Obama signed H.R. 3606, the Jumpstarting our Business Startups (JOBS) Act, which included the Crowdfund Act. The Crowdfund Act is intended to encourage the funding of small businesses through the practice of crowdfunding. Crowdfunding allows individuals who normally would have difficulty obtaining large amounts of capital from a smaller group of investors to access a larger group that may be willing to invest a few hundred dollars each. The idea has become immensely popular and, as a result, numerous websites, such as Kickstarter.com and IndieGoGo.com, have been established to facilitate the crowdfunding of various charitable or artistic projects.

Chapters 557 and 558 of 2014 facilitated crowdfunding by exempting investments under \$100 from Maryland securities registration and filing requirements. The Acts exempted a security from registration and filing requirements to the extent permitted by the Maryland Securities Commissioner by rule or order if:

- the offering of the security is conducted in accordance with § 3(a)(11) of the Securities Act of 1933 and Rule 147 adopted under the Securities Act of 1933;
- the offer and sale of the security are made only to State residents;
- the aggregate price of securities in the offering does not exceed \$100,000;

- the total consideration paid by any purchaser of securities in the offering does not exceed \$100;
- no commission or other remuneration is paid in connection with the offering to any person who is not registered as required under the Maryland Securities Act;
- neither the issuer nor any of its related persons is subject to a disqualification as defined by the commissioner by rule or order; and
- the security is sold in an offering conducted in compliance with any conditions established by rule or order of the commissioner.

The Acts established a filing fee of \$100 for a filing submitted in accordance with a crowdfunding exemption granted by the commissioner.

Part J

Health and Human Services

Public Health – Generally

Medicaid

Funding Overview

The Medicaid budget increased 21% from \$6.8 billion in fiscal 2012 to \$8.2 billion in fiscal 2015. General funds were just under \$2.5 billion in fiscal 2012 and have remained at or below that level due to favorable enrollment trends, the enhanced use of special funds (primarily derived from provider assessments), an increase in federal funds, and cost-containment actions. Major drivers of growth were the expansion of Medicaid to 138% federal poverty level (FPL) and provider rate increases.

Effective January 1, 2014, the federal Patient Protection and Affordable Care Act (ACA) authorized the expansion of Medicaid to 138% FPL, but expansion costs are entirely supported by federal funds in the initial years. *Chapter 159 of 2013* modified State eligibility for Medicaid to take advantage of the expansion authorized under ACA. This expansion also resulted in the elimination of the Primary Adult Care (PAC) program, a limited benefit program for childless adults with incomes up to 116% FPL for a savings of \$60.8 million. All the enrollees in PAC were moved into the Medicaid program. As of February 2014, the Medicaid expansion population covers 140,000 enrollees, including about 90,000 former PAC enrollees.

There is still a great deal of uncertainty in the Medicaid budget going forward due to significant uncertainty over enrollment trends that is complicated by the State's decision to extend Medicaid redeterminations by a six-month grace period, effective January 1, 2014. By mid fiscal 2014, enrollment in Medicaid, even after excluding the ACA expansion, was higher than the anticipated fiscal 2015 levels.

Eligibility

Under Medicaid and PAC, eligibility for family planning services was limited to women with incomes up to 116% FPL. Women with incomes up to 200% FPL could retain family planning coverage for five years following a birth paid for by Medicaid. **Chapters 537 and 538 of 2011** required Medicaid, beginning on January 1, 2012, to provide family planning services to all women whose family income is at or below 200% FPL without regard to how recently the woman had delivered a child.

Telemedicine Reimbursement

Chapters 579 and 580 of 2012 required insurers, nonprofit health service plans, and health maintenance organizations to cover and reimburse for health care services appropriately delivered through telemedicine. A health care service cannot be excluded solely because it is provided through telemedicine rather than in person. **Chapter 280 of 2013** required the Medicaid program to reimburse for telemedicine for a health care service that is medically necessary and is provided (1) for the treatment of cardiovascular disease or stroke; (2) in an emergency department setting; and (3) when an appropriate specialist is not available. **Chapter 141 of 2014** required that, to the extent authorized by federal law, telemedicine coverage and reimbursement requirements that apply to health insurance carriers also apply to the Medicaid program and Managed Care Organizations. The Department of Health and Mental Hygiene (DHMH) was authorized to reimburse for services delivered through different telemedicine models, including the electronic sending of medical images and home health monitoring, subject to the limitations of the State budget and only to the extent authorized by federal law. DHMH was also authorized to specify by regulation the types of providers eligible to receive reimbursement.

Waivers

In January 2014, DHMH reorganized community services by merging the Medicaid Waiver for Older Adults and the Living At Home Waiver into a single program, the Community Options Waiver. **Chapter 413 of 2014** made the statutory changes necessary to consolidate these waivers. Eligibility for waiver enrollees was maintained, and the services under the new waiver include assisted living, behavioral consultation, senior center plus, family training, nutritionist/dietitian services, and medical day care. Some services formerly provided under the Living At Home Waiver are now provided under the Community First Choice program, a State Plan option established under ACA. Participants may now choose whether to receive their case management services through local Area Agencies on Aging or several private providers.

Health Enterprise Zones

A workgroup formed by the Maryland Health Quality and Cost Council (MHQCC) examined ways to reduce health disparities in the State and issued several recommendations, including the collection of performance incentive data by race and ethnicity and the creation of Health Enterprise Zones (HEZ) through which community-based organizations may apply for funds to improve health within a designated zone. Other aspects of the HEZ model include loan

repayment assistance and tax credits to support existing and new primary care clinicians in HEZ, as well as assistance for health information technology and other practice expenses.

Chapter 3 of 2012 established an HEZ designation process in order to target State resources to reduce health disparities, improve health outcomes, and reduce health costs and hospital admissions and readmissions in specific areas of the State. An HEZ is defined as a contiguous geographic area that (1) demonstrates measurable and documented health disparities and poor health outcomes; (2) is small enough to allow for the incentives offered under the Act to have a significant impact on improving health outcomes and reducing racial, ethnic, and geographic health disparities; and (3) is designated as an HEZ by the Community Health Resources Commission (CHRC) and the Secretary of Health and Mental Hygiene. Funding is provided through CHRC.

Additionally, the Act also authorized incentives for HEZ practitioners, including tax credits against the State income tax. **Chapter 3** also (1) required the Maryland Health Care Commission (MHCC), as part of its system of comparative evaluation of the quality of care and performance of health benefit plans, to implement a standard set of measures regarding racial and ethnic variations in quality and outcomes and provide information on carriers' actions to track and reduce health disparities; (2) required the Health Services Cost Review Commission and MHCC to study and report on issues related to racial and ethnic performance data tracking; and (3) required MHQCC to convene a Cultural and Linguistic Competency Workgroup, which must examine and report on issues related to multicultural health care.

Miscellaneous Health Care Programs

Community Integrated Medical Home Program

Maryland is 1 of 25 states to receive a State Innovation Models (SIM) grant under ACA. Maryland has received a \$2.37 million planning grant from the Center for Medicare and Medicaid Innovation to develop a new Community Integrated Medical Home Program (CIMHP). **Chapter 449 of 2014** established the program and is intended to serve as the framework for implementation if Maryland receives a SIM implementation grant. The mission of CIMHP is to (1) keep Maryland families healthy through the use of innovative mapping tools that allow better targeting of resources to those in need; (2) coordinate comprehensive services provided by a participating patient centered medical home with public health resources in local communities across the State; and (3) provide complementary support for qualified individuals between office visits. CIMHP must be administered jointly by MHCC and DHMH. The Act also established the CIMHP advisory body which must make recommendations concerning (1) the model, standards, and scope of services for CIMHP; (2) the essential elements for implementing CIMHP; (3) the extent and nature of the relationship between CIMHP and patient-centered medical homes; and (4) how CIMHP can be financially self-sustaining. MHCC in consultation with the Secretary of Health and Mental Hygiene must appoint the members of the advisory board and determine the frequency and location of meetings.

Cord Blood Transplant Program

Cord blood contains all of the normal elements of blood, but it is also rich in hematopoietic (blood-forming) stem cells, similar to those found in bone marrow. Thus, cord blood can be used for transplantation as an alternative to bone marrow. **Chapters 498 and 499 of 2011** established a Cord Blood Transplant Program within DHMH to provide funding, subject to the limitations of the State budget, to qualified medical institutions to establish or maintain a cord blood transplant program. The Acts also established a Cord Blood Transplant Center Support Fund to promote economic development by supporting cord blood transplant centers at qualified medical institutions with a goal of being recognized as a regional center of excellence in the area of cord blood transplantation. Qualified medical institutions may apply for a grant from the fund each year.

Palliative Care Pilot Programs

The House Health and Government Operations Committee formed a workgroup during the 2012 legislative interim to study issues surrounding palliative care. Stemming from the recommendations of the workgroup, **Chapter 379 of 2013** required that at least five palliative care pilot programs be established in the State in hospitals with 50 or more beds. The pilot programs are to be selected by MHCC in a manner that ensures geographic balance in the State. The pilot programs must (1) collaborate with palliative care or community providers to deliver care; (2) gather data on costs and savings to hospitals and providers, access to care, and patient choice; and (3) report to MHCC on best practices that can be used in the development of statewide palliative care standards. The Act terminates November 30, 2016.

Behavioral Health

Establishment of the Behavioral Health Administration

DHMH has been examining the issue of integrating substance use disorder and mental health care to address fragmentation in the delivery and government financing of those services. DHMH opted for a behavioral health integration plan that carves out substance abuse and specialty mental health services and delivers them through a fee-for-service model administered by an Administrative Services Organization. This plan requires a number of changes to State administrative and financial structures. **Chapter 460 of 2014** established the Behavioral Health Administration (BHA) in statute and merges the Alcohol and Drug Addiction Administration and the Mental Hygiene Administration into BHA. Behavioral health is defined to include substance use disorders, addictive disorders, and mental disorders. Existing certification and approval provisions for alcohol abuse and drug abuse treatment programs and mental health programs are modified and replaced to establish licensing provisions for substance use disorder programs and mental health programs. The Secretary of Health and Mental Hygiene may require the programs to be granted accreditation by an approved accreditation organization as a condition of licensure. Finally, a stakeholder workgroup must be convened by the Secretary to make recommendations on issues related to behavioral health.

Mental Health

In 2013, DHMH convened the Continuity of Care Advisory Panel to explore ways to address the lack of continuity of care in the treatment of seriously mentally ill individuals. The recommendations of the advisory panel were wide ranging and included recommendations related to the clinical review panel process for involuntary administration of medication, outpatient civil commitment (also called assisted outpatient treatment), and the standard for involuntary admission to a psychiatric facility. Although the advisory panel did not recommend specific legislation, several bills were introduced during the 2014 General Assembly session to address issues related to mental health treatment and services.

Psychiatric medication may not be administered to an individual being treated for a mental disorder in a facility who refuses the medication except (1) in an emergency, on the order of a physician where the individual presents a danger to the life or safety of the individual or others or (2) in a nonemergency, when the individual is hospitalized involuntarily or committed to treatment by order of a court, and the medication is approved by a clinical review panel (CRP) according to specified restrictions. **Chapters 314 and 315 of 2014** altered the standard for approval for involuntary medication by a CRP by removing the “danger to the individual or to others” language. Under the Acts, a CRP may approve administration of medication or medications and may recommend and approve alternative medications if the panel determines that, in addition to two other criteria, without the medication the individual is at substantial risk of continued hospitalization because of:

- remaining seriously mentally ill with no significant relief of the mental illness symptoms that (1) cause the individual to be a danger to the individual or others while in the hospital; (2) resulted in the individual being committed to a hospital; or (3) would cause the individual to be a danger to the individual or others if released from the hospital;
- remaining seriously mentally ill for a significantly longer period of time with the mental illness symptoms that either (1) cause the individual to be a danger to the individual or others while in the hospital; (2) resulted in the individual being committed to a hospital; (3) or would cause the individual to be a danger to the individual or others if released from the hospital; or
- relapsing into a condition in which the individual is unable to provide for the individual’s essential human needs of health or safety.

Senate Bill 67/House Bill 606 of 2014 (both failed) would have modified the standards for involuntary admissions of individuals with mental disorders and emergency evaluations of individuals with mental disorders. Likewise, **Senate Bill 831/House Bill 767 of 2014 (both failed)** would have established procedures and requirements for assisted outpatient treatment for individuals with severe mental illnesses. Instead of making those substantive changes, **Chapters 352 and 353 of 2014** required the Secretary of Health and Mental Hygiene to convene a stakeholder workgroup to (1) examine the development and implementation of assisted outpatient treatment programs, assertive community treatment programs, and other outpatient

service programs in the State; (2) develop a proposal for a program in the State; and (3) evaluate the dangerousness standard for involuntary admissions and emergency evaluations of individuals with mental disorders.

In addition to legislation regarding the treatment of seriously mentally ill individuals, **Chapter 427 of 2013** made significant changes to mental health restrictions on the possession of firearms. For further discussion of the Firearm Safety Act of 2013, see the subpart “Public Safety” of Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Developmental Disabilities

Developmental Disabilities Administration Funding

The Developmental Disabilities Administration (DDA) budget increased 17.8% from \$846 million in fiscal 2012 to \$997 million in fiscal 2015. Spending growth is attributable to expansion costs, provider rate increases (2.46% in fiscal 2014 and 4% in fiscal 2015), annualization costs, additional funding for community-based services appropriated through the supplemental budget, and smaller funding initiatives. While DDA experienced these funding enhancements, a number of budgeting problems and weaknesses in fiscal oversight came to light.

Chapter 571 of 2011 increased the State sales and use tax rate imposed on alcoholic beverages from 6% to 9% beginning in fiscal 2012. **Chapter 571** required a supplementary appropriation of \$15.0 million for fiscal 2012 to be used to fund a Waiting List Initiative for DDA with priority given to individuals in the Crisis Prevention and Crisis Resolution categories of the Waiting List. The \$15.0 million supplementary appropriation was also partially matched by federal funds based on the number of individuals served in the Crisis Resolution category. In fiscal 2012, all individuals in the Crisis Prevention category of the waiting list were eligible for up to \$10,000 in one-time assistance for Services of Short Duration (SSD). DDA experienced an unanticipated spike in SSD expenditures. In total, DDA expended \$10.9 million on SSD and \$7.1 million on placements from the Crisis Resolution category of the waiting list for a total of \$18.0 million on the 2012 Waiting List Initiative. For a further discussion of **Chapter 571**, see the subpart “Sales Tax” within Part B – Taxes of this *Major Issues Review*.

At the end of fiscal 2011, DDA had to revert \$25.7 million of \$38.3 million in unspent prior year funds that had accumulated over time due to inappropriate budgeting practices. An audit report released in September 2013 from the Office of Inspector General at the U.S. Department of Health and Human Services found that DDA owed the federal government \$20.6 million for over-claiming of funds. DDA also reported a deficiency for fiscal 2013 in the Community Services Program.

Developmental Disabilities Administration

In 2013, DHMH executed a contract with a national firm specializing in turnaround and interim management services in order to address DDA’s lack of financial oversight and inability to accurately budget. DDA has started to implement administrative and financial reforms to address these challenges.

The Director of DDA headed DDA since it was established in 1986. The director began reporting to the Deputy Secretary for Behavioral Health and Disabilities in fiscal 2009. **Chapter 539 of 2014** created a Deputy Secretary for Developmental Disabilities to head DDA and eliminated the position of Director of DDA. The existing Deputy Secretary for Behavioral Health and Disabilities was renamed the Deputy Secretary for Behavioral Health.

A major contributing factor to DDA's inability to accurately budget has been attributed to the agency's provider payment system. The payment system that was adopted in 1987 and codified in 1994, is prospective in nature. DDA estimates the costs that a provider will incur in the coming fiscal year to serve its clients, and pays these costs to providers upfront. Providers must submit documentation of their expenses and, at the end of the year, providers and DDA use audited cost reports to reconcile actual costs with the payments made. **Chapter 648 of 2014** required DDA to conduct an independent cost-driven, rate-setting study to set provider rates for community-based services. DDA must use the findings of the study to develop and implement a plan that includes (1) a strategy for assessing the needs of an individual receiving services; (2) the development of a sound payment system; (3) a payment schedule that ensures the timely and efficient reimbursement of providers for services provided; and (4) the provision of adequate working capital payments. DDA must consult stakeholders in conducting the study and developing the payment system. The existing DDA payment system is repealed effective on the date that the new payment system regulations take effect.

Chapter 262 of 2014 not only increased the minimum wage, it also included a mandated rate increase for DDA-funded community providers (3.5% for four years beginning in fiscal 2016). For a more detailed discussion of the Minimum Wage Act, see the subpart "Labor and Industry" of Part H – Business and Economic Issues of this *Major Issues Review*. Given this mandated funding increase, **Chapter 648** also included a provision that, until the implementation of a new payment system (or at least through fiscal 2019), a community provider must spend at least the same percentage of its total reported operating expenses on direct support employee salaries, wages, and fringe benefits as it did in fiscal 2014. If DHMH determines a community provider has not met this requirement, the community provider may contest the determination, provide information to DHMH demonstrating mitigating circumstances, or submit a plan of correction. DHMH may recoup the difference in funding if the community provider does not respond or provides an insufficient response.

Low Intensity Support Services

Chapter 59 of 2014 lowered the amount of money, from \$3,000 to \$2,000 per fiscal year that may be spent on each individual receiving funding for Low Intensity Support Services (LISS) under DDA's LISS program. Program services help individuals with developmental disabilities to improve their quality of life, remain in their own homes, and increase or maintain independence. Lowering the cap to \$2,000 will enable DDA to distribute LISS funds to significantly more individuals.

Prescription Drug Monitoring Program

Prescription drug abuse is a growing problem in the United States and has been attributed, in part, to the increased availability of prescription drugs. State prescription drug monitoring programs address this issue by requiring pharmacies to log each prescription they fill. **Chapter 166 of 2011** established the Prescription Drug Monitoring Program (PDMP) within DHMH to address issues of prescription drug abuse and drug diversion by monitoring all Schedule II-V controlled dangerous substances prescribed and dispensed in the State. For each monitored prescription drug dispensed, a dispenser had to electronically submit data to PDMP in accordance with regulations adopted by the Secretary of Health and Mental Hygiene. In addition, the Act established an Advisory Board on Prescription Drug Monitoring, which required the board to make recommendations to the Secretary of Health and Mental Hygiene relating to the design and implementation of the program, including regulations, legislation, and sources of funding. **Chapter 177 of 2013** added the Division of Drug Control to the list of entities to which the program must disclose prescription monitoring data. Data must be disclosed to the division, on approval of the Secretary of Health and Mental Hygiene, for the purpose of furthering an existing bona fide individual investigation.

In 2013, the Department of Legislative Services (DLS) conducted a sunset evaluation of PDMP. As PDMP was not fully operational at the time of the sunset evaluation, DLS reviewed implementation of the program, compared the structure of the program to programs in other states, and assessed potential best practices. Based on this review, DLS recommended that PDMP be waived from full evaluation and that the program's termination date be extended by three years to July 1, 2019. DLS recommended a targeted full evaluation of the program in 2017, by which time the program should have three full years of data with which DLS may measure performance. DLS further recommended that PDMP submit a follow-up report to the Governor, the General Assembly, and DLS by January 1, 2015, on (1) efforts to collect and make available, in real-time, PDMP data; (2) recommendations for a long-term funding source to support the program; and (3) the status of DHMH's planned independent evaluation of PDMP. **Chapter 92 of 2014** implemented those recommendations and further changes to PDMP were made by **Chapter 651 of 2014**. **Chapter 651**, authorized PDMP, in accordance with regulations adopted by the Secretary of Health and Mental Hygiene, to review prescription drug monitoring data for indications of possible misuse or abuse of a monitored prescription drug and, if indicated, report the possible misuse or abuse to the prescriber or dispenser. Before reporting possible misuse or abuse, PDMP must obtain clinical guidance from the technical advisory committee regarding indications of possible misuse or abuse and interpretation of the prescription monitoring data that indicated possible misuse or abuse.

Medical Marijuana

In 1996, California became the first state to allow the medical use of marijuana. Since then, 21 other states (as well as the District of Columbia) have enacted similar laws. States with medical marijuana laws generally have some form of patient registry and provide protection from arrest for possession of up to a certain amount of marijuana for medical use.

Chapter 403 of 2013 allowed for the investigational use of marijuana for medical purposes. Specifically, the Act established, as an independent commission within DHMH, the Natalie M. LaPrade Medical Marijuana Commission to (1) develop requests for applications for academic medical centers to operate programs in the State; (2) approve or deny initial and renewal program applications; and (3) monitor and oversee programs approved for operation. The Act also established the Natalie M. LaPrade Medical Marijuana Commission Fund as a special, nonlapsing fund. The commission is required to administer the fund, which consists of any money appropriated in the State budget to the fund and any other money from any other source accepted for the benefit of the fund (in accordance with any conditions adopted by the commission).

In 2014, **Chapters 240 and 256** expanded the State's medical marijuana program to allow qualifying patients to obtain medical marijuana through persons other than academic medical centers. A qualifying patient is a resident of the State who has been provided with a written certification by a certifying physician in accordance with a bona fide physician-patient relationship or is enrolled in a research program with a registered academic medical center. If the patient is under the age of 18 years, the patient must also have a caregiver. In order to be approved by the commission as a certifying physician, a physician must submit a proposal to the commission that includes, among other items, the reasons for including a patient under the care of the physician for the purposes of the medical marijuana law and the physician's plan for screening a patient for dependence. A qualifying patient who is 18 years of age or older may obtain medical marijuana only from a medical marijuana grower licensed by the commission or a dispensary licensed by the commission. If a qualifying patient is under the age of 18 years, the patient may obtain medical marijuana only from the patient's caregiver.

Under **Chapters 240 and 256**, the commission is prohibited from licensing more than 15 growers until June 1, 2016, at which time the commission may issue the number of licenses necessary to meet the demand for medical marijuana. Additionally, the commission must set the standards for the licensure of growers and dispensaries. Licensed growers may only provide medical marijuana to programs at an academic medical center, dispensaries, qualified patients, and caregivers. Grower agents and dispensary agents must be registered by the commission and must obtain a State and national criminal history records check. Finally, the Acts, in addition to making other changes related to the commission, required the commission to issue reports on (1) any changes in marijuana use by minors; (2) how to provide medical marijuana to veterans receiving treatment at Veterans Affairs facilities; (3) the level of competition in the market for medical marijuana; and (4) the taxation of medical marijuana and the impact that medical marijuana laws have had on banking and financial transactions in other states that have implemented medical marijuana laws.

In addition to allowing the medical use of marijuana, several Acts made changes to criminal laws governing the possession and use of marijuana and related drug paraphernalia. First, **Chapter 215 of 2011** provided that, under certain circumstances, in a prosecution for the use or possession of marijuana or for the use or possession of drug paraphernalia related to marijuana, it is an affirmative defense that the defendant used or possessed the marijuana or marijuana paraphernalia for medical purposes. Second, **Chapters 61 and 62 of 2013** extended

the affirmative defense to defendants who possessed marijuana or paraphernalia because the defendant was a caregiver and the marijuana or paraphernalia was intended for medical use by an individual with a debilitating medical condition. Finally, **Chapter 158 of 2014** made the use or possession of less than 10 grams of marijuana a civil offense punishable by a fine, rather than a crime subject to imprisonment or a fine. For a more detailed discussion of this issue, see the subpart “Criminal Law” within Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Children’s Health

Bisphenol-A

Bisphenol-A (BPA) is a compound found in many plastics. In January 2010 the U.S. Food and Drug Administration (FDA) released findings stating that the FDA had some concern about the effects of BPA on the brain behavior and prostate gland in fetuses, infants, and young children. Chapter 46 and 47 of 2010 prohibited a person from manufacturing, distributing, or knowingly selling, on or after January 10, 2012, a bottle or cup that contains BPA if it is designed to be filled with food or liquid and used by a child under the age of four years. **Chapters 189 and 190 of 2011** expanded the prohibition on the use of BPA in child care articles. Specifically, on or after July 1, 2014, the State may not purchase, and an individual may not manufacture, knowingly sell, or distribute in commerce, infant formula in a container that contains BPA. A violator is guilty of a misdemeanor and subject to fines of up to \$10,000 per violation.

Bittering Agent

Ethylene glycol is an odorless, sweet-tasting liquid commonly used in engine coolant or antifreeze. It is highly toxic and, if ingested, potentially lethal. Denatonium benzoate is a chemical compound, known for its extremely bitter taste, that is sold as an aversive agent for application in toxic products to prevent children and animals from consuming the products. **Chapter 606 of 2011** prohibited a person from selling or offering to sell any engine coolant or antifreeze beginning January 1, 2012, if it contains more than 10% ethylene glycol unless it includes a certain amount of denatonium benzoate. Certain engine coolant or antifreeze, such as engine coolant or antifreeze reformulated through on-site recycling, were exempted from the ban. A person who violates the ban is guilty of a misdemeanor and on conviction is subject to a fine of not more than \$100, with each day that a violation continues being a separate offense.

Electronic Cigarettes

Electronic cigarettes (sometimes referred to as “e-cigarettes”) are battery-operated devices that typically contain nicotine cartridges and other chemicals imitating flavors such as chocolate, mint, or strawberry. The American Lung Association, American Cancer Society, American Heart Association, and Campaign for Tobacco-Free Kids have called for electronic cigarettes – which are not regulated by the FDA – to be removed from the market, positing that children may be attracted to the flavored products and that the products have not been proven safe. **Chapter 714 of 2012** prohibited a person from selling, distributing, or offering for sale to a

minor an electronic device – including an electronic cigarette, cigar, cigarillo, or pipe – that can be used to deliver nicotine to the individual inhaling from the device. **Chapter 714** does not apply to State-regulated tobacco products or to devices that have been approved for human consumption by FDA. A person that violates the Act is guilty of a misdemeanor and on conviction is subject to a fine of up to \$1,000 for each violation. However, **Chapter 714** specified that it is a defense in a prosecution for such a violation that the defendant examined the purchaser or recipient's driver's license or other valid identification (issued by an employer, government unit, or institution of higher education) that positively identified the purchaser or recipient as at least 18 years of age.

Tris Chemicals

Tris (2-chloroethyl) phosphate (TCEP), one of several phosphorus-based flame retardants referred to as "TRIS" chemicals, is commonly added to certain plastics, fabrics, and foams (including those used in certain child care products) to reduce the ability of those materials to ignite and burn. TCEP has been identified as a chemical of high concern by several states, the European Union, and Canada. In addition, the U.S. Consumer Product Safety Commission has identified TRIS as a "probable human carcinogen." **Chapter 349 of 2013** prohibited a person from importing, selling, or offering for sale specified child care products containing more than one-tenth of 1% (by mass) of TCEP. The Secretary of Health and Mental Hygiene may suspend implementation of the prohibition if the Secretary determines that the fire safety benefits of TCEP are greater than the health risks associated with TCEP. Tris (1, 3-dichloro-2-propyl) phosphate (TDCPP) is another type of "TRIS" chemical that is commonly added to certain plastics, fabrics, and foams, including those used in certain child care products. **Chapter 391 of 2014** added child care products containing more than one-tenth of 1% (by mass) of TDCPP to this prohibition.

Miscellaneous Public Health Issues

Drug Overdoses

Drug overdoses are a serious public health challenge in Maryland and across the country. To help prevent fatalities caused by opioid drug overdose when medical services are not immediately available, **Chapter 299 of 2013** established an Overdose Response Program in DHMH to authorize individuals (through the issuance of a certificate) to administer naloxone to an individual experiencing, or believed to be experiencing, opioid overdose. To qualify for a certificate, an individual must (1) be 18 or older; (2) have, or reasonably expect to have, as a result of the individual's occupation or volunteer, family, or social status, the ability to assist an individual who is experiencing an opioid overdose; and (3) successfully complete an educational training program offered by a private or public entity authorized by DHMH. The certificate authorizes the individual to (1) receive from a licensed physician or a licensed nurse practitioner, a prescription for naloxone and the necessary supplies for the administration of naloxone; (2) possess prescribed naloxone and the necessary supplies; and (3) administer the naloxone, in an emergency, to an individual experiencing or believed by the individual to be experiencing an opioid overdose.

Chapter 650 of 2014 authorized the establishment of local drug overdose fatality review teams in counties. The purposes of the local teams are to (1) prevent drug overdose deaths by promoting cooperation and coordination among agencies involved in investigations of drug overdose deaths; (2) develop an understanding of the causes and incidence of drug overdose deaths in the county; (3) develop plans for and recommending changes within the agencies represented on the team to prevent drug overdose deaths; and (4) advise DHMH on changes to law, policy, or practice to prevent drug overdose deaths. The Act specified the membership for local teams and the duties for local teams, including reporting and collaboration requirements. Additionally, **Chapter 650** established liability protection for health care providers that disclose information, subject to certain limitations, for team investigations and for information received as a result of participation in the teams. Finally, the Act established privacy provisions and specified that violation of those provisions is a misdemeanor and subject to a maximum fine of \$500 and/or imprisonment for up to 90 days.

AIDS Prevention Sterile Needle and Syringe Exchange Program

The AIDS Prevention Sterile Needle and Syringe Exchange Pilot Program in Baltimore City, established by Chapter 360 of 1994, provided sterile hypodermic needles and syringes in exchange for used needles on a one-for-one basis. The program's goal is to reduce the sharing of needles and the rate of HIV infection. The program also educates participants about the dangers of contracting HIV through needle sharing practices and refers participants to substance abuse treatment programs. **Chapter 396 of 2014** repealed the requirement that the program provide clean needles and syringes on a one-for-one basis. The Act also required the Baltimore City Health Department to annually report to the program's oversight committee, the Governor, and the General Assembly on the number of hypodermic needles and syringes exchanged as part of the program.

Organ Donation

The 2006 Revised Uniform Anatomical Gift Act (UAGA) is generally intended to resolve inconsistencies among states and reduce impediments to transplantation. A total of 45 states, the District of Columbia, and the U.S. Virgin Islands have adopted the Revised UAGA. **Chapter 541 of 2011** established the Maryland Revised Anatomical Gift Act, a modified version of the 2006 UAGA. The Act applies to donations of all or part of a human body taking effect after the donor's death for purposes of transplantation, therapy, research, or education.

Medical Decisionmaking

Chapters 433 and 434 of 2011 repealed provisions of law relating to the "Instructions on Current Life-Sustaining Treatment Options" form. The Acts required DHMH, in conjunction with the Maryland Institute for Emergency Medical Services Systems and the State Board of Physicians, to develop and periodically revise a "Medical Orders for Life-Sustaining Treatment" form and instructions for its use. The form is to be given the same effect as an emergency medical services "do not resuscitate order" if the form contains an order that resuscitation not be attempted. Health care facilities, which include assisted living programs, home health agencies, hospices, hospitals, kidney dialysis centers, and nursing homes, are required to accept and update

or complete the form as specified. Other health care providers are authorized, but not required, to use the form. DHMH is required to adopt regulations regarding the form, and to make the form and instructions available on its website.

Alzheimer’s Disease and Related Disorders

The Virginia I. Jones Commission on Alzheimer’s Disease and Related Disorders was established by executive order in 2011 and was tasked with making recommendations for a State plan to address the needs of individuals with Alzheimer’s disease and related disorders (as well as their families and caregivers). The commission is codified, under ***Chapters 305 and 306 of 2013***, as the Virginia I. Jones Alzheimer’s Disease and Related Disorders Council. The council is charged with continuing the work initiated by the commission, including the development and monitoring of the 2012 Maryland State Plan on Alzheimer’s Disease and Related Disorders. The council is also charged with improving access to and coordination of services and knowledge of the resources and information available to individuals with Alzheimer’s disease and their family members and caregivers. The council terminates on September 30, 2016.

Brain Injuries

Chapter 511 of 2013 established the State Brain Injury Trust Fund as a special, nonlapsing fund for the purpose of assisting in the provision of specified services to eligible individuals who have sustained brain injuries. The Secretary of Health and Mental Hygiene is required to administer the fund. The fund may be used to support prevention, education, and awareness programs; medical services; housing and residential services; the provision of durable medical equipment; assistive technology assessment and the provision of equipment; services to assist in the return to driving; evaluation and training related to the brain injury; educational needs; and services related to rehabilitation, neurobehavioral health, nursing home transition, community reentry, and transportation.

Minor Consent to Medical Treatment

Chapter 170 of 2012 provided that a minor has the same capacity as an adult to consent to medical or dental treatment if the minor is (1) married; (2) the parent of a child; or (3) is living separate from the minor’s parent, parents, or guardian and is self-supporting. The Act also expanded the law providing that a minor who is married or a parent has the same capacity as an adult to consent to medical treatment, to a minor who is living separate and apart from the minor’s parent, parents, or guardian and is self-supporting. The Act provided that a licensed health care practitioner who treats a minor is not liable for civil damages or subject to any criminal or disciplinary penalty solely because a minor lacked the capacity to consent to treatment, and is not required to give the parent, guardian, or custodian of a minor information about treatment needed by the minor or provided to the minor, except information about an abortion.

Health Occupations

Regulation of Health Care Providers

In General

Electronic Licensing: Electronic systems for licensing help to eliminate fraud and provide the most current information regarding licensure status. *Chapter 404 of 2013* authorized each health occupations board to develop a secure electronic system for the distribution of a renewed license, permit, certification, or registration. These systems must be accessible to the public for verification of a current license, permit, certification or registration.

Expedited Licensure for Military Personnel and Veterans: *Chapters 154 and 155 of 2013* facilitated professional licensing for active military personnel, veterans, and their spouses. Health occupations boards must expedite the licensure, certification, or registration of such individuals and assign an advisor to assist the individual with the application process and provide specified information to assist in the licensing, certification, or registration process. For further discussion of this issue, see the subpart “Business Occupations” within Part H – Business and Economic Issues and the subpart “State Agencies, Offices, and Officials” within Part C – State Government of this *Major Issues Review*.

Dentistry

Dentists: *Chapter 416 of 2014* added grounds for discipline against licensed dentists and dental hygienists who violate professional standards of care. Regardless of whether actual injury to the patient occurs, the Act authorized the State Board of Dental Examiners to deny a license to an applicant or take disciplinary action against a licensee if the applicant or licensee:

- demonstrates a course of conduct of providing dental care or dental hygiene care that is inconsistent with generally accepted professional standards of care in the practice of dentistry or dental hygiene; or
- provides a dental service or dental hygiene service in a manner that is significantly inconsistent with generally accepted professional standards of care in the practice of dentistry or dental hygiene.

Dental Hygienists: Historically, a dental hygienist in Maryland has practiced under the indirect supervision of a dentist. However, more recently, dentistry practices in Maryland have trended toward permitting hygienists to work under less restrictive supervisory requirements. Chapter 733 of 2010 authorized dental hygienists to practice in long-term care facilities under the general supervision of a dentist. The authority was scheduled to terminate on June 30, 2014, but *Chapter 381 of 2014* made the authority permanent. Similarly, *Chapters 271 and 272 of 2011* authorized dental hygienists to monitor a patient to whom nitrous oxide is administered under the supervision of an on-site dentist and *Chapter 382 of 2014* made the authority permanent.

Chapters 219 and 220 of 2012 further expanded the scope of practice by authorizing a dental hygienist to administer local anesthesia by inferior alveolar nerve block in order to anesthetize soft tissue and facilitate dental hygiene procedures if a dentist is physically present on the premises and prescribes the administration of local anesthesia by the dental hygienist.

Finally, **Chapters 271 and 272 of 2013** authorized dental hygienists to provide preliminary examinations, oral health education, basic health screenings, and referrals to a dental home on a *pro bono* basis at community-based health fairs.

Morticians

Mortuary Transport Services: In response to numerous complaints received by the State Board of Morticians and Funeral Directors and the Office of the Chief Medical Examiner regarding unprofessional conduct by transport service employees, **Chapters 614 and 615 of 2012** required a “mortuary transport service” to hold a permit issued by the board and to employ only registered transporters to remove and transport human remains. Further, vehicles used for transport must pass an inspection conducted by an inspector designated by the board. Signs and advertisements for a mortuary transport service are required to display the name of the service as it appears on the permit.

Unannounced Inspections: **Chapter 308 of 2014** established a process for the State Board of Morticians and Funeral Directors to conduct unannounced inspections of the preparation and body storage areas of a funeral establishment. Under the Act, an unannounced inspection may be conducted (1) in response to valid information provided to the board resulting in a complaint being opened concerning the preparation or body storage areas of a licensed funeral establishment (but only if the board has provided a copy of the complaint to the licensed funeral establishment) or (2) of a funeral establishment that the board has placed on probationary status. The board must provide inspection results to a funeral establishment representative within 24 hours after completing the inspection.

Authority to Discipline Funeral Establishments: Prior to 2013, the State Board of Morticians and Funeral Directors was able to discipline an individual, but not the holder of the funeral establishment license. **Chapters 242 and 243 of 2013** authorized the board to discipline an applicant for, or the holder of, a funeral establishment license if with the knowledge or at the direction of the establishment (1) an unlicensed individual practices mortuary science or funeral direction for or within the establishment; (2) an employee fails to properly store a body or unlawfully embalms a body; or (3) an employee fails to comply with laws governing pre-need contracts.

Pre-need Contracts: Pre-need contracts allow consumers to purchase funeral goods and services for himself or herself or another beneficiary in advance at then-prevailing market prices. On March 1, 2013, the Attorney General issued a formal opinion that money-trusted pre-need accounts must include the total price of the goods and services agreed upon; thus, the price terms of the contract must be guaranteed. **Chapter 497 of 2014** specified the contents of a disclosure statement that must be included in a pre-need contract. The statement must clearly state that “not all charges that may be required to be paid at the time of need are listed in this contract” and

inform a buyer whether the contract is a “guaranteed contract,” a “guaranteed in part contract,” or a “nonguaranteed contract.” Additionally, a pre-need contract must include a line totaling the guaranteed amount paid and the amount for nonguaranteed items that are considered to be only a down payment toward future total cost. Finally, a pre-need escrow or trust account may not be deemed an asset of the individual licensee or the licensed funeral establishment.

Chapter 322 of 2014 established procedures for funeral establishments owned by a single owner and sole licensee in the event of the owner’s death, including public notification of the death, options for pre-need contract holders, and disposition of unclaimed remains. A pre-need trustee license was established to ensure management of pre-need accounts held by a funeral establishment until its closing or sale. The qualifications, term, and application procedures for an executor license were also altered.

Nursing

In addition to the traditional pathway, nurses may be licensed in Maryland by endorsement if they are licensed in another state or country and meet requirements similar to those in Maryland. **Chapters 281 and 282 of 2013** authorized the State Board of Nursing to waive clinical experience requirements for applicants for licensure by endorsement if the applicant has graduated from an accredited program, submitted evidence of active nursing practice, and met other licensing requirements. Applicants for licensure by endorsement must have an active unencumbered license, submit an application form to the board, and submit to a criminal history records check.

Pharmacists and the Regulation of Pharmacies and the Dispensing of Prescription Drugs

Administration of Vaccinations by Pharmacists: Until 2013, the practice of pharmacy included administering a vaccination for influenza, pneumococcal pneumonia, herpes zoster, or any other vaccination that has been determined by the State Board of Pharmacy, with the agreement of the State Board of Physicians and the State Board of Nursing, to be in the best health interests of the community. Until 2011, pharmacists who met specified training requirements could administer these vaccinations to individuals age 18 or older. **Chapters 559 and 560 of 2011** expanded this authority and authorized pharmacists to administer an influenza vaccination to an individual who is at least 9 years old if the vaccination is administered in accordance with regulations adopted by the State Board of Pharmacy, in consultation with the Department of Health and Mental Hygiene (DHMH), rather than jointly with the boards of Physicians and Nursing.

Chapters 255 and 256 of 2013 further expanded vaccination authority by allowing pharmacists to administer a vaccination listed in the U.S. Centers for Disease Control and Prevention’s (CDC) recommended immunization schedule to an individual age 11 to 17 if the individual has a prescription. For adults, the Acts authorized a pharmacist to administer any CDC-recommended vaccination or certain vaccinations required for travel if the vaccination is administered under specified protocols. A prescription is not required to administer a vaccination to an individual age 18 or older. Pharmacists must report all vaccinations

administered to ImmuNet, Maryland's immunization registry. If the vaccination is administered in accordance with a prescription, pharmacists must document at least one effort to inform the prescriber that the vaccination was administered. Excluding flu vaccines, if the prescriber is not the individual's primary care provider or the vaccination is not administered in accordance with a prescription, pharmacists must document at least one effort to inform the individual's primary care provider or other usual source of care that the vaccination was administered.

Nonresident Pharmacies: A pharmacy located out of state that ships, mails, or delivers drugs or devices to Maryland residents must file for a nonresident pharmacy permit from the State Board of Pharmacy. In addition to submitting an application to the board, a nonresident pharmacy must submit a copy of the most recent inspection report conducted by the state's regulatory or licensing agency in which the pharmacy is located. **Chapters 182 and 183 of 2012** required a nonresident pharmacy to not only hold a pharmacy permit issued by the board but also to have a pharmacist on staff who is licensed by the board and designated as the pharmacist responsible for providing pharmaceutical services to patients in the State. **Chapters 182 and 183** expanded the board's authority over nonresident pharmacies by clarifying inspection requirements, repealing the requirement that the board defer disciplinary action until certain actions have been taken by the regulatory agency in the state in which the nonresident pharmacy is located, and broadening the scope of disciplinary actions that may be taken against nonresident pharmacies.

Prescription Drug Monitoring Program: **Chapter 166 of 2011** established a Prescription Drug Monitoring Program to monitor the prescribing and dispensing of certain controlled dangerous substances. For each monitored prescription drug dispensed, a dispenser must electronically submit certain data to the program. For an additional discussion of the Prescription Drug Monitoring Program, see the subpart "Public Health – Generally" of Part J – Health and Human Services of this *Major Issues Review*.

Wholesale Distributors: Although the State Board of Pharmacy has regulated wholesale distributors of prescription drugs since 1987, its regulation of distributors has tightened in recent years in an effort to enhance patient safety and secure the State's prescription drug supply chain. **Chapters 462 and 463 of 2012** altered the application process for wholesale distributor permits issued by the State Board of Pharmacy by creating separate requirements for criminal history records checks for applicants located in Maryland versus those outside the State. **Chapters 462 and 463** also established additional procedures for national and state criminal history records checks for out-of-state wholesale distributor permit applicants. The Acts exempted applicants who do not hold prescription drugs or devices (virtual manufacturers) from the requirement to be inspected prior to issuance of a permit. The Acts also exempted a manufacturer that distributes its own prescription devices that are approved or authorized by the U.S. Food and Drug Administration from specified wholesale distributor permit requirements.

Chapters 298 and 621 of 2013 closed loopholes in Maryland law that allowed pharmacies to engage in wholesale distribution for the purpose of inflating prescription drug prices. Under **Chapters 298 and 621** a pharmacy permit holder may conduct wholesale distribution if the wholesale distribution does not exceed 5% of annual sales and the permit

holder maintains records of wholesale distribution separately from other records and makes such records available to the board for inspection. A pharmacy permit holder that obtains a waiver from the board (commonly known as a “waiver pharmacy”) may conduct wholesale distribution only with another pharmacy permit holder. A retail pharmacy may conduct wholesale distribution with another pharmacy permit holder and, under specified circumstances, with a wholesale distributor. To conduct wholesale distribution with a wholesale distributor, a retail pharmacy must report the activity to the board, maintain separate records of wholesale distribution with wholesale distributors, and make such records available for inspection by the board.

Sterile Compounding and Sterile Drug Products: Compounding of prescription drugs is under scrutiny by the states and the U.S. Food and Drug Administration (FDA) because of the emergence of firms with pharmacy licenses making and distributing compound drugs on a mass scale. Such firms operate more like drug manufacturers than pharmacies but may not receive regular inspections. In fall 2012, an outbreak of fungal meningitis was linked to an injectable steroid medication produced by a sterile compounding facility in Massachusetts. More than 725 patients were infected in 20 states, including 26 patients in Maryland. Additionally, 48 deaths, including 3 in Maryland, were linked to these injections. State action has attempted to strike a balance between tightening regulation of facilities that compound drugs, while maintaining practitioner and patient access to needed medications. State action has been circumscribed to some extent by evolving federal regulation and guidance.

The State Board of Pharmacy regulations govern licensed pharmacies in Maryland engaging in compounding or mixing sterile prescription solutions or suspensions and compounding radiopharmaceuticals. However, prior to 2013, these regulations did not apply to nonresident (out-of-state) pharmacies or other facilities. To strengthen regulation of sterile compounding, ***Chapter 397 of 2013*** established three mechanisms to regulate facilities or practitioners that perform “sterile compounding” or distribute a “sterile drug product” into or within Maryland. Sterile compounding means compounding of a biologic, diagnostic, drug, nutrient, and radiopharmaceutical that is prepared pursuant to a patient-specific prescription and, under United States Pharmacopeia standards, must be prepared using aseptic techniques. Sterile drug product means a drug product that must be prepared using aseptic techniques and is not required to be prepared in response to a patient-specific prescription. First, the Act required a “sterile compounding facility” (including a pharmacy, a health care practitioner’s office, or any other setting in which sterile compounding is performed) to hold a sterile compounding permit from the board. Second, the Act required a person that prepares and distributes sterile drug products into or within the State to hold both a manufacturer permit or other permit from FDA and a wholesale distributor permit from the board. Finally, the board was authorized to issue a waiver to a sterile compounding facility or a person that distributes a sterile drug product under specified circumstances.

Chapter 640 of 2014 authorized a pharmacy, subject to the requirement to obtain a sterile compounding permit or a sterile compounding pharmacy, to provide to an ophthalmologist certain compound drugs for emergency treatment for office use, without a patient-specific prescription. A pharmacy or a sterile compounding facility must require the ophthalmologist to

inform the pharmacy or the sterile compounding facility as to the identity of any patient to whom the drugs are administered.

Additionally, **Chapter 640** specified that the definition of “compounding” does not include mixing, reconstituting, or other acts performed (1) by, or under the supervision of, an oncologist, a rheumatologist, or a hematologist who administers chemotherapy, biologic therapy, supportive care medication, rheumatology therapy, or any other therapy in the treatment of cancer, a rheumatology condition, or a blood condition, and (2) in accordance with directions contained in approved labeling provided by the product’s manufacturer, other manufacturer directions consistent with the labeling, and other direction or guidance from the FDA relating to acts excluded from the definition of compounding. The Act also required the Secretary of DHMH to convene a workgroup to study national safety standards for the acts excluded from the sterile compounding facility permit requirement and to report by December 15, 2014, to the Governor and specified legislative committees on the results of the study and the Secretary’s recommendations for appropriate oversight.

Dispensers of Devices and Equipment: Chapter 393 of 2013 authorized the State Board of Pharmacy to waive certain requirements of the Maryland Pharmacy Act for a pharmacy that only dispenses prescription devices. **Chapter 393** resulted from the Durable Medical Equipment Provider Task Force that the board initiated to address entities that dispense only prescription devices. These entities have sought licensure as pharmacies but have found the expense of having a licensed pharmacist prohibitive. The board noted that there was no real need for a pharmacist since these entities dispense devices such as c-pap machines and diabetic supplies. In lieu of having a pharmacist on staff, the board indicated that it would require, in regulations, that pharmacies that only dispense prescription devices be accredited by a board-approved entity and have other appropriate health care professionals on staff (*i.e.*, respiratory therapists for c-pap companies). In developing these regulations with stakeholders in 2013, the board determined that most of these device-only pharmacies were already accredited by other organizations as a requirement to participate in federal health care programs such as Medicare and Medicaid. Thus, the board determined that these device-only pharmacies may not need to be regulated by the board at all. **Chapters 562 and 563 of 2014** exempted from the requirements of the Maryland Pharmacy Act a person who only dispenses (1) prescription devices that do not contain a prescription drug; (2) prescription devices within which the only prescription drug is medical oxygen; (3) durable medical equipment; or (4) prosthetics, orthotics, and related supplies.

Dentists, Physicians, and Podiatrists Who Dispense Prescription Drugs: Chapter 267 of 2012 established new requirements for dentists, physicians, and podiatrists who personally prepare and dispense prescription drugs. The Act required that beginning July 1, 2013, in addition to existing requirements, a dentist, physician, or podiatrist who personally prepares and dispenses prescription drugs must:

- comply with drug recalls and specified child-resistant packaging requirements;
- maintain biennial inventories and comply with any other federal and State recordkeeping requirements relating to controlled dangerous substances;

- purchase prescription drugs from a pharmacy or wholesale distributor that holds a permit issued by the State Board of Pharmacy;
- report annually to the respective board of licensure whether the dentist, physician, or podiatrist has personally prepared and dispensed prescription drugs within the previous year; and
- complete, as a condition of permit renewal, 10 continuing education credits.

The Act also required the boards of Pharmacy, Dental Examiners, Physicians, and Podiatric Medical Examiners to report certain information to the Division of Drug Control (DDC), establishes inspection requirements, and authorizes fees.

Legislation enacted in 2014 exempted dentists from certain dispensing permit requirements for specified purposes. *Chapter 496 of 2014* permitted a licensed dentist who obtains a permit from the State Board of Dental Examiners to dispense prescription-strength home fluoride products, dentin/enamel remineralizing products, and antimicrobial rinses without being subject to additional Maryland dispensing permit requirements, including DDC inspections. Additionally, *Chapter 593 of 2014* permitted a licensed dentist to dispense a full course of antibiotics to a patient for infection control without being subject to any dispensing permit requirements. However, the patient must be receiving the dental care pro bono and cannot be charged for the antibiotics.

Physical Therapists

Chapters 441 and 442 of 2011 altered the definitions of practicing physical therapy and practicing limited physical therapy. “Practicing physical therapy” was changed to include the design, implementation, and modification of therapeutic interventions. “Practicing limited physical therapy” was changed to include implementing and administering therapeutic interventions. The prohibition on using X-rays as part of physical therapy or limited physical therapy was repealed while the prohibition against taking X-rays was maintained. In addition, the State Board of Physical Therapy Examiners was authorized to send renewal notices by electronic mail if requested by a licensee and increase the maximum criminal fine for violating the Maryland Physical Therapy Act from \$5,000 to \$10,000.

Physicians Assistants

During the 2011-2014 term, physicians assistants (PA) gained greater autonomy. *Chapters 241 and 242 of 2012* repealed the requirement that specified patients being treated by a physician assistant be seen initially by a supervising physician and as frequently as the patient’s condition requires, but no less than within every five appointments or within 180 days, whichever occurs first. Instead, the Acts required that a delegation agreement between a physician assistant and a supervising physician include a statement that the primary supervising physician and the physician assistant attest that:

- they will establish a plan for the types of cases that require a physician plan of care or require that the patient initially or periodically be seen by the supervising physician; and
- the patient will be provided with access to the supervising physician on request.

Further, *Chapters 273 and 274 of 2013* expanded the types of forms and authorizations a PA may complete by authorizing a PA to (1) for purposes of authorizing an individual age 15, 16, or 17 to marry, complete a certificate stating that the PA has examined the individual and found she is pregnant or has given birth to a child; (2) provide the date of birth and medical information required on a birth certificate; (3) fill out and sign a death certificate; (4) file a replacement death certificate; (5) serve as a witness to a written or oral advance directive; (6) if physically present on the scene with the patient, provide an oral emergency medical services “do not resuscitate order”; (7) update or complete a “Medical Orders for Life-Sustaining Treatment” form; (8) certify certain medical conditions or disabilities for an applicant to qualify for a special disability registration number and plates from the Motor Vehicle Administration (MVA); and (9) certify the existence of a permanent disability for an applicant for a temporary or permanent parking placard from MVA.

Additionally, *Chapter 359 of 2013* authorized a PA who has completed a specified training course to perform certain nonfluoroscopic X-ray procedures of the extremities under a delegation agreement approved by the board that includes a request to perform such X-ray procedures as an advanced duty.

Podiatrists

Chapter 140 of 2014 expanded the scope of practice for podiatrists to include the surgical treatment of acute ankle fractures. Hospitals or related institutions that provide services that licensed podiatrists are authorized to perform must include, in bylaws, rules, or regulations, provisions for use of facilities by and staff privileges of qualified podiatrists, as defined by the hospital or institution. The Act required hospitals to consider the training, education, and experience of the podiatrist when developing these provisions.

Professional Counselors

In 2007, the Department of Legislative Services (DLS) conducted a full sunset evaluation of the State Board of Professional Counselors and Therapists. The evaluation report recommended that the board review the certification structure for alcohol and drug counselors to determine whether the three-tiered certification structure is of continued benefit to the profession and the public. The review led the board to conclude that two of the three tiers should be continued, while the third tier (for certified professional counselor-alcohol and drug (CPC-AD)) should be discontinued. More specifically, the board recommended that the credential be repealed for new applicants, while authorizing currently certified CPC-ADs to renew their certification and continue practicing nonclinical alcohol and drug counseling. Approximately 25 counselors held the CPC-AD certification. *Chapters 517 and 518 of 2012* implemented the board’s recommendations.

Residential Child Care Providers

Chapter 218 of 2008 expanded the purview of the State Board for Certification of Residential Child Care Program Administrators to include the certification of residential child and youth care practitioners. Chapter 583 of 2010 delayed the date by which residential child and youth care practitioners must be certified from October 1, 2013, until October 1, 2015. *Chapters 219 and 220 of 2011* required the Governor's Office for Children to establish a workgroup comprising specified representatives to determine whether it is feasible to implement this certification by 2015. *Chapters 312 and 313 of 2012* authorized many of the provisions recommended in the implementation plan. The Acts required the State Board for Certification of Residential Child Care Program Professionals to establish a tiered certification structure for residential child and youth care practitioners and establish training and continuing education requirements for the residential child and youth care practitioners certified by the board. The board must set reasonable fees for the issuance and renewal of certificates, including approving training programs, but may waive the fees, based on demonstrated need as determined by the board. The board may not require applicants for certification as a residential child and youth care practitioner to pay an examination fee. Employees of the Maryland School for the Blind who hold a current paraprofessional certificate are exempt from the certification requirement as are individuals, for up to 180 days, participating in a board-approved training program.

Increased Penalties for Unlicensed Practitioners

In response to ongoing efforts to address the issue of unlicensed practitioners, several bills during the 2011-2014 term authorized various boards to issue cease and desist orders, seek injunctive relief, and/or impose fines or penalties.

State Acupuncture Board and State Board of Dietetic Practice

Chapter 160 of 2014 authorized the State Acupuncture Board and the State Board of Dietetic Practice to issue a cease and desist order or obtain injunctive relief against an individual who is practicing acupuncture or dietetics without a license or misrepresenting to the public that an individual is authorized to practice acupuncture or dietetics. Individuals who violate these prohibitions were subject to a new civil fine of up to \$50,000, which will be assessed by the respective board and paid to the general fund. Additionally if, after a hearing, the board finds that there are grounds to discipline a licensed acupuncturist, the board may impose a civil penalty of up to \$5,000 instead of or in addition to placing a licensee on probation, reprimanding the licensee, or suspending or revoking the license. *Chapter 160* also authorized a licensed acupuncturist to provide supervision to a licensed clinical professional counselor performing auricular detoxification.

State Board of Podiatric Medical Examiners

Chapter 56 of 2014 authorized the State Board of Podiatric Medical Examiners to issue a cease and desist order or obtain injunctive relief for a violation of the prohibition against practicing, attempting to practice, or offering to practice podiatry without a license. Any civil

finest levied by the board on a person guilty of practicing podiatry without a license must be assessed by the board in accordance with board regulations.

State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists

Chapter 167 of 2014 authorized the State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists to issue a cease and desist order or obtain injunctive relief for (1) a disciplinary violation by a licensee; (2) a violation of the prohibition against practicing, attempting to practice, or offering to practice audiology, hearing aid dispensing, or speech-language pathology without a license; or (3) specified prohibitions against misrepresentation to the public.

State Board of Professional Counselors and Therapists

Chapter 61 of 2014 provided the State Board of Professional Counselors and Therapists with authority to issue a cease and desist order or obtain injunctive relief for a violation of the prohibitions against (1) practicing without a license or approval from the board or (2) misrepresentation to the public. The criminal fine for these violations was increased to a maximum of \$5,000. Additionally, the board was authorized to assess a new civil fine of up to \$50,000 for practicing without either a license or approval from the board or misrepresentation to the public; this civil fine must be assessed in accordance with board regulations and is paid to the general fund.

State Board of Examiners in Optometry

Chapter 309 of 2014 authorized the State Board of Examiners in Optometry to issue a cease and desist order or obtain injunctive relief for (1) a disciplinary violation by a licensed optometrist; (2) a violation of the prohibition against practicing, attempting to practice, or offering to practice optometry in the State without a license; (3) a violation of the prohibition against misrepresentation of the practice of optometry; or (4) knowingly selling or dispensing contact lenses without a valid and unexpired prescription. The board was authorized to assess a new civil fine of up to \$50,000 for practicing without a license, misrepresentation of the practice of optometry, or knowingly selling or dispensing contact lenses without a valid and unexpired prescription. Fines must be assessed in accordance with board regulations and be paid to the general fund.

State Board of Physicians

Physicians: Chapters 307 and 308 of 2013 established that a person who misrepresents to the public that the person is authorized to practice medicine or a licensee who fails to renew a license is (1) guilty of a felony and on conviction is subject to a fine of up to \$10,000 and/or imprisonment for up to five years and (2) subject to a civil fine of up to \$50,000 to be levied by the board, payable to the State Board of Physicians Fund. These penalties do not apply to a licensee who fails to renew if the licensee has applied for renewal, including payment of the renewal fee, within 60 days of the expiration of the license.

Further, *Chapters 596 and 597 of 2013* authorized the board to issue a cease and desist order or obtain injunctive relief against an individual for taking any action (1) for which the board determines there is a preponderance of the evidence of grounds for discipline under the Medical Practice Act and (2) that poses a serious risk to the health, safety, and welfare of a patient.

Polysomnographic Technologists: Chapters 585 and 586 of 2013 altered reinstatement provisions and added a new ground for disciplinary action for polysomnographic technologists. A licensed physician was prohibited from employing or supervising an individual practicing polysomnography without a license. Likewise, a hospital, related institution, alternative health system, or employer was prohibited from employing an individual practicing polysomnography without a license. The board may impose a civil penalty of up to \$5,000 for a violation of these prohibitions, payable to the general fund. Additionally, the civil penalty for a violation of the Maryland Polysomnography Act was expanded to apply to any violation of the Act rather than only to misrepresentation.

State Board of Examiners of Psychologists

Chapters 204 and 205 of 2012 increased the maximum penalties that the board may assess on an individual for misrepresentation as a psychologist or practicing psychology without a license. On conviction of a misdemeanor, an individual was subject to a fine of up to \$10,000 or imprisonment for up to one year, or both. Practicing psychology without a license was subject to a civil fine of up to \$50,000 to be assessed by the board in accordance with regulations adopted by the board and payable to the State Board of Examiners for Psychologists Fund.

State Board of Nursing Home Administrators

Chapters 726 and 727 of 2012 prohibited a nursing home or a “nursing home management firm” from knowingly employing or retaining as a consultant an individual who has surrendered a nursing home administrator license for specified disciplinary grounds or had such a license revoked by the State Board of Examiners of Nursing Home Administrators. Additionally, DHMH was prohibited from reimbursing a nursing home or related institution if the facility or a “management firm” of the facility knowingly employs or retains as a consultant such an individual.

Criminal Records History Check Requirements

During the 2011-2014 term, the General Assembly expanded the authority of several of the health occupations boards to require criminal history records checks (CHRC) as a condition for licensure or certification.

State Board of Chiropractic and Massage Therapy Examiners

Chapter 598 of 2014 required applicants for a chiropractic license, a massage therapy license, or a massage practitioner registration from the State Board of Chiropractic and Massage Therapy Examiners as well as applicants for a physical therapy license or a physical therapy

assistant license from the State Board of Physical Therapy Examiners to submit to a CHRC as a qualification for licensure or registration. The Act also created new grounds for disciplinary action for each respective health occupation if an applicant fails to submit to a CHRC.

State Board of Nursing

Chapters 559 and 560 of 2014 required the State Board of Nursing, beginning January 1, 2015, to establish a rap back program through which the Criminal Justice Information System will report all new and additional criminal history information to the board for an applicant who has been fingerprinted for a CHRC required by the board. The Acts also made numerous changes regarding licensure, certification, and disciplinary actions by the board, including authorizing the board to issue cease and desist orders, seek injunctive relief, and impose civil penalties for specified violations.

State Board of Professional Counselors and Therapists

Chapter 348 of 2013 required all applicants for a license or certificate from the State Board of Professional Counselors and Therapists to submit to a CHRC. An additional CHRC must be performed every six years. *Chapter 348* also established a new ground for disciplinary action if an applicant, licensee, or certificate holder fails to submit to a CHRC as required under the Act.

State Board of Social Work Examiners

Chapter 391 of 2013 made multiple revisions to the Maryland Social Work Practice Act, including requiring applicants for a license from the State Board of Social Work Examiners to submit to a CHRC and, if required by the board, a mental or physical competency examination, and enhancing civil and criminal penalties for violating the Act. Additionally, *Chapter 391* clarified and altered several of the grounds for disciplinary action by the board, enhanced the current criminal and misdemeanor penalties for a violation of the Act, and increased the civil fine the board may impose on a licensee. The Act also renamed the social work associate license the bachelor social work license (LBSW) and prohibited a LBSW from engaging in private practice.

Regulation of Newly Designated Health Care Practitioners

Art Therapists

Art therapy is a mental health profession that uses the creative process of art making to improve and enhance the physical, mental, and emotional well-being of individuals of all ages. Some art therapists, depending on their educational backgrounds, qualified to be licensed by the board as a professional counselor. However, it was difficult for the State Board of Professional Counselors and Therapists to determine which art therapy credentials should qualify for licensure. *Chapters 628 and 629 of 2012* required the board to license and regulate the practice of “art therapy.” An individual may not practice, attempt to practice, or offer to “practice clinical professional art therapy” in the State unless licensed by the board, with some exceptions.

Behavior Analysts

“Practice of behavior analysis” means the design, implementation, and evaluation of systematic instructional and environmental modifications to produce socially significant improvements in human behavior. Nationally, the primary credential for behavior analysts is certification by the Behavior Analyst Certification Board. *Chapter 328 of 2014* required the State Board of Professional Counselors and Therapists to regulate the practice of behavior analysis and establish a Behavior Analyst Advisory Committee and a Behavior Analyst Rehabilitation Subcommittee within the board. By January 1, 2015, an individual must be licensed by the board to practice behavior analysis in the State.

Naturopathic Doctors

Chapters 153 and 399 of 2014 required naturopathic doctors to be licensed to practice by the State Board of Physicians by March 1, 2016, and established a Naturopathic Medicine Advisory Committee within the board. The board must adopt regulations for the licensure and practice of naturopathic medicine and convene a workgroup to study the development of a naturopathic formulary and the routes of administration that may be used when administering natural medicines. “Naturopathic medicine” was defined as the prevention, diagnosis, and treatment of human health conditions, injury, and disease using only patient education, naturopathic therapies, and therapeutic substances recognized by the Council of Naturopathic Medical Education.

Perfusionists

Perfusionists offer a variety of clinical services to patients under the prescription and supervision of a physician including cardiopulmonary bypass (use of a heart-lung machine) and extracorporeal membrane oxygenation (long-term use of an artificial blood oxygenator to support or replace undeveloped, failing, damaged, or infected lungs). *Chapters 588 of 2011* required the State Board of Physicians to license and regulate the practice of perfusion and established a Perfusion Advisory Committee (PAC) within the board to develop and recommend regulations, a code of ethics, standards of care, and continuing education requirements. The Act required an individual to be licensed in order to practice perfusion in the State by October 1, 2013, with some exceptions.

Chapter 609 of 2014 (1) expanded the civil fine authority of the board over licensed perfusionists; (2) altered the circumstances under which the board must reinstate a license to a perfusionist; (3) provided for an extension of a temporary license issued to certain applicants prior to taking the national certifying examination; (4) altered the requirements regarding display of a license; (5) altered the membership requirements of PAC; and (6) corrected references to the Commission on Accreditation of Allied Health Education Programs with the current name of the organization.

Sunset Evaluations

Approximately 70 entities, including each of the boards regulated under the Health Occupations Article, are subject to periodic evaluation conducted by DLS in accordance with the Maryland Program Evaluation Act. The Act establishes a process better known as a “sunset review” as most agencies evaluated are also subject to termination or “sunset.”

Preliminary Evaluations

Throughout the 2011-2014 term, the General Assembly reauthorized the following health occupations boards after DLS conducted preliminary evaluations and recommended that full evaluations be waived:

- in 2011, the Electrology Practice Committee (*Chapter 573*), the State Board of Examiners of Nursing Home Administrators (*Chapter 24*), the State Board of Podiatric Medical Examiners (*Chapter 419*), and the State Board of Examiners of Psychologists (*Chapter 574*);
- in 2012, the State Board for Certification of Residential Child Care Program Professionals (*Chapter 350*) and the State Board of Social Work Examiners (*Chapter 174*);
- in 2013, the State Acupuncture Board (*Chapter 211*), the State Board of Dietetic Practice (*Chapter 211*), and the State Board of Occupational Therapy Practice (*Chapter 211*); and
- in 2014, the State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech Language Pathologists (*Chapter 93*).

Full Evaluations

In 2011, DLS conducted full evaluations of the State Board of Pharmacy, the State Board of Environmental Sanitarians, the State Board of Nursing, and the State Board of Physicians. The termination dates for all four boards were extended as discussed below.

State Board of Pharmacy: *Chapter 658 of 2012* extended the termination date of the State Board of Pharmacy by 10 years to July 1, 2023, and required an evaluation of the board by July 1, 2022. The Act removed the requirement that the State Board of Pharmacy and the State Board of Physicians jointly approve physician-pharmacist agreements and protocols used under the Drug Therapy Management Program and, instead, required physicians and pharmacists who enter into such agreements to submit a copy of the agreement and any subsequent modifications to their respective licensing board.

State Board of Environmental Health Specialists: Environmental sanitarians perform inspections and investigations to secure compliance with environmental and health laws and regulations. The diverse practice areas of the profession include food safety; air quality; disease

investigation and prevention; animal, insect, and rodent control; and lead, well, septic system, swimming pool, and campground inspections. Most environmental sanitarians work for local health departments and State agencies. **Chapter 667 of 2012** transferred the State Board of Environmental Sanitarians, which regulates the profession, from the Maryland Department of the Environment to DHMH and changed the name of the board to the State Board of Environmental Health Specialists. Correspondingly, environmental sanitarians were renamed environmental health specialists, and environmental sanitarians-in-training were renamed environmental health specialists-in-training. The Act also changed the funding source for the board by creating a special fund. The Act also expanded the individuals who are exempt from licensure requirements, modified examination and equivalent course work requirements to facilitate licensure, and made various changes to the board's authority consistent with other health occupations boards. Finally, the Act extended the termination date of the board by four years to July 1, 2017, and required a direct full evaluation of the board be conducted by July 1, 2016.

State Board of Nursing: Chapter 621 of 2012 extended the termination date of the State Board of Nursing by 10 years to July 1, 2023, and required an evaluation of the board by July 1, 2022. The Act also required DHMH, in consultation with the Department of Budget and Management, to contract with an independent entity to perform a management and personnel study of the board. Additionally, the Act included provisions to:

- repeal the board's authority to grant a waiver from the criminal history records check requirements to registered nurse, licensed practical nurse, and certified nursing assistant applicants who have completed such a check through another state board of nursing within the previous five years;
- require the board to expand its annual report to include specified information and submit the report to the General Assembly; and
- add a certified medication technician to the Nursing Assistant Advisory Committee and require the advisory committee to meet at least monthly.

State Board of Physicians: DLS completed a full sunset evaluation of the State Board of Physicians and its advisory committees in November 2011, offering 46 recommendations related to licensing, complaint resolution, board resources, and other issues. As a result of the sunset findings, the board entered into a memorandum of understanding with the University of Maryland, Baltimore (UMB) to conduct an independent review of the board. In July 2012, UMB issued a report to board containing 18 recommendations, most of which related to the board's complaint resolution process. **Chapter 401 of 2013** implemented most of DLS' recommendations and the recommendations contained in UMB's report to the board. The Act also extended the termination date of the board and its six allied health advisory committees by five years to July 1, 2018, and require DLS to conduct a direct full evaluation of the board by October 30, 2016.

Most notably, the Act established two disciplinary panels, each consisting of 11 members, through which allegations of grounds for disciplinary action must be resolved. To

provide sufficient membership to divide the board into two disciplinary panels, total board membership was increased from 21 to 22 members by adding a second licensed physician with a full-time faculty appointment to serve as a representative of an academic medical institution in the State.

The Act required that a summary of charges filed against a licensee and a copy of the charging document be posted on the licensee's online profile until the board takes action on or rescinds the charges. The Act also consolidated and delineated board powers and duties. In 2013 through 2018, the board must annually report to specified committees of the General Assembly on its progress in addressing issues identified by the DLS sunset evaluation and the UMB report. The board was also required to adopt regulations that allow a licensed physician to earn up to five continuing education credits per renewal period for providing uncompensated, voluntary medical services.

Health Care Facilities and Regulation

Maryland All-payer Model

On January 10, 2014, the federal Center for Medicare and Medicaid Innovation approved the Maryland all-payer model, replacing the State's all-payer, rate-regulated hospital financing system. Under the model, Maryland will transition from the Medicare waiver under which the Health Services Cost Review Commission (HSCRC) has set hospital rates since 1977, to a new five-year demonstration contract, which includes the following major components:

- **All-payer Total Hospital Cost Growth Ceiling:** Maryland will limit inpatient and outpatient hospital cost growth for all payers to a trend based on the State's 10-year compound annual gross State product (3.58% for the first three years).
- **Medicare Total Hospital Cost Growth Ceiling:** Maryland will limit Medicare per-beneficiary total hospital cost growth, setting a per-beneficiary spending target sufficient to produce \$330.0 million in cumulative Medicare savings over five years beginning with an estimated \$49.5 million in savings in 2015.
- **Population-based Revenue:** Hospital reimbursement will shift from a per-case system to a population-based system, with at least 80.0% of hospital revenues shifted to global budgeting over the five-year period.
- **Reduction of Hospital Readmissions:** Maryland will commit to reducing its Medicare readmission rate over five years.
- **Reduction of Hospital Acquired Conditions:** Maryland will achieve an annual aggregate reduction of 6.89% in potentially preventable conditions measures through the current Hospital Acquired Conditions Program for a cumulative reduction of 30.0% over five years.

The demonstration will be deemed successful if Maryland can meet the hospital cost and quality targets without inappropriately shifting costs to nonhospital settings and if there is a measurable improvement in quality of care. The Department of Health and Mental Hygiene (DHMH) anticipates that the model will produce net savings for the federal government, the State, and private payers, while providing stability and predictability for Maryland.

Chapter 263 of 2014 altered State law governing HSCRC to comply with provisions of the Maryland all-payer model; increased HSCRC's user fee cap from \$7 million to \$12 million; and required a hospital to notify HSCRC at least 30 days prior to executing any financial transaction, contract, or other agreement that would result in more than 50% of all corporate voting rights or governance reserve powers being transferred to or assumed by another person or entity. (Previously, **Chapter 582 of 2011** increased HSCRC's annual user fee cap from \$5.5 million to \$7.0 million.)

Under **Chapter 263**, HSCRC must develop guidelines for the establishment of global budgets for each facility under the model contract and may, consistent with the model contract, (1) establish hospital rate levels and rate increases in the aggregate or on a hospital-specific basis and (2) promote and approve alternative methods of rate determination and payment of an experimental nature for the duration of the all-payer model contract. HSCRC is also authorized to review the quality and efficiency of facility services. Each hospital and health insurance carrier must comply with the terms and conditions of the model contract. Beginning October 1, 2014, and every six months thereafter, HSCRC must submit an update on the status of the State's compliance with the model contract.

Hospitals and Freestanding Ambulatory Care Facilities

As a condition of licensure, a hospital is required to (1) establish a credentialing process for physicians who are employed by, or who have staff privileges at, the hospital and (2) use the uniform standard credentialing form as the initial application of a physician seeking to be credentialed. **Chapter 324 of 2013** authorized a hospital, in its credentialing and privileging process for a physician who provides medical services to patients at the hospital only by "telemedicine" from a distant-site hospital or telemedicine entity, to rely on the credentialing and privileging decisions made for the physician by the distant-site hospital or telemedicine entity as authorized under specified federal regulations. However, a hospital may do so only if (1) the physician holds a license to practice medicine in Maryland and (2) the medical staff of the hospital approves and recommends the credentialing and privileging decisions to the hospital's governing body.

With respect to hospital licensure, minimum standards exist for physician credentialing and reappointment processes, including formal documentation of a physician's pattern of performance. Regarding the licensure of a freestanding ambulatory care facility, the Secretary of Health and Mental Hygiene must, by regulation, establish standards, including procedures for credentialing and peer review, to ensure quality of care and patient safety. **Chapter 587 of 2011** required a hospital or freestanding ambulatory care facility to establish, as a condition of

licensure, a practitioner performance evaluation process that objectively evaluates the performance of each member of the medical staff at the hospital or facility. With respect to a hospital, the practitioner evaluation process must include a review of care provided to patients at the hospital. With regard to the licensure of a freestanding ambulatory care facility, the Secretary of Health and Mental Hygiene must by regulation establish procedures for practitioner performance evaluation.

A hospital patient's status as either inpatient or outpatient can impact a patient's out-of-pocket health care costs significantly. In general, out-of-pocket obligations are considerably higher for outpatient services. *Chapters 202 and 203 of 2013* required a hospital to provide oral and written notice to a patient of the patient's outpatient status, the billing implications of the outpatient status, and the impact of the outpatient status on the patient's eligibility for Medicare rehabilitation services. Specifically, a hospital must provide such notice if (1) the patient receives on-site services (including a hospital bed and meals provided in an area of the hospital other than the emergency room) from the hospital for more than 23 consecutive hours and (2) the patient is classified as an outpatient at the hospital for observation rather than as an admitted inpatient.

Cardiac Surgery and Percutaneous Coronary Intervention

Percutaneous coronary intervention (PCI) services at noncardiac surgery hospitals have been regulated by the Maryland Health Care Commission (MHCC) or its predecessor since 1990. State law and regulations require hospitals to obtain a certificate of need to provide cardiac surgery; MHCC regulations also prohibit hospitals from performing PCI without onsite cardiac surgery.

In 2006, MHCC initiated a waiver program under the State Health Plan that allowed community hospitals without onsite cardiac surgery programs to perform emergency angioplasty for patients experiencing certain types of heart attacks. This became known as the "primary PCI waiver program." In 2007, MHCC initiated a nonprimary PCI research waiver program under the State Health Plan; under this program, certain hospitals in the primary PCI waiver program were also allowed to perform elective angioplasties. The hospitals participating in the PCI waiver programs were subject to periodic waiver renewal and required to demonstrate adherence to performance requirements. Under the waiver programs, hospitals demonstrated that PCI services generally can be safely performed in a setting without onsite cardiac surgery and that a new regulatory framework was needed for those services.

Chapter 616 of 2011 required MHCC to report on statutory changes needed to provide appropriate oversight of PCI services. In its report, MHCC recommended that PCI be identified as a service regulated by MHCC and, when provided in hospitals without cardiac surgical backup, require an exemption from certificate of need. The report also recommended that MHCC be given statutory authority to oversee PCI and cardiac surgery, including in existing cardiac surgery hospitals, on an ongoing basis after the issuance of a certificate of need or an exemption from a certificate of need. MHCC advised that this ongoing regulatory authority

would require PCI and cardiac surgery programs to meet minimum performance standards as a condition of continuing to provide PCI and cardiac surgery services.

Chapter 418 of 2012 required an acute general hospital to obtain a certificate of conformance from MHCC before establishing emergency or elective PCI services. MHCC may issue a certificate of conformance only if specified conditions are met. Hospitals that already provide emergency PCI or elective PCI and meet other specified requirements are exempt from the certificate of conformance for the service they already provide. In addition, an acute general hospital is required to obtain and maintain a certificate of ongoing performance in order to continue to provide cardiac surgery services, emergency PCI services, or elective PCI services.

Chapter 73 of 2014 further required regulations adopted by MHCC to require, as a condition of the issuance of a certificate of conformance or a certificate of ongoing performance, that an acute general hospital agrees to voluntarily relinquish its authority to provide cardiac surgery services if the hospital fails to meet the applicable standards established by MHCC.

Health Information Sharing

The health information exchange is a statewide infrastructure that provides organizational and technical capabilities to enable the electronic exchange of health information between health care providers and other health services organizations authorized by MHCC. *Chapters 534 and 535 of 2011* required MHCC to adopt regulations for the privacy and security of protected health information obtained or released through a health information exchange by either a health care provider or a payor that holds a valid certificate of authority issued by the Maryland Insurance Commissioner. *Chapters 534 and 535* also established requirements for entities to connect to the State designated health information exchange.

Allegations concerning unnecessary coronary stent procedures performed at St. Joseph's Medical Center in Towson raised concerns regarding the State's ability to investigate other instances in which unnecessary procedures are being allegedly undertaken. Accordingly, DHMH recommended altering State law to remove legal barriers to a coordinated investigation of concerns regarding health quality and the overutilization of certain medical procedures. *Chapters 308 and 309 of 2011* added two entities to the list of entities to which HSCRC may disclose certain identifying physician information: (1) the Office of Health Care Quality (OHCQ); and (2) an investigatory body under the State or federal government. In addition, *Chapters 308 and 309* required the State Board of Physicians to disclose – for the purpose of investigating quality or utilization of care – any information contained in a record to the Secretary of Health and Mental Hygiene, OHCQ, or HSCRC.

Subsequently, *Chapters 295 and 296 of 2012* added MHCC to the list of entities (1) to which HSCRC may disclose specified identifying information; (2) to which the State Board of Physicians must disclose, for the purpose of investigating quality or utilization of care in any entity regulated by OHCQ or HSCRC, any information contained in a record; and (3) that must jointly adopt regulations for the efficient and secure transfer of any information in a record that may indicate that an investigation may be appropriate.

Miscellaneous Provisions

Workplace Safety Assessment and Safety Programs

Chapter 510 of 2014 required nursing homes licensed for 45 or more beds to assign to an appropriate committee the task of conducting an annual assessment of workplace safety issues and making recommendations to the nursing home for reducing workplace injuries. Likewise, a health care facility must establish a workplace safety committee to establish and administer a workplace safety program that is appropriate for the size and complexity of the health care facility.

Timely Access to Sexual Assault Medical Forensic Examinations

Chapter 627 of 2014 required each hospital that provides emergency medical services to have a protocol to provide timely access to a sexual assault medical forensic examination to a victim of an alleged rape or sexual offense who arrives at the hospital for treatment. The protocol must be in place by July 1, 2014. *Chapter 627* also established the Planning Committee to Implement Improved Access to Sexual Assault Medical Forensic Examinations in Maryland.

Cosmetic Surgical Centers

An infectious outbreak that occurred in a cosmetic surgical center in the State in 2012 raised questions about the adequacy of oversight of cosmetic surgery procedures. Many cosmetic surgery centers were not subject to licensure or inspection by DHMH. *Chapter 398 of 2013* authorized the Secretary of Health and Mental Hygiene to adopt regulations to regulate cosmetic surgical facilities and to investigate complaints concerning the conformance of cosmetic surgical facilities to such regulations. If such a complaint concerns health care practitioner performance or standards of medical practice, the complaint must be referred to the appropriate health occupations board.

Health Care Staff Agencies

Chapter 340 of 2013 expanded regulatory requirements that apply to a nursing staff agency to apply more broadly to any health care staff agency. A health care staff agency must be licensed by OHCQ before referring a health care practitioner to a hospital or related institution in the State. Furthermore, a health care staff agency can be deemed for licensure by obtaining accreditation from an approved accreditation organization under the same circumstances granted to a health care facility.

Continuing Care Retirement Communities

Chapters 523 and 524 of 2012 modified several provisions of law relating to Continuing Care Retirement Communities. Specifically, *Chapters 523 and 524* established additional requirements with regard to continuing care agreements, disclosure statements, and grievance procedures; required providers to make specified information available to subscribers; modified requirements for the sale or transfer of a facility; restricted the pledging or encumbering of

operating reserve assets; and increased the operating reserve that a provider must set aside for each facility.

Physical Abuse in State Health Care Facilities

A task force convened in 2005 by the Maryland Disability Law Center urged the Mental Hygiene Administration (MHA) to separate the bedrooms of male and female patients to the extent possible. *Chapters 248 and 249 of 2011* required MHA to develop and implement a plan (including a three-year pilot program) to secure the sleeping quarters of male and female patients at all State mental health facilities. *Chapters 248 and 249* also established training and reporting requirements related to sexual abuse and sexual harassment.

Chapters 456 and 457 of 2011 altered the definition of “abuse” for purposes of certain reporting requirements related to State facilities and residential centers and specified that “abuse” does not, for those purposes, include an action taken by an employee that complies with applicable State and federal laws and DHMH policies on the use of physical intervention.

Health Insurance

In the 2011-2014 term, the General Assembly passed a series of bills relating to the implementation of the federal Patient Protection and Affordable Care Act (ACA), as well as legislation clarifying and codifying the rate filing and approval process for health insurance carriers. Legislation enacted also established requirements relating to pre-authorization of health care services and the use of step therapy or fail-first protocols, prohibited carriers from imposing certain cost-sharing requirements on specified chemotherapy and specialty drugs, and established requirements relating to the coverage and reimbursement of certain services.

Health Reform Implementation

Maryland Health Benefit Exchange and Medicaid Expansion

The ACA required states that elected to operate a health benefit exchange to implement the exchange by January 1, 2014, and to be self-funded beginning January 1, 2015. The ACA also expanded Medicaid eligibility beginning January 1, 2014, to nearly all individuals younger than 65 with incomes up to 138% of federal poverty guidelines (FPG). A 2012 U.S. Supreme Court decision made the Medicaid expansion optional for states. Maryland was 1 of 17 states that initially elected to operate its own health benefit exchange and, as of May 2014, 1 of 23 states that expanded Medicaid eligibility.

Chapters 1 and 2 of 2011 established the governance and structure of the Maryland Health Benefit Exchange (MHBE). The primary function of MHBE is to certify and make available qualified health plans (QHP) to individuals and businesses and to serve as a gateway to an expanded Medicaid program under the ACA. MHBE is established as a public corporation and an independent unit of State government, governed by a nine-member board of trustees consisting of the Secretary of Health and Mental Hygiene, the Insurance Commissioner, the

Executive Director of the Maryland Health Care Commission (MHCC), and six other members appointed by the Governor with specified expertise.

Chapter 152 of 2012 expanded the operating structure of MHBE by establishing the Small Business Health Options Program (SHOP) Exchange and the Individual Exchange. The SHOP Exchange must be a separate insurance market within the Exchange for small employers. Among other matters, specific provisions of the legislation addressed the following areas:

- **Market Participation Rules:** The legislation established requirements for insurance carriers that want to participate in the individual and small group health insurance markets. Subject to certain exceptions, carriers may not offer health benefit plans in the small group market unless they also offer QHPs in the SHOP Exchange. Similarly, carriers may not offer health benefit plans in the individual market unless they offer QHPs in the Individual Exchange.
- **SHOP Exchange and Navigator Program:** The SHOP Exchange must allow qualified employers to designate a coverage level within which their employees may choose any QHP, or designate a carrier or insurance holding company system and a menu of QHPs offered by the carrier or insurance holding company system from which their employees may choose. The legislation established a SHOP Exchange Navigator Program that must focus outreach efforts and provide health insurance enrollment and eligibility services to small employers that do not offer health insurance to their employees already. A SHOP Exchange navigator must hold a SHOP Exchange navigator license, be engaged by and receive compensation only through the SHOP Exchange, and complete and comply with specified training requirements.
- **Individual Exchange Navigator Program:** **Chapter 152** also established a Navigator Program for the Individual Exchange. The program must focus outreach efforts and services on individuals without health insurance coverage; enable the Individual Exchange to comply with the ACA by providing seamless entry and transition among Medicaid, the Maryland Children's Health Program, and qualified plans; and use Individual Exchange navigator entities to provide comprehensive consumer assistance services. Services that involve the sale, solicitation, and negotiation of QHPs offered in the Individual Exchange must be provided by an Individual Exchange navigator. An Individual Exchange navigator must be certified, be employed or engaged by an Individual Exchange navigator entity, receive compensation only through the Individual Exchange or through an Individual Exchange navigator entity, and meet other requirements.
- **Insurance Producers:** To sell QHPs in the SHOP Exchange or Individual Exchange, a licensed insurance producer must register and have authorization and complete and comply with any specified training requirements. An insurance producer may not be compensated by either Exchange but must be compensated directly by a carrier.

- **Certification of Plans and Vision and Dental Benefits:** *Chapter 152* authorized MHBE to require a health benefit plan, in order to be certified as a QHP, to include transition of care language in contracts and meet other specified criteria. MHBE must certify dental plans as qualified dental plans and vision plans as qualified vision plans. The legislation also authorized carriers to offer dental and vision benefits in the Exchange as stand-alone plans, as an endorsement to a medical plan, and in conjunction with a medical plan.
- **Essential Health Benefits:** The ACA requires health plans offered in the Exchange to include a comprehensive set of items and services known as “essential health benefits.” Essential health benefits must be included in plans offered in the small group and individual markets, both inside and outside the Exchange. To satisfy federal requirements, states may choose, from a list of specified plan categories, a benchmark plan that includes benefits and services that will constitute the essential health benefits package. *Chapter 152* required the Maryland Health Care Reform Coordinating Council to select the State benchmark plan by September 30, 2012, after conducting a comparative analysis of benefits in plans eligible for selection and soliciting the input of stakeholders and the public.

Chapter 159 of 2013 further implemented health care reform by expanding Medicaid eligibility, establishing a funding stream for MHBE, providing for the transition of Maryland Health Insurance Plan (MHIP) enrollees into MHBE, and establishing a State Reinsurance Program, continuity-of-care policies, and other operating features for MHBE. Specific provisions in the legislation addressed the following areas:

- **Medicaid Expansion:** *Chapter 159* expanded Medicaid eligibility in the State, effective January 1, 2014, to children ages 6 through 18 and adults younger than 65 with family or household incomes up to 138% FPG and former foster care adolescents up to age 26.
- **MHBE Financing:** The legislation also established a dedicated funding stream for MHBE from the insurance premium tax paid by health insurers, excluding managed care organizations (MCO) and for-profit health maintenance organizations. Beginning January 1, 2015, an amount must be distributed annually to the MHBE Fund that is sufficient to fully fund the operation and administration of MHBE. In fiscal 2015, the Governor was required to provide an annual appropriation in the State budget for MHBE of no less than \$10 million. Annually thereafter, the appropriation must be no less than \$35 million. Any unspent funds revert to the general fund at the end of each fiscal year.
- **Transition of MHIP Enrollees:** *Chapter 159* required that enrollment in MHIP be closed as of December 31, 2013. The MHIP Board, in consultation with MHBE, must determine the appropriate date on which the plan must decline to reenroll existing plan members. The date on which coverage will no longer be provided must be no earlier than January 1, 2014, and no later than January 1, 2020.

- **State Reinsurance Program:** To mitigate the impact of high-risk individuals on rates in the individual insurance market inside and outside MHBE, **Chapter 159** authorized MHBE to establish a State Reinsurance Program on or after January 1, 2014. To fund the program, the legislation authorized the use of the hospital assessment that provides funding for MHIP.
- **Continuity-of-care Policies:** The legislation also established policies to promote continuity-of-care for individuals who switch insurance policies and move in and out of Medicaid and commercial insurance. The policies generally require a receiving carrier or MCO to accept pre-authorization from a relinquishing carrier, MCO, or third-party administrator for treatment of covered services for specified time periods. The policies also generally require carriers and MCOs to allow nonparticipating providers to continue health care services for these specified time periods. The receiving carrier or MCO must pay the nonparticipating provider the rate and use the method of payment the carrier or MCO would normally pay and use for similar participating providers.
- **Consolidated Services Center, Captive Producers, and Application Counselors:** **Chapter 159** authorized MHBE to establish a consolidated services center (or call center), which may employ individuals to assist the SHOP Exchange or the Individual Exchange. The legislation also authorized captive producers (insurance producers who have an exclusive appointment with a single carrier) to transition a carrier's existing enrollees into a qualified plan in the Exchange and provide enrollment assistance for individuals who contact the carrier. MHBE may designate community-based organizations, health care providers, and other entities as application counselors to provide enrollment services.

Conformity to and Implementation of Federal Law

Under the ACA, a number of health insurance reforms went into effect in 2010 and 2014. The General Assembly passed legislation to conform State law to federal law and implement federal requirements in the State.

Chapters 3 and 4 of 2011 required health insurance carriers to follow, and, therefore, allow the Insurance Commissioner to enforce, specific provisions of the ACA in effect, such as provisions relating to coverage of children up to age 26, preexisting condition exclusion and policy rescissions, wellness programs, lifetime limits, annual limits for essential benefits, and minimum loss ratio requirements and premium rebates.

Chapter 106 of 2013 repealed provisions of insurance law obsolete under the ACA or other federal or State law, such as notice requirements relating to preexisting conditions. Legislation enacted in 2013 and 2014 also altered State insurance law to implement and conform to the ACA and corresponding federal regulations. **Chapter 368 of 2013**, among other changes, expanded the Insurance Commissioner's authority to enforce specific ACA requirements, such as annual limits on cost-sharing and minimum benefit requirements for catastrophic plans, and added new open and special enrollment periods for the individual and small employer markets.

Chapter 23 of 2014, among other changes, authorized the Insurance Commissioner to enforce requirements regarding guaranteed availability of coverage, repealed obsolete provisions regarding conversion rights for group health insurance products, modified requirements for certain wellness programs, and established additional events that trigger enrollment periods in the Individual and SHOP Exchanges.

Oversight of Health Insurance Carriers

Chapters 513 and 514 of 2012 clarified and codified the rate filing and approval process for health insurance carriers by applying the same review standards to health insurers, nonprofit health service plans, and health maintenance organizations. Carriers, including association plans, may not charge a premium rate or change a premium rate charged without approval from the Insurance Commissioner. The legislation listed factors that the Insurance Commissioner must consider, when reviewing a rate filing, to the extent appropriate, such as past and prospective loss experience within and outside the State, a reasonable margin for reserve needs, and any other relevant factors within and outside the State. The Insurance Commissioner must disapprove or modify a proposed premium rate filing if the proposed premium rates appear, based on statistical analysis and reasonable assumptions, to be inadequate, unfairly discriminatory, or excessive in relation to benefits.

Each proposed rate and any supporting information filed must be open to public inspection. A carrier may, however, request a finding by the Insurance Commissioner that information included in a rate filing be considered confidential commercial information and not subject to public inspection.

Pre-authorization of Health Care Services

Benchmarks for Standardizing and Automating Pre-authorization

Payors of health care services may require pre-authorization of a drug or medical service to conduct a medical review to ensure that the drug is prescribed properly or that the medical service is warranted. **Chapters 534 and 535 of 2012** required MHCC to work with specified health care payors and providers to attain benchmarks for standardizing and automating the process required by payors for pre-authorizing health care services. The legislation established dates by which benchmarks must be met and required MHCC to establish by regulation a process for waiving a payor or provider from the benchmarks for extenuating circumstances. Among other benchmarks, payors were required to establish an online pre-authorization system by July 2013, and by July 2015, providers must use either the online pre-authorization system, or an alternative system that meets a national transaction standard, if established and adopted by the health care industry.

Step Therapy or Fail-first Protocols

As a type of pre-authorization, most major purchasers of prescription drugs, including commercial insurers and the pharmacy benefits managers (PBM) with which they contract, utilize step therapy or fail-first protocols to control costs. These measures shift patients to

alternative prescription drugs, requiring an individual to try a preferred drug (usually a less costly generic) before progressing to a new drug based on the failure of the first medication to provide symptomatic relief or cure.

Chapters 316 and 317 of 2014 established requirements for step therapy or fail-first protocols imposed by health insurance carriers, including carriers that provide prescription coverage through a PBM. A step therapy or fail-first protocol may not be imposed if the step therapy drug has not been approved by the U.S. Food and Drug Administration for the medical condition being treated (*i.e.*, off-label use) or a prescriber provides supporting medical information to the carrier or PBM that a prescription drug covered by the carrier or PBM (1) was ordered for the insured or enrollee within the past 180 days and (2), based on the professional judgment of the prescriber, was effective in treating the insured or enrollee. MHCC must work with payors and providers to attain benchmarks for overriding a payor's step therapy or fail-first protocol. By July 1, 2015, each payor that requires a step therapy or fail-first protocol must establish a process for a provider to override the protocol.

Mandated Benefits and Cost Sharing

During the 2011-2014 term, the General Assembly passed legislation that prohibited carriers from imposing certain cost-sharing requirements on orally administered cancer chemotherapy and specialty drugs. Legislation enacted also established requirements relating to the coverage or reimbursement of habilitative services and services delivered through telemedicine.

Cancer Chemotherapy

Chapters 4 and 5 of 2012 prohibited health insurance carriers that provide coverage for cancer chemotherapy from imposing cost-sharing requirements on coverage for orally administered chemotherapy that are less favorable to an insured or enrollee than the cost-sharing requirements that apply to coverage for chemotherapy administered intravenously or by injection. Policies that provide the essential health benefits required under the ACA were exempted from the 2012 legislation. However, **Chapters 67 and 68 of 2014** extended the applicability of the chemotherapy provisions to such policies, which are offered to individuals and small employers both within and outside MHBE.

Specialty Drugs

Chapter 422 of 2014 prohibited a health insurance carrier from imposing a copayment or coinsurance requirement on a covered "specialty drug" that exceeds \$150 for up to 30-day supply. This limit must be increased annually to reflect medical care inflation. Under the legislation, a specialty drug is a prescription drug that is prescribed for an individual with a complex or chronic medical condition or a rare medical condition, costs \$600 or more for up to a 30-day supply, and meets other specified criteria. The legislation also specified that nothing in the Insurance Article (or regulations adopted under the Article) precludes a carrier from requiring a covered specialty drug to be obtained through a designated pharmacy or other

authorized source or a pharmacy participating in the carrier's network, if the pharmacy meets certain performance standards and accepts the carrier's network reimbursement.

Habilitative Services

Health insurance carriers must provide coverage of habilitative services for children up to 19 years of age who have a congenital or genetic birth defect. *Chapters 293 and 294 of 2012* required the establishment of a workgroup on access to habilitative services benefits, as well as a technical advisory group on the use of habilitative services to treat autism and autism spectrum disorders. The legislation also required the Insurance Commissioner to adopt regulations based on the recommendations of the technical advisory group and – beginning on November 1, 2013 – health insurance carriers must make coverage determinations relating to the treatment of autism and spectrum disorders in accordance with these regulations.

Telemedicine

Chapters 579 and 580 of 2012 required health insurance carriers to cover and reimburse health care services appropriately delivered through telemedicine. A carrier may impose cost-sharing requirements for services delivered through telemedicine. A carrier may also undertake utilization review, including pre-authorization, to determine the appropriateness of a health care service – whether delivered in-person or through telemedicine – if the appropriateness of the service is determined in the same manner.

Social Services

Family Investment Program

The Family Investment Program (FIP) provides supportive services and financial aid to qualifying families to help them achieve and maintain self-sufficiency. The Family Investment Administration of the Department of Human Resources (DHR) is the central coordinating and directing agency for the program which is administered by local departments of social services. During the 2013 legislative session, the General Assembly passed two bills establishing pilot programs for FIP.

Earned Income Disregard Pilot Program

The department calculates the Temporary Cash Assistance (TCA) benefit for eligible recipients by counting no more than four weeks of earned income in any month and disregarding 40% of that earned income. *Chapter 526 of 2013* established a three-year Earned Income Disregard Pilot Program that disregards a higher percentage of earned income in TCA benefit calculations for specified participants. The Act required that:

- the department and the local departments of social services establish the pilot program in a county with two district offices so that one district office can be used for comparison purposes; and

- when pilot participants start working at least 25 hours a week, their benefits are computed by counting no more than four weeks of earned income in any month and disregarding 100% of earned income for the first three months of employment, 60% for the next six months, and 40% for employment exceeding nine months.

The Act also required an evaluation of the pilot program and an interim report to the Senate Finance Committee, the House Appropriations Committee, and the Joint Committee on Welfare Reform on or before September 30, 2016, and a final report on September 30, 2017.

Couples Advancing Together Pilot Program

Chapter 367 of 2013 required the department to establish a “Couples Advancing Together” Pilot Program with the help of the local departments of social services and the Commission on Responsible Fatherhood. The Act required the program to be established in at least three counties to assist 100 couples that qualify for FIP to move toward stable relationships and employment. The Secretary of Human Resources was required to report annually to the Senate Finance Committee and the House Appropriations Committee on participation rates, successful completion rates, factors that affect program participation, the number of participants who obtain employment, and the employment and benefit details for those participants who obtain employment.

The Homeless

Chapters 544 and 545 of 2013 established the Task Force to Study Housing and Supportive Services for Unaccompanied Homeless Youth between the ages of 14 and 25. The task force compiled information on and identified the unique needs of unaccompanied homeless youth, identified gaps in the programs and resources available to meet those needs, and collected and compiled data on the unaccompanied homeless youth population in the State. The task force report to the General Assembly noted a lack of reliable data on the prevalence and characteristics of homeless youth in Maryland and recommended that the General Assembly develop a demonstration project to incorporate practices and strategies developed in the federal Youth Count! initiative into local counts of the broader homeless population (Point-in-Time counts, conducted at least every two years on a single night in January). *Chapter 425 of 2014* established a Maryland Unaccompanied Homeless Youth and Young Adult Count Demonstration Project to conduct data collection and analysis to determine the number and characteristics of unaccompanied homeless youth and young adults in specified Continuums of Care in Baltimore City, Annapolis/Anne Arundel County, Baltimore County, Hagerstown/Washington County, Wicomico/Somerset/Worcester counties, and Prince George’s County. The Act required the project to be overseen by a coordinating entity selected and monitored by the Department of Housing and Community Development and the Maryland Department of Planning to provide specified data- and mapping-related assistance.

Additionally, the task force examined the government structures for evaluating and developing policies to address the needs of unaccompanied homeless youth and prevent youth homelessness and found that the existing entities that examine homelessness in Maryland could

benefit from restructuring. *Chapter 341 of 2014* repealed the Governor's Advisory Board on Homelessness and established an Interagency Council on Homelessness within the Executive Branch. Further, *Chapter 427 of 2014* established a Joint Committee on Ending Homelessness, comprised of five members of the Senate of Maryland and five members of the House of Delegates. The Act charged the committee, amongst other things, with studying issues relating to homelessness, including housing, income, health care, education, government supports, and veterans experiencing homelessness. The effective date of *Chapter 427* is June 1, 2015.

The Elderly

Aging in Place

Chapter 295 of 2011 created a "Maryland Communities for a Lifetime Program" within the Maryland Department of Aging (MDOA). The purpose of the program was to establish a State plan to address the aging-in-place preferences of seniors, provide available resources to local communities to enhance aging-in-place services, and promote a State aging-in-place program that overcomes specified barriers. MDOA was required to collect and make available best practices on policies to encourage aging-in-place.

The Act also authorized a county or municipal corporation to establish a certification process for "Communities for a Lifetime" (CFL) under the program. In addition, the Act added a CFL representative to the membership of the Innovations in Aging Services Advisory Council, which advises the Secretary of MDOA on the Innovations in Aging Services Program.

Chapter 695 of 2012 required the Department of Housing and Community Development, with the assistance of MDOA, the Department of Health and Mental Hygiene, and DHR, to create a task force to study the renovation and repair needs of senior homeowners and report its findings to the Governor and the General Assembly by December 31, 2012. The task force, in consultation with a wide range of stakeholders, was required to study ways to facilitate aging-in-place.

Long-term Care

In 2003, the federal Older Americans Act established the Aging and Disability Resource Center (ADRC) Program. The purpose of the program was to issue grants to help states establish a coordinated system for providing long-term care. Maryland implemented the program by establishing 20 ADRCs throughout the State, and the program became known as the "Maryland Access Point" in MDOA. In 2012, Maryland obtained authorization and funding from the Balancing Incentive Program (BIP), which was established under the federal Patient Protection and Affordable Care Act (ACA) to increase the use of home-based and community-based services. In part, participation in BIP required detailed statutory authority for the ADRC Program. *Chapter 178 of 2013* codified and formally established the ADRC Program in Maryland. The Act specified that the program is the State's ADRC for purposes of the federal Older Americans Act, which allowed for the streamlining of program administration and maximization of federal funds. The Act also established the statutory authority of Maryland

Access Point as the State’s designated single entry point for assistance with long-term supportive services. The requirements of the Act met the standards for Maryland’s participation in BIP.

Protection from Financial Abuse, Financial Exploitation, and Fraud

Chapter 421 of 2014 required a licensee that engages in money transmission to provide training materials to agents on how to recognize financial abuse and financial exploitation of elder adults and how to respond appropriately if the agent suspects that he or she is being asked to engage in a fraudulent transaction or financial exploitation of an elder adult. For a more detailed discussion of this issue, see the subpart “Financial Institutions” within Part I – Financial Institutions, Commercial Law, and Corporations of this *Major Issues Review*.

The Disabled

Service Animal Trainers

Under Maryland law, a service animal trainer may be accompanied by an animal that is being trained as a service animal in any place where an individual with a disability or a parent of a minor child with a disability has the right to be accompanied by a service animal, except where the animal being trained would create a clear danger of disturbance or physical harm to an individual. *Chapter 305 of 2012* altered the definition of “service animal trainer” to include an individual who raises service animals and specified that the trainer may be a professional or a volunteer. The Act established that service animal trainers who are accompanied by an animal being trained or raised as a service animal (1) have the same rights to housing accommodations as individuals with disabilities and the parents of a minor child with a disability who use service animals; (2) have the same rights as individuals without a disability to the full and free use of roads, sidewalks, and other public places; and (3) are entitled to full and equal rights and privileges with respect to common carriers and other public conveyances, places of public accommodation, and other places to which the general public is invited.

Attendant Care Program

The Attendant Care Program in the Department of Disabilities provides financial assistance for attendant care services to individuals between 18 and 65 years of age with a severe chronic or permanent disability that precludes or significantly impairs independent performance of essential activities. *Chapter 468 of 2012* gave the department more flexibility to manage the program and help disabled individuals maintain independence by:

- allowing individuals to continue to participate in the program after they turn 65;
- authorizing the department to establish separate sliding payment scales for each category of eligible individuals, including individuals who are working and individuals residing in, or at risk of placement in, a nursing facility;
- clarifying the criteria for placement on a waiting list for program services; and

- allowing the Secretary to deviate from a 50% participation rate per category to match resources with program participation.

Developmental Disabilities Administration

Over the past few years, audit findings and budget deficits and surpluses have illustrated a lack of financial oversight and inability to accurately budget within the Developmental Disabilities Administration (DDA). DDA has started to implement administrative and financial reforms to address operational challenges, and the General Assembly passed legislation during the 2014 session to make changes to DDA's organizational structure and payment policies. **Chapter 539 of 2014** created a Deputy Secretary for Developmental Disabilities to head the DDA and eliminated the position of Director of DDA. **Chapter 648 of 2014** required DDA to conduct an independent cost-driven, rate-setting study to set provider rates for community-based services. The Act repealed the current DDA payment system effective on the date that the new payment system regulations take effect. **Chapter 59 of 2014** lowered the amount of money from \$3,000 to \$2,000 per fiscal year that may be spent on each individual receiving funding for Low Intensity Support Services (LISS) under the LISS program. For a further discussion of **Chapter 539**, **Chapter 648**, or **Chapter 59**, see subpart "Public Health – Generally" within this Part J.

Children

Coordination of Services

As a result of the Child and Family Services Interagency Strategic Plan of 2008, a State-local workgroup was convened in 2009 with the purpose of recommending an improved interagency structure for the development and implementation of individualized plans of care for youth involved with multiple child-family serving agencies. **Chapter 604 of 2011** addressed recommendations proposed by the workgroup. The Act altered the composition of the Local Management Boards (LMBs), the body within each county that assists in the coordination of services for children and families, to include family members or family advocates and youth or youth advocates. The Act also repealed the duties of local coordinating councils and instead provided for local care teams in each county and outlined the responsibilities of these care teams. Finally, the Act altered the membership and duties of the State Coordinating Council for Children.

Additional legislation related to LMBs was enacted in 2014. LMBs implement a local interagency service delivery system for children, youth, and families with a focus on overall child well-being rather than any particular program. LMBs facilitate collaboration across child-serving agencies and promote effective partnerships with public and private stakeholders. **Chapter 621 of 2014** required LMBs and State agencies to report funding information, partnerships, target populations served, and outcome data for programs for children, youth, and families to the Department of Legislative Services (DLS) by October 1, 2014. By January 1, 2015, DLS must collect this information and report it to the General Assembly in the form of a data resource guide organized by county and municipal corporations.

Home Visit Accountability

The ACA established a Maternal, Infant, and Early Childhood Home Visiting Program to provide \$1.5 billion over five years to states to establish home visiting program models for at-risk pregnant women and children from birth to age five. States were required to use 75% of funds on evidence-based home visiting programs, as identified in a 2009 U.S. Department of Health and Human Services review of existing home visiting literature and assessment of home visiting program model effectiveness. The fiscal 2013 budget passed by the General Assembly included \$3.0 million in federal funds from the Maternal, Infant, and Early Childhood Home Visiting Program. This funding was in addition to other home visiting programs supported through the Governor’s Office for Children (GOC) and the Maryland State Department of Education. **Chapters 79 and 80 of 2012** required the State to fund only “evidence-based” and “promising” home visiting programs with these funds and required the recipients of this funding to submit reports to GOC with accounting, demographic, and outcome information.

Residential Child and Youth Care Practitioners

Chapters 219 and 220 of 2011 required GOC to establish a workgroup to determine whether it is feasible to implement the certification of residential and youth care practitioners in 2015 and to develop an implementation plan. **Chapters 312 and 313 of 2012** required the State Board for Certification of Residential Child Care Program Professionals to establish a certification process and training and continuing education requirements for residential child and youth care practitioners. For a more detailed discussion of this issue, see the subpart “Health Occupations” within this Part J.

Out-of-home Placements

Search, Contact, and Reunion Services: DHR must provide adoption “search, contact, and reunion services” to locate adopted individuals, siblings, and biological parents of adopted individuals. **Chapter 326 of 2011** expanded these services to include contacting the adopted siblings of a minor in out-of-home placement to develop a placement resource or facilitate a family connection. For a further discussion of **Chapter 326**, see the subpart “Family Law” within Part F – Courts and Civil Proceedings of this *Major Issues Review*.

Voluntary Placement Agreements: **Chapter 22 of 2013** allowed a former child in need of assistance who leaves foster care at age 18 to receive services under a voluntary placement agreement with the local department of social services. For a further discussion of **Chapter 22**, see the subpart “Family Law” within Part F – Courts and Civil Proceedings of this *Major Issues Review*.

Information Regarding Available Benefits: In addition to the benefits available for children while in out-of-home placements, children in out-of-home placements, foster care, kinship care, group care, or residential treatment care are eligible for many benefits when they leave out-of-home placement, including tuition assistance, health care benefits, and job training and internship opportunities. **Chapter 451 of 2014** required the Social Services Administration within DHR to provide information regarding the available benefits on a yearly basis to a child in

an out-of-home placement who is at least 13 years of age. The Secretary of Human Resources was required to report, by December 31, 2014, to the Senate Judicial Proceedings Committee and the House Appropriations Committee on how DHR has implemented the bill's provisions.

Foster Youth Summer Internship Pilot Program

Chapters 316 and 317 of 2013 required the Department of Budget and Management, with the assistance of DHR, to develop and implement a two-year Foster Youth Summer Internship Pilot Program. The pilot program was started to provide State government internships to foster youth, or former foster youth, between the ages of 15 and 25. The Acts required an evaluation of the pilot program and a report to the Senate Budget and Taxation Committee, the Senate Finance Committee, and the House Appropriations Committee on or before October 31, 2015.

Child Abuse and Neglect

Chapters 398 and 399 of 2011 established the crime of child neglect. The Acts prohibited parents or family members who have permanent or temporary responsibility for the supervision of a minor from neglecting the minor. "Neglect" was defined as the intentional failure to provide necessary assistance and resources for the physical needs or mental health of a minor that creates a substantial risk of harm to the minor's physical health or a substantial risk of mental injury to the minor. For a more detailed discussion of *Chapters 398 and 399*, see the subpart "Family Law" within Part F – Courts and Civil Proceedings of this *Major Issues Review*.

Chapter 397 of 2012 (1) authorized the Secretary of Human Resources to establish an alternative response program, instead of a traditional investigation, for low-risk reports of suspected child abuse or neglect; (2) required DHR to convene an advisory committee to advise the department on development, implementation, and oversight of the alternative response program; and (3) required DHR to develop a data collection process to assess the impact of alternative response in specified areas. For a more detailed discussion of *Chapter 397*, see the subpart "Family Law" within Part F – Courts and Civil Proceedings of this *Major Issues Review*.

Child Care Centers

Chapters 331 and 332 of 2014 required the Maryland State Department of Education to adopt specific regulations for child care centers that promote proper nutrition and developmentally appropriate practices. The regulations were required to include (1) establishing training and policies promoting breast-feeding; (2) requiring compliance with the U.S. Food and Drug Administration Child and Adult Food Care Program standards for beverages served to children, including prohibiting beverages other than infant formula that contain added sweetener or caffeine; and (3) setting limits on screen time.

Prekindergarten Services

Chapter 2 of 2014 expanded prekindergarten services to additional eligible four-year-old children from families whose income is no more than 300% of the federal poverty guidelines.

For a further discussion of this issue, see the subpart “Primary and Secondary Education” within Part L – Education of this *Major Issues Review*.

Part K

Natural Resources, Environment, and Agriculture

Natural Resources

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

Chapter 6 of the 2007 Special Session and Chapters 120 and 121 of 2008 established the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (trust fund). The trust fund is financed with a portion of revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. The trust fund is used for nonpoint source pollution control projects to help meet Chesapeake Bay restoration goals and to improve the health of the Atlantic Coastal Bays and their tributaries.

Chapter 397 of 2011, the Budget Reconciliation and Financing Act (BRFA), redirected a total of \$59.5 million in revenues from the motor fuel tax and the sales tax on short-term vehicle rentals from the trust fund to the general fund from fiscal 2012 through 2016. In fiscal 2012, \$15.2 million in short-term vehicle rental sales tax revenue and \$5.0 million in motor fuel tax revenue was redirected to the general fund, effectively providing \$23.6 million for the trust fund. *Chapter 1 of the First Special Session of 2012*, the BRFA, redirected \$8.0 million to the Budget Restoration Fund in fiscal 2013, leaving approximately \$25.0 million for the trust fund in fiscal 2013. Additionally, *Chapter 464 of 2014*, the BRFA, redirected \$8.0 million of short-term vehicle rental sales tax revenue from the trust fund to the general fund in fiscal 2014 and an additional \$6.2 million in fiscal 2015, and transferred \$2.4 million of the balance in the trust fund to the general fund in fiscal 2014. In combination with actions taken in *Chapter 397*, a total of \$21.9 million in fiscal 2014 and \$14.3 million in fiscal 2015 is either redirected or transferred to the general fund in order to support the operating budget. Under actions taken through the 2014 session, fiscal 2016 is the final year revenues are redirected to the general fund.

Program Open Space

Program Open Space (POS), established in 1969 and administered by the Department of Natural Resources (DNR), provides funds for State and local acquisition and development of public outdoor recreational sites, facilities, and open space. The POS State share focuses on the

acquisition of land for natural resource conservation with the inclusion of low-impact recreational activities where appropriate. The POS local share is used by local jurisdictions to acquire and develop high-impact recreational sites and facilities. POS is primarily funded through special funds derived from the State's transfer tax, which imposes a 0.5% tax on all real property recorded in the State.

State Program

Chapter 410 of 2011 transferred the authority to negotiate State POS land acquisitions from the Department of General Services to DNR and transferred responsibility for preparation of the State's Land Preservation and Recreation Plan (LPRP) from the Maryland Department of Planning (MDP) to DNR. *Chapter 410* also exempted transfers of property within the Executive Branch of State government from independent appraisal requirements.

To ensure POS funds are focused on meeting the most important preservation and recreational needs, the State and each local jurisdiction must prepare a LPRP every six years. The LPRPs must identify and recommend for State acquisition areas facing the most intense and immediate development pressure. DNR, in cooperation with MDP, must prepare and revise the State's LPRP. *Chapter 28 of 2012* required that LPRPs be prepared and revised every five years, instead of six years, and required DNR to consult with local governments when preparing and revising the Maryland LPRP.

A portion of the funds available to POS for State projects are authorized to be appropriated in the State budget for the Bay Access Areas Fund to purchase sites that provide public access to water. *Chapter 452 of 2014* authorized DNR to use acquisition funds to enhance public access to existing recreational areas and open space and modified the authorized uses of the Bay Access Areas Fund to allow DNR to use the fund to provide or enhance public access to acquired and existing recreational areas and open space.

Local Program

Chapter 470 of 2011 increased the maximum percentage (from 75% to 100%) of POS funds that a local government may spend on development projects once it has attained its acreage acquisition goals and repealed a five-year limit on the period of time during which the POS funds may be used for such projects. Counties that qualified to use funds for development projects were required to use 25% of the funds only for land acquisition, repair or renovation of existing recreational facilities or structures, or capital renewal. *Chapter 470* terminated May 31, 2014.

Chapters 235 and 236 of 2012 required the State to provide 90% of the total project funding when a local government builds a recreational facility, rather than acquires land, within a Priority Funding Area (PFA) and limited the amount of impervious surface on the land to no more than 10%. The State was also required to provide 90%, instead of 50%, of the total project funding when a local government builds a recreational facility outside of a PFA if DNR makes specified determinations related to the design and location of the recreational facility.

Funding

In order to help balance the State's operating budget, BRFA legislation enacted during the 2011-2014 term again redirected transfer tax revenues to the general fund; however, most of the redirected funds were replaced or will be replaced with bond funding. **Exhibit K-1** shows the distribution of annual transfer tax revenues to the various land conservation programs for fiscal 2012 through 2015 as well as the general obligation (GO) bond funds authorized as replacement funds for transfer tax revenues redirected to the general fund.

During the 2011 legislative session, **Chapter 397** authorized the transfer of \$5.6 million in transfer tax revenues to the general fund in fiscal 2011 and the transfer of \$94.5 million in transfer tax revenues to the general fund in fiscal 2012 (\$21.6 million from POS – State share; \$20.8 million from POS – local share; \$10.1 million from POS capital improvements; \$13.8 million from the Rural Legacy Program; \$19.6 million from the Maryland Agricultural Land Preservation Program; and \$8.6 million in over-attainment of revenues from fiscal 2010). The transferred funds were partially replaced over a three-year period (fiscal 2012 through 2014) with GO bonds, taking into consideration the deletion of \$4.59 million in fiscal 2012 Rural Legacy Program replacement funding and accounting for the over-authorization of GO bond replacement funds authorized in the fiscal 2011 capital budget bill for transfers.

During the First Special Session of 2012, **Chapter 1** authorized the transfer of \$96.9 million in transfer tax revenues to the Budget Restoration Fund in fiscal 2013 (\$14.7 million from POS – State share; \$13.6 million from POS – local share; \$8.2 million from POS capital improvements; \$12.8 million from the Rural Legacy Program; \$16.3 million from the Maryland Agricultural Land Preservation Program; and \$31.4 million in unallocated revenues from fiscal 2013 that partially replaced a transfer of fiscal 2011 revenues that was not completed due to revenue projects that were lower than anticipated). The transferred funds were partially replaced over a three-year period (fiscal 2013 through 2015) with GO bonds, taking into consideration the deletion of funding for programs that was redirected for shovel-ready environment projects and a specific project in Baltimore City.

Chapter 425 of 2013 authorized the transfer of \$410.7 million of transfer tax revenue to the general fund over five years, beginning with fiscal 2014 (\$21.9 million from POS – State share; \$23.7 million from POS – local share; \$14.7 million from POS capital improvements; \$10.7 million from the Rural Legacy Program; and \$18.1 million from the Maryland Agricultural Land Preservation Program). A multi-year replacement plan included the use of GO bond funds to replace all but \$5.7 million (Natural Resources Development Fund funding) of proposed transfers via fiscal 2014 funding and pre-authorizations that span six years.

During the 2014 legislative session, **Chapter 464** redirected \$69.1 million in transfer tax funding to the general fund in fiscal 2015 (\$20.8 million from POS – State share; \$22.7 million from POS – local share; \$8.3 million from the Rural Legacy Program; and \$17.2 million from the Maryland Agricultural Land Preservation Program). In combination with actions taken in the BRFA of 2013, a total of \$144.2 million in transfer tax funding is redirected to the general fund

in fiscal 2015 in order to support the operating budget. The transferred funding is to be replaced over three fiscal years (fiscal 2016-2018).

Exhibit K-1
Distribution of Transfer Tax Revenues to Capital Programs and
GO Bond Replacement
(\$ in Millions)

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Revenues				
Budgeted Revenue estimate	\$118.92	\$131.29	\$164.00	\$193.48
Less Administrative Expenses	-3.57	-3.94	-4.92	-5.80
Attainment Adjustment	8.62	-31.37	2.78	9.10
Net Available for Allocation	\$123.97	\$95.98	\$161.86	\$196.78
Allocations				
Program Open Space				
POS Bonds Debt Service	\$1.56	\$1.56	\$6.11	\$6.27
POS Local	0.00	0.00	11.86	0.00
Forest and Park Service	21.00	21.00	23.73	28.98
Heritage Areas Authority	3.00	3.00	3.00	3.00
POS State Land Acquisition ¹	2.72	3.72	11.22	2.72
POS State Rural Legacy	0.00	0.00	0.00	0.00
POS State Capital	0.00	0.00	0.15	9.62
POS State Park Operating	1.20	1.20	1.20	1.20
POS Subtotal	\$29.48	\$30.48	\$57.27	\$51.97
Other Allocations				
Additional State Land	\$0.00	\$0.00	\$0.00	\$0.00
Agricultural Land Preservation	0.00	0.00	9.05	0.00
Additional Rural Legacy	0.00	0.00	5.36	0.80
Heritage Conservation Fund	0.00	0.00	0.97	0.00
Other Subtotal	\$0.00	\$0.00	\$15.38	\$0.80
Total Transfer Tax	\$29.48	\$30.48	\$72.65	\$52.59
GO Bond Replacement –				
FY 2012-2015 Pre-authorizations²				
POS State	\$19.74	\$8.82	\$21.94	\$41.83
POS Local	24.09	13.56	23.72	43.46
POS State Rural Legacy	9.61	7.23	10.72	17.04
POS State Capital	7.61	8.16	9.03	8.76
Agricultural Land Preservation	18.88	8.42	18.10	33.10
Heritage Conservation Fund	2.08	0.00	0.00	0.00
Total GO Bond	\$82.01	\$46.19	\$83.51	\$144.19
Total Funding³	\$111.49	\$76.67	\$156.16	\$196.78

¹The POS State Land Acquisition funding reflects the \$1.217 million for operating expenses allowed for by budget reconciliation legislation in recent years.

²The replacement funding reflects pre-authorized amounts and POS State Capital funding that is planned in the 2014 *Capital Improvement Program* or \$4.38 million in each of fiscal 2016 and 2017.

³The fiscal 2012 replacement funding is \$12.5 million less than the original allocation due to the following reductions: Maryland General Assembly – POS State Rural Legacy (\$4.59 million) and fiscal 2011 over-authorization that was remedied in fiscal 2012 – POS State (\$2.37 million); Maryland Agricultural Land Preservation Program (\$2.15 million); and POS State Capital (\$3.38 million). The fiscal 2013 replacement funding is \$19.3 million less than the original allocation due to reductions in replacement funding planned for fiscal 2013 and fiscal 2014: fiscal 2013 – POS State (\$4.91 million); POS State Rural Legacy (\$4.27 million); Agricultural Land Preservation (\$5.42 million) and fiscal 2014 – POS State (\$1.0 million attributable to reprogrammed funding for the Center for Parks and People at Auchentoroly Terrace Project); POS State Rural Legacy (\$1.32 million); and Agricultural Land Preservation (\$2.42 million). The fiscal 2014 replacement funding is \$5.7 million less than the original allocation for POS State Capital due to other budget priorities.

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

Preservation, Conservation, and Recreation

Wildlands

The Maryland Wildlands Preservation System was established with the passage of the Maryland Wildlands Act in 1971 for the purpose of securing the benefits of an enduring resource of State wildlands for present and future generations. Generally, the wildland areas must be devoted to public purposes for recreational, scenic, scientific, educational, conservation, and historical use. Designating or reclassifying wildland areas or altering boundaries can only be done by the General Assembly, generally based on findings by the Secretary of Natural Resources and recommendations by the Governor. **Chapter 465 of 2014** expanded 14 wildland areas and added 9 new wildland areas under the State wildlands preservation system, resulting in an increase of approximately 21,887 acres. The expansions and additions are located in Allegany, Baltimore, Calvert, Charles, Frederick, Garrett, Montgomery, Somerset, and Worcester counties. Additionally, specified actions are authorized in certain areas and a clarification is made that land held by the State in certain areas under a certificate of reservation is included in the applicable wildland area for so long as the certificate of reservation is in effect.

Forest Preservation

Due to the loss of more than 450,000 acres of forest in the State over the last nearly 60 years, there has been interest in implementing efforts to ensure no net loss of forest in the State. Chapter 298 of 2009, among other things, required DNR to submit a report on policies to achieve no net loss of forests. DNR's subsequent report supported the recommendation of the department's Sustainable Forestry Council that the State implement initiatives that by 2020 ensure that 40% of all land is covered by forest. Thus, **Chapter 384 of 2013** established that it is the policy of the State to achieve no net loss of forest, meaning that 40% of all public and private land in Maryland is covered by tree canopy. **Chapter 384** also made changes aimed at preserving forest land in the State, including (1) requiring DNR to provide a statewide forest resource inventory to local jurisdictions at least every five years; (2) expanding the State's forest

management policy to publicly owned forest lands; (3) authorizing DNR to adopt regulations to implement the State's reforestation law; (5) expanding the authorized uses of the Reforestation Fund; (6) increasing the amount of time that DNR has to spend reforestation funds; and (7) expanding the applicability of an existing income tax subtraction modification for reforestation or timber stand improvement.

Tree Expert Licenses

A "tree expert" is generally a person who represents that the person is skilled in the science of tree care or removal and engages in the business or work of the treatment, care, or removal of trees over 20 feet tall for compensation. Under the Maryland Tree Expert Law, a person may not engage in the work or business of a tree expert or represent himself/herself to the public as a tree expert without having received a license from DNR.

Chapter 20 of 2011 repealed the statutory license, renewal, and exam fees applicable to tree experts and authorized DNR to set the original and renewal tree expert license fees by regulation, which may not exceed the cost of processing the license application or renewal. *Chapter 20* also repealed the annual renewal requirement for tree expert licenses and authorized DNR to establish a license renewal timetable and procedure by regulation. *Chapter 20* terminates September 30, 2016.

Chapter 620 of 2013 reduced, from five to three years, the amount of time for which an applicant for a tree expert license who does not have specified college education must be engaged continuously in practice as a tree expert with a licensed tree expert in Maryland or with an acceptable tree expert company in another state. *Chapter 620* also required that, after September 1, 2017, a licensed tree expert complete a professional development curriculum established by DNR to qualify for renewal of a tree expert license.

Each licensed tree expert must carry and show proof of liability and property damage insurance. Additionally, employers in general are subject to workers' compensation insurance requirements under State law. *Chapter 101 of 2014* required a licensed tree expert to, within a time period established by DNR, notify DNR electronically of companies that work under the tree expert's license and the companies' liability and property damage insurance and workers' compensation insurance, including any applicable changes.

Boating

Marine Gathering Permits

Large marine party events continue to grow in size and public disturbance, presenting the Natural Resources Police (NRP) with significant challenges. These social gatherings typically involve nearly 1,000 vessels and thousands of people, and they frequently demand the presence of at least 10 to 20 NRP officers per event to maintain public safety on the water. *Chapter 178 of 2012* requires a person to submit a permit application and fee to DNR and obtain a written permit from DNR prior to sponsoring or holding a gathering of at least 100 vessels in State waters, subject to specified exceptions.

Disclosure of Personal Information

The State Boat Act, enacted in 1960, governs boating in the State. In 2004, the State Boat Act was amended to allow disclosure of personal information about the owner of a registered vessel to a financial institution under certain circumstances. In the same year, provisions were added to the Public Information Act (PIA) prohibiting a custodian from knowingly disclosing a DNR public record containing personal information except to a financial institution in certain circumstances. The changes to PIA were intended to be conforming; however, they were not limited to records related to vessel registration, even though the State Boat Act is limited to boating. *Chapter 657 of 2012* narrowed the scope of the PIA prohibition on disclosing personal information held in all DNR records to apply exclusively to personal information about the owner of a registered vessel, effectively making the prohibition consistent with the State Boat Act. Additionally, an owner of a registered vessel is no longer required to submit a written request to DNR to keep their personal identification information confidential.

Boating Revenue Increase and Vessel Excise Tax Cap

DNR's Waterway Improvement Fund (WIF) finances projects and activities that promote, develop, and maintain Maryland's waterways for the benefit of the boating public. The vessel excise tax serves as the major source of funding for WIF and, consequently, public boating projects. However, due to a significant decrease in boat sales in recent years, WIF revenues have declined 50% since fiscal 2006. *Chapter 180 of 2013* allocated 0.5% of specified motor fuel tax revenue to WIF and, in an effort to increase boat sales and prompt boaters to relocate vessels to Maryland, limited the vessel excise tax amount to \$15,000 per vessel for the fiscal 2014 through 2016 period. DNR must report annually for three years on the impact of limiting the vessel excise tax on the number and type of vessels registered in the State and the health of the boating industry. Furthermore, a Task Force to Study Enhancing Boating and the Boating Industry in Maryland was established and is required to submit a report with its findings and recommendations by September 1, 2015.

Temporary Certificates of Boat Number

In accordance with federal boating safety requirements, a state may issue a temporary certificate of number that is effective for not more than 60 days. In Maryland, a temporary certificate boat number expired when either (1) a certificate of boat number for the vessel was issued by DNR or (2) 90 days expired from the date a temporary certificate was issued by the licensed boat dealer from whom a person buys a vessel. Because temporary certificates of boat number were authorized for up to 90 days in Maryland, State law was inconsistent with federal requirements. *Chapter 162 of 2013* reduced, from 90 to 60 days, the amount of time after which temporary certificates of boat number expire, consistent with federal regulations.

Hunting and Fishing

Hunting

Sunday Hunting

There are three seasons to hunt deer in Maryland: bow hunting season, firearms season, and muzzle loader season. Wild turkey hunting takes place in Maryland during the fall in Allegany, Garrett, and Washington counties and during the spring in all counties. Subject to specified exceptions, hunting game birds or mammals on Sundays is prohibited.

Local Authorization: Exceptions to the prohibition against Sunday deer or turkey hunting generally are enacted and apply on a county by county basis.

Deer: Suburban development has helped facilitate an increase in the deer population because deer thrive in habitats composed of woods and openings, and hunter access in those areas is limited. The high deer population has resulted in a marked increase in the number of human-deer conflicts, including deer-vehicle collisions, damage to crops and vegetation, and incidents of Lyme disease. According to the Department of Natural Resources (DNR), regulated hunting is one of the most cost-effective mechanisms for controlling deer populations. As a result, legislation was enacted establishing several different strategies authorizing Sunday deer hunting with the intent of increasing the annual deer harvest.

The first Sunday hunting strategy authorized DNR to allow deer hunting on private property in specified counties on the first Sunday of the bow hunting season in November and the first Sunday of the deer firearms season. A second strategy authorized a person to hunt deer on private property on the first Sunday of the bow hunting season in November and on each Sunday of the deer firearms season. The second strategy was most recently enacted for Caroline County (*Chapter 497 of 2012*), Harford County (*Chapter 490 of 2012*), Somerset and Worcester counties (*Chapter 725 of 2012*), and Queen Anne's County (*Chapter 357 of 2013*).

A third Sunday hunting strategy authorized a person to bow hunt deer on private property on the last three Sundays during open season in October and on the second Sunday in November. In recent legislative sessions, legislation was adopted authorizing the use of this strategy in several additional counties, specifically Caroline County (*Chapter 497 of 2012*), Harford County (*Chapter 490 of 2012*), and Queen Anne's County (*Chapter 357 of 2013*).

In Carroll County, *Chapter 237 of 2011* implemented the first and third above-described strategies by authorizing deer hunting on private property (1) with a bow on the last three Sundays in October and the second Sunday in November and (2) at DNR's discretion, during the first Sunday of both the bow hunting season in November and the deer firearms season. *Chapter 618 of 2013* expanded Sunday deer hunting in Carroll County and established a fourth Sunday deer hunting strategy by authorizing DNR to allow deer hunting on a Sunday on private property from the first Sunday in October through the second Sunday in January of the following year, inclusive.

Chapter 507 of 2014 established an altered fourth Sunday deer hunting strategy in Frederick County by authorizing DNR to allow a person to hunt deer on a Sunday on private property and on certain public land from the first Sunday in October through the second Sunday in January of the following year, inclusive.

Turkey: Chapters 18 and 145 of 2012 authorized turkey hunting on private property in Caroline and Dorchester counties, and Calvert, Charles, and St. Mary's counties, respectively, on Sundays during the spring turkey hunting season. **Chapters 432 and 433 of 2013** authorized Sunday turkey hunting in the spring in Dorchester County on public land designated by DNR for hunting.

Mammals and Game Birds: Chapter 506 of 2014 repealed Sunday deer and turkey hunting authorizations applicable in Allegany, Garrett, and Washington counties and authorized Sunday hunting for any game mammal or game bird, except migratory game birds and wetland game birds, on both private property and public land designated by DNR for Sunday hunting in those counties.

Junior Deer Hunt: Chapter 120 of 2011 required DNR to adopt regulations establishing a junior deer hunt on a consecutive Saturday and Sunday during a deer hunting season. A junior deer hunt may not occur on a Sunday in a county that does not authorize deer hunting on that Sunday. Individuals may participate in the junior deer hunt if they (1) are age 16 or younger; (2) possess a valid hunting license or are exempt from license requirements; and (3) are accompanied by a person who meets specified requirements.

Deer Management in Charles and St. Mary's Counties

In addition to standard hunting licenses and stamps, DNR issues deer management permits to certain landowners and agricultural lessees. Deer management permits allow individuals to harvest deer from their property outside of established hunting seasons and bag limits but in accordance with permit requirements to prevent damage to commercial crops and other vegetated areas. **Chapter 574 of 2014** authorized additional deer hunting under a deer management permit in Charles and St. Mary's counties and prohibited DNR from requiring a holder of a deer management permit in those counties from applying for renewal more than once every three years. The Act also established a program to train rifle shooters to hunt deer for population control in those counties. DNR must give the holders of deer management permits priority when accepting individuals into the program. Finally, the Act established an extended deer rifle hunting season specific to those counties, running from January through March. DNR may terminate the rifle training program or the extended rifle hunting season to protect public safety and welfare.

Enforcement and Administrative Sanctions

Chapter 367 of 2010 required DNR to submit a report identifying changes to statute needed to improve the effectiveness and efficiency of the Natural Resources Police Force (NRP). In December 2010, DNR submitted a report that recommended authorizing the courts and DNR to suspend the hunting license or privileges of a person who is convicted of a State or federal

hunting violation. The report noted that this authority would enable DNR to properly penalize egregious or chronic wildlife violators and deter future violations. **Chapter 698 of 2012** authorized the courts and DNR to suspend, for up to five years, a hunting license or the hunting privileges of a person who is convicted of violating State or federal hunting laws, and required DNR to list the criteria for suspension of a hunting license or hunting privileges by regulation. The enforcement mechanisms under the Act substantially mirrored the enforcement mechanisms that applied to fisheries.

Management and License Fees

Hunting license and stamp fee revenue is deposited into the State Wildlife Management and Protection Fund (SWMPF) and used to fund a variety of wildlife management initiatives, including surveys, research, conservation measures, hunter recruitment and training, hunting programs, nuisance and emergency response, and enforcement. Because of growing program demands and decreasing fee revenue due to the declining hunter population, DNR has drawn on SWMPF's reserve balance to offset significant reductions in State general fund support for wildlife programs. As a result, the fund's reserve balance was projected to decline from \$2.5 million in fiscal 2010 to \$40,000 in fiscal 2013. DNR indicated that it has been severely constrained in its ability to provide basic levels of service for wildlife management programs.

Senate Bill 619 of 2013 (failed) would have increased certain hunting license fees and redirected revenue from fines for hunting violations imposed by the District Court to SWMPF. The annual fee for the basic resident hunting license would have increased from \$24.50 to \$37.00, and for the basic nonresident hunting license, from \$130.00 to \$150.00. The fee for the nonresident three-day hunting license would have increased from \$45.00 to \$65.00. The bill also would have required DNR to establish, by regulation, user fees for Wildlife Management Area users other than licensed hunters. To foster an increase in the future hunter population, the bill also would have eliminated the requirement that a junior hunter obtain any additional stamps. Finally, the bill would have encouraged DNR and the Department of Business and Economic Development, in consultation with the Maryland Legislative Sportsmen's Foundation, to develop marketing strategies to promote Maryland as a destination for hunting and fishing. It is estimated that the bill would have increased DNR special fund revenues by \$1.5 million in fiscal 2014 and each subsequent fiscal year.

Fishing

Management

License Fees: DNR's Fisheries Service is responsible for managing commercial and recreational fishing in the State. Fishing license and stamp fee revenue is deposited into the Fisheries Research and Development Fund and the Fisheries Management and Protection Fund and used to fund programs related to fish population monitoring and assessment, buoys and navigation, conservation, habitat protection and restoration, and enforcement. Both special funds were projected to have no end-of-year fund balance in fiscal 2013, primarily due to the fund

balances being used to offset general fund reductions. The Fisheries Service was projected to have a funding deficit of \$3.2 million by fiscal 2014.

As of January 2013, State commercial fishing license fees had not been increased since 1994. A cost-recovery analysis conducted by DNR in 2011 concluded that while recreational fishing programs were almost entirely funded by recreational fishing fees, commercial fishing fees supported only 61% of commercial fishing programs. **Chapter 435 of 2012** required DNR, among other things, to review the existing laws, regulations, fees, and processes associated with commercial fishing licenses and to report findings and recommendations for changes to the commercial fish license and permit fee structure. In response, DNR worked with stakeholders to identify strategies to address the projected budget deficit and develop a commercial license fee structure that achieves a higher level of cost recovery.

Chapter 519 of 2013 implemented many of the recommendations contained in DNR's report. The Act modified fees and other terms of existing annual commercial fishing licenses and established new annual commercial fishing authorizations, registrations, permits, surcharges, and associated fees. Beginning in fiscal 2014, the Governor is authorized to include in the State budget an appropriation from the general fund to augment the increase in revenues DNR receives under the Act. The Act was expected to increase DNR special fund revenues by at least \$1.6 million in fiscal 2014 and future fiscal years.

Regulation of Gear: A fisheries management plan is a document that contains a systematic description of a given fishery and the objectives and conservation and management measures for the fishery. DNR is required to prepare fishery management plans for specified species. While DNR was authorized to regulate fishing gear for specific species under individual fishery management plans, it lacked the authority to address broad gear issues. **Chapter 577 of 2011** authorized DNR, after consulting with the Tidal Fisheries Advisory Commission and the Sport Fisheries Advisory Commission, to adopt regulations to define and govern the use of recreational fishing gear and specific commercial fishing gear (namely fish pots, bank traps, fyke nets, and hoop nets). DNR must consider relevant biological, ecological, and socioeconomic factors before adopting the regulations.

Enforcement

Penalties for Oyster Poaching: Since 1994, the Chesapeake Bay's oyster population has languished at around 1% of historic levels. Oyster bars have decreased 80%, and the number of harvesters has dwindled from 2,000 in the mid-1980s to just over 500 annually since 2002. To help reverse this trend, DNR unveiled a new management and restoration plan for oysters and the State's oyster industry in December 2009. The plan increased the State's network of oyster sanctuaries from 9% to 24% of the bay's remaining quality oyster bars, established oyster aquaculture leasing opportunities, and maintained 76% of the bay's quality oyster habitat for a public oyster fishery. The plan was adjusted in response to public feedback, and implementing regulations were adopted in September 2010.

To facilitate the plan, DNR has strengthened its efforts to protect Maryland's native oyster population from illegal harvesting activities. To further this effort, **Chapters 427 and**

428 of 2011 required DNR, under specified circumstances, to revoke a tidal fish license for commercial oyster harvesting for the offenses of (1) taking oysters located more than 200 feet within a closed or prohibited area; (2) taking oysters with gear prohibited in that area; (3) taking oysters by more than one hour outside of a time restriction; (4) taking oysters during closed seasons; and (5) taking oysters from a leased area by a person other than the leaseholder or the leaseholder's designee. If a tidal fish licensee receives a citation for one of these offenses, DNR is required to hold a hearing, in accordance with the Administrative Procedure Act, within 60 days after issuing the citation. If the presiding officer at the hearing finds that the licensee knowingly committed the offense, DNR is required to revoke the licensee's tidal fish license for commercial oyster harvesting.

Penalties for Poaching Crabs or Striped Bass: In 2011 there were several significant commercial fishing incidents involving the use of illegal gill nets in the Chesapeake Bay to catch striped bass. Notably, on January 31, 2011, DNR and NRP officers confiscated more than 10 tons of illegally caught striped bass from four illegally anchored gill nets near Bloody Point Light, south of Kent Island, in the Chesapeake Bay. This event forced DNR to temporarily shut down the striped bass gill net season. In response, the General Assembly passed a number of bills to increase the penalties for poaching fish.

Chapter 619 of 2011 established a new misdemeanor charge for capturing over \$20,000 worth of striped bass, as determined by the proceeds of the unlawful capture, as a result of using unlawful gear; harvesting during closed seasons; harvesting from a closed area; violating established harvest, catch, or size limits; or violating tagging and reporting requirements. On conviction of the misdemeanor charge, in addition to other applicable penalties, a person is also subject to imprisonment not exceeding two years.

A tidal fishing license is the single commercial license issued by DNR with respect to commercial fishing and fisheries in tidal waters. A person must obtain authorizations on the license to engage in different types of fishing or commercial activity. Generally, when a license is suspended or revoked, the suspension or revocation is targeted to the specific fishing activity the watermen was engaged in when the violation occurred, and not all authorized fishing activities within the tidal fishing license. **Chapters 505 and 506 of 2011** required DNR to revoke a commercial fishing authorization to catch striped bass or crabs if a specified offense is committed. DNR, in consultation with the Tidal Fisheries Advisory Commission and the Sport Fisheries Advisory Commission, was required to adopt regulations that establish grounds for revoking an authorization, including egregious or repeat violations in the following categories: (1) using illegal gear; (2) harvesting during closed seasons; (3) harvesting from a closed area; (4) violating established harvest, catch, or size limits; and (5) violating tagging and reporting requirements. If an individual receives a citation under the regulations, DNR must hold a hearing in accordance with the Administrative Procedure Act before revoking the authorization. If the presiding officer finds after the hearing that the individual knowingly committed an offense under the regulations, DNR is required to revoke the individual's authorization to catch striped bass or crabs as appropriate.

Licensure Violations: *Chapters 512 and 513 of 2013* established a new misdemeanor charge for (1) committing a separate violation related to a suspended or revoked commercial license while the commercial fishing license or authorization is suspended or revoked and (2) engaging in commercial fishing without holding the appropriate license or authorization. In addition to other applicable penalties, a violator is guilty of a misdemeanor and on conviction is subject to imprisonment not exceeding one year, a fine not exceeding \$25,000, or both. Fines imposed by the District Court for violations must be paid, less the costs of collection, to DNR's Fisheries Research and Development Fund.

Inspections: NRP serves as the public safety agency with statewide authority to enforce all conservation, boating, and criminal laws. *Chapters 468 and 469 of 2011* altered law enforcement inspection authority related to fisheries. Under the Acts, an NRP officer may, at reasonable times, including when the licensee or person is engaged in an activity that requires a tidal fish license, inspect commercial fishing vessels, vehicles used to transport fish for commercial purposes, and fish businesses owned or operated by a licensee. Inspections are restricted to inspections of fishing gear and places where fish may be stored. Inspections of businesses may not include a dwelling house. An inspector may seize fishing gear or fish found during an inspection that is used or possessed in connection with a violation. DNR must hold seized property or proceeds pending disposition of court proceedings. On conviction, the property or proceeds from the seizure are forfeited to the State. DNR may use its discretion to dispose of fish that are seized.

Aquaculture

Regulatory and Promotional Duties: Historically, several State agencies had responsibility for programs related to the promotion and regulation of shellfish aquaculture in the State. *Chapter 411 of 2011* transferred specified aquaculture, seafood, and related marketing functions from the Maryland Department of Agriculture, the Board of Public Works, and the Maryland Department of the Environment to DNR and established DNR as the lead State agency for (1) coordinating and streamlining the process of applying for a State aquaculture permit; (2) promoting, coordinating, and marketing aquaculture and aquaculture products; and (3) enforcing laws governing aquaculture.

Leasing Near Sanctuaries: *Chapter 579 of 2011* authorized DNR to resurvey any submerged area of the State to determine the position and extent of any natural oyster bar and amend existing charts or coordinates by regulation to make any natural oyster bar location or submerged land condition accurate. The prohibition on Aquaculture Enterprise Zones (AEZs) and submerged land leases being located within 150 feet of an oyster sanctuary was altered to within 150 feet of any "Yates Bar" located within an oyster sanctuary, effectuating an estimated 20% increase in leasable acreage in the bay. A "Yates Bar" is any submerged oyster bar, reef, rock, or area represented as an oyster bar on the charts of the Oyster Survey of 1906 to 1912, excluding amendments. AEZs and submerged land leases located within an oyster sanctuary are required to be compatible with oyster restoration and satisfy specified regulations.

Program Modifications: *Chapter 717 of 2012* clarified and streamlined the aquaculture program. The Act required DNR to establish water column application fees, rents, and surcharges in consultation with the Aquaculture Coordinating Council (as was the case with other leases). The Act also reduced required advertising in local newspapers for a submerged land or water column lease application from weekly for four weeks to weekly for two weeks. The Act further prohibited placement of unlawfully harvested oysters on a lease and authorized aquaculture demonstration leases in specified portions of oyster sanctuaries (as was the case with other leases). The Act altered DNR's authority to regulate the taking, possession, transport, or sale of oysters from leased oyster bottoms to allow for the harvest of oysters under three inches in size from leased bottom.

Shellfish Nursery Permits: Rapid growth in the State's aquaculture industry has prompted interest in and demand for shellfish seed nurseries, which supply juvenile shellfish to businesses that then grow the shellfish to market size. *Chapter 57 of 2013* established a permitting system for shellfish nurseries located on land or in State waters not covered by an aquaculture lease. For shellfish nurseries located on land, DNR may issue a permit only to the owner or legal tenant of the property or a person with the property owner's permission. For a shellfish nursery located in State waters outside a DNR aquaculture lease area, DNR may issue a permit only to the owner, or a designee of the owner, of a wharf or other structure constructed on or about the water and approved by the U.S. Army Corps of Engineers. A shellfish nursery operation located in State waters and with a permit is not required to obtain a water column or submerged land lease.

Free Fishing Areas

Generally, to fish recreationally, a person must possess (1) an angler's license to fish in nontidal waters of the State; (2) a trout stamp to fish in a catch-and-release trout management area or to possess trout while fishing in nontidal waters; and (3) a Chesapeake Bay and coastal sport fishing license or, as appropriate, registration to fish for finfish in the Chesapeake Bay or in State waters of the Atlantic Ocean. *Chapter 430 of 2012* explicitly authorized DNR to adopt regulations establishing free recreational fin fishing areas in tidal and nontidal waters of the State. A fishing license or stamp is not required to fish in these areas, although a person must register with DNR before fishing in free areas located in tidal waters.

Shark Fins

Shark finning refers to the removal and retention of shark fins and the discarding of the rest of the fish. Although prohibited in Maryland, shark finning is a widespread practice that has contributed to a significant decline in some shark species. *Chapters 296 and 297 of 2013* generally prohibited a person from possessing, selling, offering for sale, trading, or distributing a shark fin in the State. The Acts, however, do allow a person to possess a shark fin if (1) the person holds the appropriate State or federal license or permit authorizing the taking or landing of a shark for recreational or commercial purposes; (2) it is taken from a shark that the person has taken or landed; and (3) it is taken in a manner consistent with the person's license. A museum, college, or university may also possess a shark fin if the shark fin is used solely for

display or research purposes. The Acts do not apply to smooth hounds or spiny dogfish (for which certain fin removal is authorized under federal law) or rays or skates.

Commercial Fishing and Seafood Operations

Maryland’s “right-to-farm” laws protect agricultural and silvicultural operations from nuisance actions under certain circumstances. *Chapter 642 of 2014* extended these legal protections to commercial fishing and seafood operations. For a more detailed discussion of this Act, see the subpart “Civil Actions and Procedures” within Part F – Courts and Civil Proceedings of this *Major Issues Review*.

Environment

Chesapeake Bay Restoration

The Chesapeake Bay is North America’s largest and most biologically diverse estuary, fed by more than 100,000 creeks, streams, and rivers running through six watershed states (Delaware, Maryland, New York, Pennsylvania, Virginia, and West Virginia) and the District of Columbia. Over the past several decades, the health of the bay has degraded significantly as a result of nutrient (nitrogen and phosphorus) and sediment pollution from wastewater treatment plants, septic systems, air pollution, agricultural land, and stormwater runoff. Several decades of regional efforts to improve water quality have failed to make significant progress in restoring the bay.

In December 2010, the U.S. Environmental Protection Agency (EPA) established the Chesapeake Bay Total Maximum Daily Load (Bay TMDL), as required under the federal Clean Water Act, and in response to legal actions in Virginia and the District of Columbia. The Bay TMDL sets the maximum amount of pollution the bay can receive and still attain water quality standards. It also identifies specific pollution reduction requirements and requires all reduction measures to be in place by 2025, with at least 60% of the actions in place by 2017.

The Bay Restoration Fund

Chapter 428 of 2004 established the Bay Restoration Fund (BRF) to provide grants to owners of wastewater treatment plants for upgrading the plants with enhanced nutrient removal (ENR) technology that reduces nutrient pollution to the Chesapeake Bay. BRF is also used to support septic system upgrades to Best Available Technology (BAT) for nitrogen removal and the planting of cover crops. Upgrading the State’s 67 major publicly owned wastewater treatment plants with ENR technology by 2017 is a key pollution-reduction strategy identified in the State’s Phase II Watershed Implementation Plan (WIP), which is the State’s roadmap to meeting the Bay TMDL.

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. Through April 30, 2014, a total of \$743.6 million in fees has been collected. According to the 2014 *Bay Restoration Fund*

Advisory Committee Annual Report, as of December 2013, BRF revenues have supported ENR upgrades to 33 major wastewater facilities, with 21 other facilities under construction and 13 in the planning or design stages. However, questions about the financial viability of BRF and the ability of the fund to support its mission began to arise not long after the fund's establishment.

By 2012, the Bay Restoration Fund Advisory Committee issued warnings about the looming deficits in BRF and recommended several options for addressing the significant projected shortfall. The committee's preferred option, as reiterated in its January 2012 annual report, was to increase the fee by 100% (from \$30 to \$60 per year) for most users. The General Assembly acted on this recommendation and passed **Chapter 150 of 2012**, which generally doubled the bay restoration fee beginning on July 1, 2012. The fee increase enacted by **Chapter 150** increased the distribution of bay restoration fee revenues in fiscal 2013 – the first full fiscal year with the increase – from about \$59.0 million to about \$128.8 million.

Chapter 150 also made several other changes to BRF, including (1) requiring local governments (which are generally responsible for collecting the fee) to establish financial hardship exemption programs; (2) establishing an exemption from the fee for local career or volunteer fire departments; (3) establishing an exemption from the fee increase (but not from the original fee) for users not located in the Chesapeake Bay or Atlantic Coastal Bay watersheds; (4) prohibiting any future changes in the fee that would reduce the amount of funds available for repayment of outstanding bonds; (5) establishing additional uses of BRF beginning in fiscal 2018; and (6) reducing the fee to pre-2012 levels beginning July 1, 2030.

Reducing Nutrient Pollution from Septic Systems

Septic System Upgrades: Of the bay restoration fee revenues collected from users of septic systems and sewage holding tanks, 60% is distributed to the BRF Septics Account for the upgrade of septic systems, and 40% is transferred to the Maryland Department of Agriculture (MDA) to provide assistance to farmers for planting cover crops. For additional discussion of the cover crops program funded in part by bay restoration fees and administered by MDA, see subpart "Agriculture" of this Part K. of this *Major Issues Review*.

According to the Maryland Department of the Environment (MDE), septic systems account for about 6% of the total nitrogen load to the bay from Maryland. As part of the State's Phase II WIP, more than 184,000 septic systems in Maryland need to be upgraded, and nearly 43,000 systems need to be connected to an ENR facility, by 2025. However, BRF has supported the installation of only 4,481 BAT septic systems through the end of fiscal 2013 – less than 2.5% of the 2025 target.

To help meet these targets, legislative and regulatory actions in recent years have incentivized or required septic system upgrades. For example, Chapters 225 and 226 of 2008 expanded the uses of the Septics Account to include covering the cost of replacing multiple septic systems in the same community with a new community sewerage system, and Chapter 280 of 2009 prohibited a person from newly installing or replacing a failing septic system on property in the Chesapeake and Atlantic Coastal Bays Critical Area (Critical Area) unless the installed system utilizes BAT.

Chapters 492 and 493 of 2011 further expanded the uses of the Septics Account to include grants or loans for connecting a property served by a septic system to an ENR wastewater facility. Expanding the approach taken by Chapter 280 of 2009, MDE adopted regulations in 2012 that required, beginning January 1, 2013, BAT for septic systems for new construction in the watershed of *any* nitrogen-impaired water body and for *any replacement* system on property located in the Critical Area. **Chapter 80 of 2014** once again expanded the uses of the Septics Account to allow for (1) grants or loans to connect a property served by a septic system to an existing biological nutrient removal facility (instead of just an ENR facility); (2) covering the cost of the principal on debt issued by a local government for specified sewer connection projects; and (3) providing assistance for certain sewer connection projects located outside of a priority funding area.

The cumulative effect of these legislative and regulatory actions has been to increase the administrative burden on local governments relating to the septic system upgrade. At the same time, MDE has phased out its involvement in the administration of the program. To alleviate some of this burden on local governments, **Chapter 379 of 2014** specifies that up to 10% of the funds in the Septics Account may be distributed to the local public entities to cover reasonable administrative costs.

Reducing Sprawl Development: Septic systems represent not only a significant source of nutrient pollution to the Chesapeake Bay, but also a mechanism to facilitate sprawl and the development of open spaces. According to PlanMaryland, development on septic systems generates 10 times more nitrogen per household than development using advanced centralized treatment systems. Even septic systems that have been upgraded with BAT do not reduce nitrogen to the same degree as a modern community wastewater treatment plant. Prior to the 2012 legislative session, the O'Malley Administration projected that, under prevailing demographic and development trends, 120,000 new septic systems would be installed in the following 25 years, with the potential to generate 2.5 million pounds of nitrogen pollution.

In order to steer this future residential growth toward more urban forms of development served by public sewer and away from sensitive or previously undeveloped lands requiring the use of septic systems, **Chapter 149 of 2012** established a system of land use tiers that local jurisdictions are encouraged to adopt and created restrictions applicable to each of the four growth tiers. The law prohibits a jurisdiction, beginning December 31, 2012, from approving a major residential subdivision served by septic systems, community sewerage systems, or shared systems unless the jurisdiction has adopted the growth tiers. However, a jurisdiction that does not adopt a growth tier may still authorize either a minor residential subdivision served by septic systems, or any subdivision in a "Tier I" developed area served by public sewer. As of April 2014, 14 counties and Baltimore City have adopted growth tiers and 9 counties have not.

Chapter 149 also established restrictions on property within "minor" residential subdivisions (defined by State and local laws) from further subdivision beginning December 31, 2012, and provided several exceptions from these restrictions. To mitigate the effect of the law's restrictions on rural and agricultural property, the law allows for the transfer

of subdivision rights among specified agricultural property owners. Finally, the law requires MDE to propose regulations, in consultation with counties and other stakeholder groups, to establish nutrient offset requirements for new residential major subdivisions within Tier III areas to be served by on-site sewage disposal systems or shared systems. Several State agencies have convened a workgroup consisting of various agricultural, business, environmental, and municipal stakeholders to develop regulations that address these and other issues related to the environmental impact of future development.

Reducing Nutrient Pollution from Stormwater

According to MDE, while nitrogen loading to the Chesapeake Bay from agricultural and wastewater sources in Maryland has been decreasing since 1985, stormwater runoff has been increasing from newly developed impervious surfaces and, according to the Chesapeake Bay Program, is the fastest growing source of nutrient pollution to the bay.

The State first began reducing the adverse effects of stormwater runoff in 1982 with the passage of the Stormwater Management Act. State regulations followed in 1983, which required each county and municipality to adopt ordinances necessary to implement a stormwater management program. More recently, Chapters 121 and 122 of 2007 attempted to further enhance the State's stormwater management program by requiring a new form of management practice known as environmental site design.

Chapters 121 and 122 of 2007 also required MDE to evaluate options for a stormwater management fee system and an appropriate fee schedule necessary to improve enforcement of existing stormwater management laws. In its May 2008 report developed in response to that charge, MDE noted that Maryland's stormwater management program was implemented locally with little financial support from the State, and that it does not have the authority to assess fees or charges at the State level. Legislation was introduced, but did not pass, during the 2009, 2010, and 2011 sessions that would have established some form of a stormwater fee or other similar charge to raise money for stormwater management at the local level.

Ultimately, **Chapter 151 of 2012** enacted a stormwater fee requirement applicable to each county and municipality subject to a National Pollutant Discharge Elimination System Phase I municipal storm sewer system (MS4) permit (consisting of Baltimore City and the nine most populous counties). Under the Act, these jurisdictions were required to collect an annual stormwater remediation fee and establish a local watershed protection and restoration fund by July 1, 2013, to provide financial assistance for the implementation of local stormwater management plans. While the law did not prescribe the amount of the fee required for any jurisdiction, initial projections indicated that the local stormwater fees adopted pursuant to the Act may raise about \$103 million in fiscal 2014 and about \$671 million between fiscal 2014 and 2018.

During the 2013 and 2014 legislative sessions, several bills were introduced, but did not pass, to exempt specified jurisdictions from the fee and repeal the fee altogether. Meanwhile, Carroll County did not establish its fee by the statutory July 1, 2013 deadline, and Frederick County established only a nominal fee of one cent per property. In response, MDE

initiated communication with the two counties in the fall of 2013 regarding the failure (of Carroll County) to establish the required fee and the insufficiency of stormwater funding available to meet the counties' stormwater management requirements. To ensure that the two counties will raise sufficient revenues for stormwater management, **Chapter 464 of 2014**, the Budget Reconciliation and Financing Act, included a provision authorizing MDE to enter into a memorandum of understanding with either county by December 1, 2014, to establish an alternative source of funding to comply with the county's respective MS4 permit.

Marcellus Shale

The Marcellus Shale formation is a geologic feature in the Appalachian Range that has attracted significant attention from the energy industry for its rich natural gas deposits contained within 117 counties across seven states. In fact, since 2010, the Marcellus Shale has grown from a negligible source of shale gas production (about 1%) to the largest source of shale gas production in the world by 2014, constituting about one-third of U.S. production. In Maryland, a small portion of the formation's deposits are located in Allegany, Garrett, and Washington counties, although the only anticipated areas of production are in Garrett and western Allegany counties.

Geologists have long known about the natural gas resources contained within the formation but had considered the gas to be not economically recoverable until the development of horizontal drilling and high-volume hydraulic fracturing, which have led to a boom in domestic energy production. However, as the use of hydraulic fracturing has increased, so has concern about its potential impact. MDE has advised that, although accidents are relatively rare, exploration for and production of natural gas in nearby states have resulted in injuries, well blowouts, releases of fracturing fluids, releases of methane, spills, fires, forest fragmentation, road damage, and evidence of water contamination.

Applications for permits to produce gas from the Marcellus Shale in Maryland using horizontal drilling and high-volume hydraulic fracturing were first filed in 2010 (although all of the permit applications have since been withdrawn). Although Maryland had already adopted laws and regulations governing gas exploration and production, these regulations were written prior to the use of high-volume hydraulic fracturing and had not been revised since 1993. Due to these concerns, a number of bills were introduced during the 2011 session that would have required further study and the development of regulations prior to the issuance of any permit for gas exploration and production in the Marcellus Shale. For example, **Senate Bill 422/House Bill 411 of 2011 (both failed)** would have required MDE to submit natural gas exploration and production regulations to the Joint Committee on Administrative, Executive, and Legislative Review by December 31, 2011, and **Senate Bill 634/House Bill 852 of 2011 (both failed)** would have prohibited MDE from issuing a permit for the drilling of a well in the Marcellus Shale until the permit applicant had made specified environmental, public health, emergency response, and financial security demonstrations to MDE.

Notably, **House Bill 852**, as amended in the House, would have also required MDE and the Department of Natural Resources (DNR) to jointly convene an advisory commission and

undertake a study of the extraction of natural gas from shale formations in the State. MDE would not have been authorized to issue a well drilling permit until the publication of a final report on the required study, which would have been due by August 1, 2013. While **House Bill 852** failed, in June 2011, Governor Martin O'Malley established the Marcellus Shale Safe Drilling Initiative by executive order, which similarly directed MDE and DNR to assemble and consult with an advisory commission in the study of specific topics related to horizontal drilling and hydraulic fracturing in the Marcellus Shale. Specifically, the executive order tasks MDE and DNR, in consultation with an advisory commission, with conducting a three-part study and reporting its findings and recommendations.

Part I of the Marcellus Shale Safe Drilling Initiative study, a report on findings and recommendations regarding sources of revenue and standards of liability, was released in December 2011. The study noted that establishing a presumption of causation for damage related to drilling within the Marcellus Shale would provide an incentive for those drilling gas wells to test drinking water wells prior to undertaking drilling. **Chapter 703 of 2012** codified this concept by establishing a presumptive impact area around any deep shale deposit gas well for which MDE has issued a gas exploration or production permit. Within a defined presumptive impact area, the law presumes that any water contamination was caused by the activities of gas exploration or production. The law also established the conditions under which a permittee must replace a water supply or compensate a property owner, specified when a permittee's actions are deemed adequate to resolve contamination presumed to be caused by the permittee, and provided exceptions to the presumption of causation.

The General Assembly also considered how to address another major issue contained in Part I of the study – the need for sources of revenue to ensure sufficient long-term financial capacity for State and local regulation of Marcellus Shale development. **House Bill 907 of 2012 (failed)** would have established a 7.5% severance tax on the wholesale market value of natural gas, the revenues from which would have been paid to a newly established account within the Oil and Gas Fund to support activities related to monitoring and remediating environmental and other impacts of gas exploration and production. Similarly, **Senate Bill 768 of 2012 (failed)** would have established a 2.5% severance tax to be used to address the impact of gas exploration and production on the environment and natural resources of the State.

In September 2012, the advisory commission established a legislative committee to recommend legislative proposals prior to the 2013 session. The legislative committee ultimately recommended four proposals, including one pertaining to the registration of “landmen.” “Landmen” are the business arm of the petroleum and mineral industry and meet with landowners to negotiate leases on behalf of companies seeking to mine or drill on a plot of land. **Chapter 642 of 2013** required a person operating as a “land professional” in the State to be registered with the Department of Labor, Licensing, and Regulation and issued a registration certificate by MDE.

Parts II and III of the Marcellus Shale Safe Drilling Initiative study include (1) recommended best practices for technical aspects of natural gas exploration and production and (2) a final report with findings and recommendations relating to various other societal issues

related to shale gas development. A recommended best practices report from a consultant commissioned by the advisory commission was released in February 2013. The report noted, among other things, that Maryland's performance bond requirements were relatively high compared to other states, but that, more importantly, performance bonding is an inadequate mechanism for providing financial assurance in the natural gas extraction industry. Thus, **Chapter 568 of 2013** repealed the performance bond requirements for the holder of a permit to drill an oil or gas well, and instead required compliance with several alternative financial assurance requirements. These requirements include planning for the plugging and sealing of a proposed oil and gas well, as well as specific financial assurance, comprehensive general liability insurance, and environmental liability insurance requirements.

The draft of the third and final report required by the executive order is expected by August 1, 2014. The final report will address all other issues identified by the executive order and focus on identifying the potential impact of drilling, including an economic and fiscal study, a comprehensive risk assessment, a public health study, and monitoring efforts to measure baseline water quality and effects on air and water quality of any future drilling. Upon issuance of its final report, the advisory commission may recommend whether development of the Marcellus Shale can commence, and what conditions are needed to protect public health, safety, and the environment.

Reduction of Lead in Housing

Lead paint dust from deteriorated lead paint or home renovation is a major source of exposure of the toxin for children in Maryland. Chapter 114 of 1994 established the Lead Poisoning Prevention Program within MDE. Chapter 114 established a comprehensive plan to regulate compensation for children who are poisoned by lead paint, treat affected residential rental properties, and limit liability of landlords who act to reduce lead hazards in accordance with various regulatory requirements. This program has proven to be very successful in decreasing the number of children in Maryland with elevated blood lead levels. Such levels decreased in 2012 for the twentieth straight year, from 23.9% of tested children in 1993 to 0.3% in 2012. However, the protection provided to landlords under Chapter 114 was challenged in court, and the Maryland Court of Appeals ruled in October 2011 that the limits on landlord liability in Chapter 114 are unconstitutional.

Prior to being struck down by the court, if a landlord complied with the lead program's regulatory provisions, Chapter 114 provided compensation to children who resided in the rental unit that was limited to \$7,500 for all medically necessary treatments and \$9,500 for relocation benefits, for a total of \$17,000. The Court of Appeals inquired as to whether this remedy for poisoned children was reasonable, and found instead that the \$17,000 remedy was "miniscule" and constitutionally impermissible.

Unrelated and prior to the court's decision, **Chapter 610 of 2011** required MDE and other parties to evaluate whether an expanded Lead Poisoning Prevention Program might further reduce the incidence of childhood lead poisoning in residential properties by including coverage of rental properties built from 1950 through 1978 and owner-occupied properties. The study

group met seven times between July and December of 2011 and made recommendations regarding six different issues, including, among other things, expanding the scope of regulation to include rental properties built before 1978 and owner-occupied properties, increasing the program's property registration fee to address the program's declining revenue sources, and evaluating whether to require MDE to seek delegation of the federal renovation, repair, and repainting rule, which requires renovation companies to be registered and follow lead safe work practices while doing renovation in pre-1978 constructed homes.

A number of bills were introduced in 2012 to address the effect of the court's decision and the various issues examined by the study group, including legislation to establish a new fund to provide grants to eligible recipients for lead poisoning prevention activities; establish judicial procedures for injuries caused by the ingestion of lead-based paint or lead-contaminated dust; repeal the statutory amounts payable under a qualified offer for medically necessary treatments and relocation benefits that were deemed unconstitutional and replace them with a methodology to determine a reasonable qualified offer; require an activity that disturbs more than three square feet of painted surface to pass a test for lead-contaminated dust; and require an owner of property that receives notice of an elevated blood lead level of at least five micrograms per deciliter (lower than the current threshold of 10 micrograms per deciliter) to take certain actions.

Although most of these bills failed, the General Assembly did pass **Chapter 387 of 2012**, which made various changes to the lead program. Specifically, **Chapter 387** (1) expanded the program to owners of residential rental property built between 1950 and 1978 beginning January 1, 2015; (2) increased the annual registration fee from \$15 to \$30; (3) altered the definition of lead "abatement" to include renovation, repair, and painting in properties built before 1978; (4) authorized MDE to adopt regulations related to renovations, repairs, and painting; (5) repealed a rebuttable presumption that an owner of property not in compliance with the lead law is presumed to have failed to exercise reasonable care; (6) provided that evidence regarding compliance with the lead law is admissible to prove whether a property owner exercised reasonable care; and (7) required a party who makes certain allegations or denials without a good faith basis to pay reasonable costs, including attorney's fees, incurred by the adverse party.

The General Assembly also addressed the Court of Appeals decision with **Chapter 373 of 2012**. Chapter 373 required the Maryland Insurance Commissioner to convene a workgroup to evaluate and make recommendations relating to lead liability protection for owners of rental property built before 1978. The Maryland Insurance Commissioner was required to report the findings and recommendations of the workgroup to the Governor and the General Assembly by December 1, 2012. The final report of the workgroup ultimately determined that a new State fund to support larger, constitutionally permissible, lead poisoning claims payments was not viable.

Waste Management

Recycling

Since 2011, several bills were introduced to reduce waste by encouraging or requiring waste diversion, recycling, composting, and other environmentally preferable forms of waste management. There were failed legislative attempts to ban or restrict the use of disposable bags, to establish a 5-cent disposable beverage container deposit, and to create a statewide waste management standard, which would have included enforceable targets for various forms of waste management and the imposition of compliance payments for not meeting such targets. However, a handful of new recycling laws were enacted, including *Chapters 191 and 192 of 2012*, which required the owner or manager of an apartment building or condominium containing 10 or more units to provide for the collection of recyclable materials by October 1, 2014. *Chapter 692 of 2012* increased the overall recycling targets from State agencies by July 1, 2014, and from counties by December 31, 2015. Finally, *Chapter 338 of 2014* established requirements for recycling at special events in public places beginning October 1, 2015.

Composting

Composting diverts waste from landfills, reduces the emissions of methane, a greenhouse gas, and provides an inexpensive source of fertilizer, among other economic and environmental benefits. *Chapter 363 of 2011* required MDE to maintain information on its website to educate the public about composting and, in consultation with MDA and the Maryland Environmental Service, to study composting in Maryland and to make recommendations by January 1, 2013, on how to promote composting in Maryland. The workgroup made several recommendations for establishing a conceptual framework for the future regulation of composting facilities, and *Chapter 686 of 2013* required MDE to adopt such regulations. By altering the definition of “solid waste” and several other definitions, *Chapter 686* also allowed compost and composting facilities to be regulated separately from other solid waste facilities and in a manner that will likely encourage additional composting and reduce barriers to the construction of new facilities.

Agriculture

Nutrient and Sediment Management

Fertilizers

Maryland’s Phase I Watershed Implementation Plan (WIP), the initial plan for meeting Maryland’s share of the Chesapeake Bay Total Maximum Daily Load (TMDL) goals established by the U.S. Environmental Protection Agency, included recommendations related to the reduction of nutrients from fertilizer use. *Chapters 484 and 485 of 2011*, the Fertilizer Use Act of 2011, addressed a number of the strategies by expanding the State’s regulation of the content, labeling, and application of fertilizers used on turf. The Fertilizer Use Act of 2011 also required the Maryland Department of Agriculture (MDA), in consultation with the University of

Maryland, to establish a certification program for professional fertilizer applicators, as well as a public education program.

Among other things, the Fertilizer Use Act limited the amount of nitrogen and phosphorus that can be included in fertilizer labeled or offered for sale for use on turf and applied to turf. The Fertilizer Use Act also prohibited applying fertilizer containing phosphorus or nitrogen to turf (1) before March 1 or after November 15, with the exception of water-soluble nitrogen applied at a specified rate by a professional fertilizer applicator from November 16 through December 1; (2) any time the ground is frozen; or (3) generally within 15 feet of waters of the State (for certain application methods, the limit may be reduced to 10 feet). Several provisions of the Fertilizer Use Act were further clarified through legislation enacted in 2013 and 2014.

Sediment Trading on Agricultural Land

Nutrient and sediment trading is a market-based approach for protecting and improving water quality that involves (1) establishing a total amount of allowable pollution in a specified area and allocating that amount among the participating sources and (2) allowing sources to trade in ways that meet local and watershed-wide water quality goals. Once pollution allowances are allocated, sources with low-cost pollution reduction options have an incentive to reduce nutrient loadings beyond what is required of them and to sell the excess credits to sources with higher control costs. This framework allows sources facing high pollution reduction costs to purchase less costly reductions from other sources.

Chapter 447 of 2010 authorized MDA to certify nitrogen and phosphorus credits as part of a nutrient credit certification program. The program is a joint effort between MDA and the Maryland Department of the Environment (MDE) to address the need for growth offsets and the certification and verification of nutrient credits in the agricultural sector. *Chapter 25 of 2012* added sediment trading to the program by authorizing MDA to establish requirements for the voluntary certification and registration of sediment credits on agricultural land.

Agricultural Certainty

Agricultural certainty programs seek to provide agricultural operations with certainty that, in exchange for the voluntary adoption of a substantial level of conservation practices, a state will not impose additional environmental protection requirements on the operation for a given period of time. The U.S. Department of Agriculture (USDA) advises that agricultural certainty programs are a valuable tool for accelerating voluntary private land conservation and that the implementation of such programs in the Chesapeake Bay watershed is a USDA priority. In 2012, MDA received a three-year, \$600,000 federal grant from USDA to develop an agricultural certainty program in the State.

Chapter 339 of 2013 established a voluntary Maryland Agricultural Certainty Program to accelerate the implementation of agricultural best management practices to meet State agricultural nitrogen, phosphorus, and sediment reduction goals. Significant provisions of the Act included (1) requiring MDA to develop the program in conjunction with MDE; (2) authorizing MDA to certify an agricultural operation for 10 years if the operation meets

specific criteria, including a fully implemented soil conservation and water quality plan, a fully implemented nutrient management plan, and farm-specific TMDL pollution reductions required by the certainty program; (3) exempting certified agricultural operations from State or local laws or regulations enacted or adopted after the date of certification that relate to the reduction of agricultural sources of nitrogen, phosphorus, or sediment to meet the Chesapeake Bay TMDL, local TMDLs, or other water quality requirements (all other laws, regulations, or permits, are still applicable to the certified agricultural operation); and (4) requiring, at the end of the 10-year certification period, a certified agricultural operation to comply with all applicable laws, regulations, rules, and permit conditions that went into effect after the operation was initially certified.

Phosphorus Management Tool

First implemented in the 1990s, the phosphorus site index is a tool used in the nutrient management planning process to assess the risk of phosphorus loss from agricultural lands. Modification of the phosphorus site index is part of the State's Phase II WIP. Accordingly, during 2013, MDA proposed regulations to replace the phosphorus site index with a phosphorus management tool that reflects updated science. Due to concerns raised during the public comment period, MDA withdrew the regulations, indicating its plan to submit a new proposal in 2014. Subsequently, MDA indicated its intent to pursue a comprehensive analysis of the economic impact of the proposed phosphorus management tool.

Two bills that would have, among other things, required MDA to conduct an economic impact analysis of the proposed phosphorus management tool were unsuccessful in 2014. However, the fiscal 2015 budget included language prohibiting MDA from expending funds, except for funds related to the cost of an economic impact analysis, for final development and submission of phosphorus management tool regulations until MDA submits a full economic analysis of the impact of the proposed regulations to specified legislative committees. The economic impact analysis must estimate the cost as well as any economic benefit of the proposed regulations to the State and to a person who is required to have a nutrient management plan for nitrogen and phosphorus.

Manure Transportation Project

The Manure Transportation Project is a cost-share program established to assist in the transportation of excess poultry or livestock manure from farms that do not have sufficient land to use the manure for crop production in accordance with a nutrient management plan or that have land that is phosphorus over-enriched. The program is intended to protect water quality by fostering efficient land application of manure and alternative waste management and use technologies. To enable MDA to fully utilize its budgeted funding, *Chapter 36 of 2014* gave MDA discretion to determine the amount of funding provided to match funding contributed by the commercial poultry producer industry and repealed the \$10 per ton limit for poultry manure. The Act also modified the limitation on funding provided for the transportation of livestock manure by eliminating the \$20 per ton limit but retaining the limit of 87.5% of eligible costs.

Bay Restoration Fund – Cover Crops

Chapter 428 of 2004 established the Bay Restoration Fund and, as a revenue source for the fund, a bay restoration fee on users of wastewater facilities, septic systems, and sewage holding tanks. Although MDE administers the fund, 40% of the revenue collected from users of septic systems and sewage holding tanks is transferred to MDA to provide assistance to farmers for planting cover crops. *Chapter 150 of 2012*, among other things, increased the bay restoration fee for specified users beginning July 1, 2012. As a result, the fee generated approximately \$5.1 million more revenue for MDA's Cover Crop Program in fiscal 2013 than in fiscal 2012. The fee increase terminates, and the fee reverts to previous amounts, on July 1, 2030. For further discussion of the bay restoration fee, see the subpart "Environment" within this Part K.

Agricultural Land Preservation

Maryland Agricultural Land Preservation Foundation

The Maryland Agricultural Land Preservation Foundation (MALPF) purchases agricultural preservation easements that restrict development on prime farmland and woodland in perpetuity. In addition to funding from the State transfer tax, MALPF is funded with agricultural land transfer taxes, local matching funds, and the USDA's Federal Farmland Protection Program. As of the end of fiscal 2013, MALPF had cumulatively purchased 2,102 easements covering 285,902 acres.

Release of Family Lots: Generally, a landowner who sells an agricultural preservation easement may reserve the right to ask MALPF to release one acre or less for the construction of a dwelling for the use only of the landowner or a child of the landowner. When a landowner receives approval of a lot release, the landowner must provide a written description of the property boundaries and pay back the amount per acre that was paid for the easement. *Chapter 35 of 2012* altered the provisions governing the release of family lots to address MDA concerns about misuse of the process. Under the Act, a child of a landowner must be at least 18 years old to be issued a preliminary lot release. A preliminary lot release becomes void if a nontransferable building permit in the name of the landowner or child of the landowner is not received by MALPF within three years of recordation, except under specified conditions. In addition, the Act made an existing prohibition against the transfer of a family lot within five years after the final release binding on future landowners and their children. The Act applies to a person who is subject to MALPF easement requirements and who either was granted a preliminary or final lot release before July 1, 2012, or requested a release on or after July 1, 2012.

Occasionally, a landowner or child of a landowner determines that a family lot is no longer required and seeks reimbursement of the amount that was paid back to MALPF for the lot release. *Chapter 108 of 2013* authorized the Comptroller to disburse money from the Maryland Agricultural Land Preservation Fund for MALPF to use for the reimbursement of money paid into the fund by a landowner for a preliminary release of a lot. MALPF may reimburse the person for whom the lot was preliminarily released, the person who originally paid for the preliminary release, or another appropriate person for the amount paid to MALPF. Subject to the

prior approval of the MALPF Board of Trustees, and in accordance with regulations adopted by MDA, MALPF may reimburse the person only if (1) a dwelling has not been constructed on the lot; (2) the lot, if subdivided, has been reunited with the remainder of the easement; and (3) a request for reimbursement is made before the preliminary release becomes void.

Easement Termination Appraisals: Although new agricultural preservation easements are perpetual, a landowner may request termination of an easement (1) approved by the Board of Public Works on or before September 30, 2004; (2) held by MALPF for over 25 years; and (3) on land that can no longer support profitable farming. If a request to terminate a MALPF easement is approved, the landowner may repurchase the easement by paying MALPF an amount determined by appraisal. ***Chapter 21 of 2012*** altered the appraisal process to require the Department of General Services (DGS), at the direction of MALPF, to order two, instead of one, fair market value appraisals. The land must be appraised as of the date of the approval of the request for termination. DGS must review the two appraisals, determine the land's value, and issue a written statement on the approved fair market value to MALPF. MALPF must use the DGS statement to notify the landowner of the land's approved fair market value.

Value of Easement: ***Chapter 12 of 2014*** prohibited MALPF from purchasing an easement for more than 75% or less than 25% of the fair market value of the land. MALPF is authorized to purchase an easement for less than 25% of the fair market value of the land only if the owner's asking price is less than 25% of the fair market value of the land. According to MDA, the Act will moderate extremes in the calculation of easement values, instill more fiscal responsibility, make MALPF offers more consistent with values paid by other conservation groups, and ensure that fair offers are extended to landowners.

Renewable Energy Generation Facilities on Easement Properties: Generally, MALPF easement properties may not be used for any commercial, industrial, or residential purpose unless otherwise provided by law. ***Chapter 287 of 2014*** authorized MALPF to approve the use of land subject to an agricultural easement for the generation of electricity by a facility using solar, wind, or anaerobic digestion of poultry litter or livestock manure if placed on fallow land. Among other conditions, the facility may occupy no more than 5%, or five acres, whichever is less, of the land subject to the easement, including specified permanent roads or structures. MALPF must determine that the use does not interfere significantly with the agricultural use of the land subject to the easement or interfere with federal, State, or local restrictions placed on funds used by MALPF to purchase the easement. For the generation of electricity from wind, the generating station's wind turbines may not be located in an area where wind turbines could create Doppler radar interference for missions at the Patuxent River Naval Air Station and may not exceed a specified maximum height based on proximity to the Patuxent River Naval Air Station.

Sustainable Growth and Agricultural Preservation Act of 2012

In 2011, the State engaged in several substantial efforts to determine how Maryland should grow and develop in the future, including the Task Force on Sustainable Growth and Wastewater Disposal, the development of PlanMaryland, and the development of the State's

Phase II WIP. In December 2011, the task force submitted a report containing numerous recommendations relating to growth and development. **Chapter 149 of 2012** implemented some of the task force's recommendations. The Act established four tiers to guide growth on central sewer and septic systems. The growth tiers, which are based on specified land use characteristics, must be adopted by a local jurisdiction before the jurisdiction may approve a major residential subdivision served by on-site sewage disposal (septic) systems, community sewerage systems, or shared systems. Among other things, the Act set out to reduce sprawl development, which threatens the availability of viable agricultural lands. Tier IV areas are areas that are not planned for sewerage service and are areas planned or zoned for land, agricultural, or resource protection, preservation, or conservation; areas dominated by agricultural lands, forest lands, or other natural areas; or other specified areas. In Tier IV areas, minor subdivisions on septic systems and major subdivisions are allowed only under certain conditions. Other provisions relevant to agriculture include specific exemptions from certain restrictions on the further subdivision of land for nonresidential agricultural purposes and the authorization of the transfer of subdivision rights among specified agricultural property owners. For an additional discussion of the Sustainable Growth and Agricultural Preservation Act of 2012, see the subpart "Environment" within this Part K.

Family Farm Preservation Act of 2012

Prior to 2012, the Maryland estate tax did not explicitly provide for an exemption for agricultural property. **Chapters 448 and 449 of 2012** exempted from the State estate tax up to \$5 million of qualified agricultural property. For a more detailed discussion of the exemption, see the subpart "Miscellaneous Taxes" of Part B – Taxes of this *Major Issues Review*.

Commercial Feed

Roxarsone, an additive that contains organic arsenic, has been used in commercial poultry feed for disease prevention and production purposes. According to the U.S. Food and Drug Administration (FDA), organic arsenic is less toxic than inorganic arsenic, a known carcinogen, and is not known to be carcinogenic. However, in 2011, following scientific reports raising concerns that organic arsenic in poultry feed additives could transform into inorganic arsenic, an FDA study detected elevated levels of inorganic arsenic in the livers of chickens that had been treated with roxarsone. In response to the FDA study, U.S. sales of roxarsone were voluntarily suspended in 2011. **Chapter 652 of 2012**, among other things, prohibited the use, sale, or distribution in the State of any commercial poultry feed containing roxarsone or any other additive containing arsenic, with the exception of Histostat, which is used primarily for disease prevention in turkeys. In addition, under the Act, if FDA *newly* approves any specific additive, the prohibition does not apply to it. While U.S. sales of roxarsone were suspended in 2011, the drug was still approved by FDA when the law was enacted. Subsequently, in September 2013, FDA indicated that it would withdraw the approval of several arsenic containing animal drugs, including roxarsone, at the request of the sponsors of the drugs because the products were no longer manufactured or marketed.

Part L

Education

Primary and Secondary Education

Education Operating Funding

State aid for public education increased from \$5.7 billion in fiscal 2011 to \$6.1 billion in fiscal 2015, an increase of 6.3%, over the four-year term. This is slower growth when compared to the previous term due to Bridge to Excellence being fully phased in, continued State budget constraints, and the phase-in of a teacher pension cost-sharing arrangement. This modest growth in State spending for public education was characterized by smaller increases of 1.1% and 0.7% in fiscal 2012 and 2013, respectively, and larger increases of 1.9% and 2.4% in fiscal 2014 and 2015, respectively. Part of the growth is attributable to enrollment increases, particularly in the number of children eligible for free or reduced-price meals. Also during this period, the Geographic Cost of Education Index (GCEI), the only portion of the Bridge to Excellence formulas that is not mandatory, was fully funded, and a new Net Taxable Income (NTI) Adjustment Grant was established in 2013. NTI is discussed further below.

Increases in State education aid from fiscal 2011 to 2015 are shown by major program in **Exhibit L-1**. In total, funding increased by more than \$357.8 million and averaged 1.5% annually. More than half of the total increase over the four-year period (\$256.8 million) occurred in fiscal 2014 and 2015. This was primarily due to enrollment growth and increases to the per pupil foundation amount. To control costs, *Chapter 397 of 2011*, the Budget Reconciliation and Financing Act (BRFA) froze the per pupil foundation amount at \$6,694 in fiscal 2012 for a fifth consecutive year by eliminating a 0.8% increase due to inflation. Previous legislation, Chapter 484 of 2010, had limited annual inflation increases to the lesser of 1% or the actual inflation rate from fiscal 2011 through 2015. Foundation increases averaged 0.8% annually in fiscal 2013 to 2015 due to the inflation caps and low inflation. As shown in Exhibit L-1, most major programs within State education aid, except for teachers' retirement, have steadily albeit modestly increased since fiscal 2011. The \$111.2 million decrease in teachers' retirement payments on behalf of local school systems from fiscal 2011 to 2015 reflects the impact of pension reforms enacted by the BRFA of 2011 and a teacher pension cost-sharing arrangement enacted in *Chapter 1 of the First Special Session of 2012*, the Budget

Reconciliation and Financing Act (BRFA). In response to the more than doubling of teacher pension costs, over a five-year period from fiscal 2006 to 2011, legislation was enacted to shift approximately \$226.3 million in teacher pension costs to the local school boards and county governments over a five-year period from fiscal 2013 to 2017. The cost-sharing arrangement is discussed in more detail further below. Pension reforms enacted in 2011 also reduced pension costs in fiscal 2012 by \$16.7 million. For more information on education aid by local school system, see the subpart “State Aid to Local Governments” within Part A – Budget and State Aid of this *Major Issues Review*.

Exhibit L-1
Education Aid by Major Program
Fiscal 2011-2015
(\$ in Millions)

<u>Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Foundation Program	\$2,762.7	\$2,773.1	\$2,810.4	\$2,850.5	\$2,882.4
Net Taxable Income Grant	0.0	0.0	0.0	8.3	26.9
Geographic Cost Adjustment	126.6	127.3	128.8	130.8	132.7
Supplemental Grant	46.5	46.5	46.5	46.5	46.6
Special Grants	0.0	1.4	1.2	0.0	0.6
Compensatory Education Program	1,041.1	1,083.8	1,146.3	1,196.0	1,251.7
Special Education Program	264.0	264.3	266.5	269.3	271.7
Limited English Proficiency	151.2	162.7	177.4	193.4	197.7
Guaranteed Tax Base	47.4	50.1	44.2	52.3	59.4
Student Transportation	244.4	248.2	251.3	254.5	258.4
<i>Bridge to Excellence Subtotal</i>	<i>\$4,683.8</i>	<i>\$4,757.4</i>	<i>\$4,872.5</i>	<i>\$5,001.7</i>	<i>\$5,128.0</i>
Nonpublic Special Education	112.5	111.7	109.7	109.8	110.9
Prekindergarten Expansion	0.0	0.0	0.0	0.0	4.3
Other Programs	64.8	70.0	74.3	84.3	86.8
<i>Direct Aid Subtotal</i>	<i>\$4,861.0</i>	<i>\$4,939.0</i>	<i>\$5,056.5</i>	<i>\$5,195.7</i>	<i>\$5,330.1</i>
Teachers' Retirement	849.8	833.1	755.4	728.1	738.6
Grand Total	\$5,710.8	\$5,772.2	\$5,811.9	\$5,923.9	\$6,068.6
Dollar Increase Over Prior Year		\$61.3	\$39.7	\$112.0	\$144.8
Percentage Increase Over Prior Year		1.1%	0.7%	1.9%	2.4%

Note: Other Programs includes general and special funds supporting SEED School; formulas for specific populations; infants and toddlers; innovative programs; food service; science, technology, engineering, and mathematics; autism waiver; Judy Hoyer; teacher development; and Technology in Maryland Schools computer wiring. Excludes State Retirement Agency administrative fee for teachers' retirement.

Source: Department of Legislative Services

Growth in State education aid included the addition of new programs and increases to existing programs not attributable to Bridge to Excellence formulas. In total, programs and grants not under Bridge to Excellence have increased by \$24.8 million, excluding teachers' retirement payments. The Digital Learning Innovation Fund was funded at \$3.5 million in

fiscal 2014 and 2015. This fund supports competitive grants to local school systems to create digital learning environments such as multimedia assets to students and teachers; differentiated instruction; and offering more current information than traditional textbooks on an ongoing basis. The Early College Innovation Fund was also first funded in fiscal 2014 to support an expansion of early college access programs. Funding totaled \$2.0 million in fiscal 2014 and \$1.4 million in fiscal 2015. **Chapter 2 of 2014** expanded prekindergarten for four-year-olds with an infusion of \$4.3 million by the State for fiscal 2015 and at least \$4.3 million in future years. The funds are distributed as a competitive grant administered by the Maryland State Department of Education (MSDE).

Net Taxable Income

Under **Chapter 4 of 2013**, State education aid formulas that include a local wealth component are to be calculated twice, once using an NTI amount for each county based on tax returns filed by September 1 and once using an NTI amount based on tax returns filed by November 1. Each local school system then receives the greater State aid amount that results from the two calculations with the increase phased in over five years beginning in fiscal 2014. This is known as the NTI Adjustment Grant. The grants totaled \$26.9 million in fiscal 2015 and are projected to reach \$63.4 million in fiscal 2018 when it is fully phased in. Because **Chapter 6 of 2012** (discussed below) required counties, beginning July 1, 2014, that are making below average education effort to increase their per-student maintenance of effort (MOE) amount by up to 2.5% annually and the education effort calculation relates to the NTI amount, **Chapter 464 of 2014**, the Budget Reconciliation and Financing Act (BRFA), clarified that for purposes of MOE requirements, the calculation of local wealth must use the amount certified for NTI based on tax returns filed on or before September 1 for fiscal 2015 through 2017 and on or before November 1 for fiscal 2018 and each year thereafter.

Teacher Pension Cost Sharing

Prior to 2012, Maryland was 1 of 11 states that paid the full employer pension contribution for teachers and other related staff employed by local school boards. The BRFA of 2012 phased in a requirement that local school boards pay 100% of the employer normal cost for active members of the Teachers' Retirement and Pension Systems. The employer normal cost represents the employer's share of the payment that is necessary to fund the benefits that currently employed members accrue in a given year. To assist the local school boards in funding this cost, the BRFA of 2012 also required that each county government must include this amount in its appropriation to the local school board as part of the county's annually required MOE payment. However, during the phase-in period from fiscal 2012 to 2016, these payments are not used in the calculation of the following year's required MOE. Beginning in fiscal 2017, the required payment made in fiscal 2016 will be incorporated in the per pupil MOE calculation for fiscal 2017. In order to soften the impact on the counties of sharing the cost of teachers' retirement, the BRFA of 2012 also established the Teacher Retirement Supplemental Grant as a mandatory general fund appropriation as well as made adjustments to other, noneducation State grants to the counties.

Since the BRFA of 2012 was enacted, the State Retirement Board of Trustees has altered various demographic assumptions which resulted in an increase in the expected normal cost. Because the BRFA of 2012 stipulated a specific dollar amount that each county was required to pay during the phase-in of the cost-sharing plan, based on the estimated normal cost each year, the counties have not been responsible for this increase in the normal cost. However, beginning in fiscal 2017, when each local school system is responsible for 100% of the *actual* normal cost, each system will have to “true-up” its required normal cost payment, costing an estimated additional \$73.3 million. Counties will make up some of this additional cost through the required MOE payment.

For an additional discussion of this issue as well as pension reforms enacted in the BRFA of 2011, see the subpart “Pensions and Retirement” within Part C – State Government of this *Major Issues Review*.

State Grant to Counties with Small and Declining Student Enrollment

Beginning in fiscal 2012, decreases in education aid in a few counties were projected to occur due to a decline in student enrollment. To address this issue, the BRFA of 2011 provided, for fiscal 2012 only, State grants to limit decreases in direct education aid to 6.5%. This resulted in a \$779,300 grant to Allegany County and a \$640,600 grant to Garrett County for fiscal 2012. Because the declining enrollment trend continued, the BRFA of 2012 provided a State grant to limit decreases in direct education aid for fiscal 2013 to no more than 5%, a threshold exceeded by Garrett County. The calculated grant to Garrett County totaled \$1.2 million. **Chapter 425 of 2013**, the Budget Reconciliation and Financing Act (BRFA), provided a grant for fiscal 2014, if a local board of education’s total direct education aid in the current fiscal year is less than the prior year by more than 1%, equal to 25% of the decrease in total direct education aid. While this resulted in a calculated grant of \$2.1 million to be shared by Carroll, Garrett, Harford, and Kent counties, funding for this grant was not mandatory and, while the General Assembly restricted funds in the State budget, the Governor did not transfer the funds.

Chapters 515 and 516 of 2014 created a mandatory and multi-year solution for counties with small and declining student enrollment by requiring the State to provide a grant in fiscal 2015 through 2017 to a local board of education if (1) full-time equivalent (FTE) enrollment is less than 5,000; (2) FTE enrollment in the current fiscal year is less than the prior fiscal year; and (3) total direct education aid in the current fiscal year is less than the prior fiscal year by more than 1%. The grant must equal 50% of the decrease in total direct education aid. Garrett and Kent counties are the only local school systems that meet all three criteria for a grant in fiscal 2015. The fiscal 2015 budget restricted funds in MSDE’s budget to be used to fund the grants in fiscal 2015: \$464,103 for Garrett and \$128,952 for Kent counties. Further, if the Governor does not transfer this amount in fiscal 2015, then the amount must be provided in fiscal 2016. Projections of the State education aid suggest that no county will qualify for a grant in fiscal 2016 or 2017.

Maryland School for the Blind

The BRFA of 2014 included a provision that authorized the Governor to transfer \$800,000 from the Special Fund for the Preservation of the Cultural Arts in Maryland to be used instead by the Maryland School for the Blind (MSB) in fiscal 2015. The school received an additional \$1.0 million in the fiscal 2014 budget, which brought MSB's general funds to \$19.4 million in fiscal 2015 before the transfer of special funds.

SEED School Funding Formula Changed

Chapter 397 of 2006 established a residential boarding education program for at-risk youth beginning in grade 6 to be run by a private operator under the supervision of MSDE. The SEED Foundation, which runs a similar school in the District of Columbia, won the contract and operates the SEED School of Maryland.

The State provides \$250,000 for every 10 students served by the school (or \$25,000 per student). The program began in fiscal 2009 with a \$2 million State appropriation, covering the first year enrollment of 80 students. The initial plan was to reach an expected maximum enrollment of 400 students and a total appropriation of \$10 million in fiscal 2013 and subsequent years. However, the BRFA of 2010 (Chapter 484) delayed the phase up to 400 students until fiscal 2014 by reducing fiscal 2012 and 2013 enrollment.

Chapters 503 and 504 of 2011 increased the minimum amount of State funds to be appropriated annually toward transportation, boarding, and administrative costs of residential boarding education programs for at-risk youth. Beginning in fiscal 2014, minimum funding per student is the prior year funding amount as altered by the annual change in the per pupil foundation amount that is used to determine State aid for public primary and secondary education.

Maintenance of Effort

Background

The State's public school Maintenance of Effort (MOE) law was established in 1984 and requires each county government (including Baltimore City) to provide, on a per pupil basis, at least as much funding for the local school board as was provided in the prior fiscal year. Since 1996, the law allowed a county to apply to the State Board of Education for a one-year waiver of the MOE requirement if the county's fiscal condition significantly impedes its ability to fund the full MOE amount. Additionally, if a county did not appropriate to the local school board sufficient funds to meet the MOE requirement and was not granted a waiver from the State board, the county's school board would be penalized the following year in an amount equal to the increase in the State aid under § 5-202 of the Education Article (the State share of the foundation, GCEI, and supplemental grants). When the first ever waiver requests were received in spring 2009, concerns were raised about the MOE penalty and waiver process, which resulted in the legislation discussed below.

Required Minimum County Funding

The BRFA of 2011 clarified that a county governing body has the authority to reduce county funding for education below the required MOE amount but also prohibits a governing body from reducing county funding below the local share of the foundation. A county's failure to provide at least the required MOE amount, however, is still subject to penalty unless the county receives a waiver from the State Board of Education.

In addition, *Chapter 605 of 2011* delayed any MOE penalties imposed by the State board until the fiscal year after a county fails to fund the required MOE amount. This change prevented the "double penalty" that a school system would face if it had to absorb an MOE penalty and a reduction in county funding in the same fiscal year. It also gave school systems an additional year to prepare for decreases in State funding due to a penalty.

Comprehensive MOE Changes

Although the State Board of Education affirmed that counties were not required to apply for waivers in order to fund below required MOE levels, county decisions to bypass the waiver process and rebase their school appropriations below the required MOE amounts caught the attention of legislators in 2010 and 2011 and renewed interest in a comprehensive evaluation of the State's MOE law. Many of the issues that arose with the MOE law from 2009 through 2011 were addressed in *Chapter 6 of 2012*. Specifically, the legislation altered the MOE penalty, refined the MOE waiver process set procedures for counties that want to rebase their required MOE amounts, and modified the calculation of annual MOE amounts.

MOE Penalty

Chapter 6 established that beginning in fiscal 2013, a county that does not receive a waiver from the MOE requirement is required to fund the full MOE amount, or the State will intercept the county's local income tax revenues in the amount by which the county was below MOE and forward the funds directly to the local school board. This ensures that annual MOE funding will be provided to the local school board, except in years when the State board grants a waiver from the requirement. This replaced the previous law, which penalized the school board rather than the county government by withholding State education aid. Under *Chapter 6*, a county that appropriates less than the local share of the foundation program is penalized by withholding local income tax revenue otherwise due to the county in an amount equal to the State share of the foundation program plus the amount by which the county missed the required local share of the foundation program. The Comptroller of Maryland would then redirect this amount as a direct payment to the county's school board.

MOE Waiver Process

Chapter 6 also required a county governing body to apply to the State Board of Education for a waiver from the MOE requirement if the county is unable to fund the full MOE amount and specified the waiver process and timeline.

One-year MOE Waiver: Factors that the State board must consider in reviewing one-year waiver requests are specified and include a broad economic downturn, a county's history of exceeding its required MOE amount, and reductions in State aid to the county and its municipalities. Factors for consideration in determining a waiver request were previously enumerated in State regulations and were not as broad as the factors identified in *Chapter 6*, meaning that it may be easier for a county to obtain a one-year MOE waiver from the State board. The legislation also made it clear that a county may not request or receive a waiver from the local share of the foundation program, further clarifying that the local share of the foundation is the absolute minimum local education funding.

MOE Rebasing Waivers: A county that is successful in securing a one-year MOE waiver and provides above average support to the local school board (relative to its local wealth) may also request a rebasing waiver. The waiver requires a county to demonstrate ongoing problems with meeting MOE through an additional set of factors the State board must consider and allows for limited decreases to the county's required MOE amount. The State board may grant a multi-year rebasing waiver that encompasses up to three years.

The amount of any reduction to the annual per pupil MOE amount that may be authorized under a rebasing waiver is tiered based on local education effort (the local appropriation divided by local wealth). Counties with very high local education effort may be allowed reductions of up to 3% of their required MOE amounts; counties with somewhat lower education effort levels are allowed reductions of 1% or 2%. However, rebasing waivers may not allow a county to provide funding that represents less than the State average education effort level for the previous five years.

MOE Waivers for Reductions in Recurring Costs: Finally, to encourage efficiencies among county governments and school systems, a separate waiver was established that, like the rebasing waiver, allows a county to reduce its required annual MOE amount. To qualify, a county and the local school board must identify specific reductions to recurring costs. The State board is required to grant the waiver when a county and the local school board have agreed to the reductions and have agreed on the amount of the waiver. The agreed upon waiver amount may be less than the total amount of savings generated through the reduction in recurring costs but may not exceed the savings. The waiver reduces the county's required MOE amount for the following fiscal year.

A county seeking a waiver for reduced recurring costs must apply for the waiver through the normal process, including an initial review by the State Superintendent and a public hearing before the State board. However, the review is not subject to consideration of the factors required for a one-year MOE waiver.

Calculation of Annual MOE Amounts

Unless a county receives a rebasing waiver or a waiver for reductions in recurring costs, *Chapter 6* set the county's per pupil MOE amount for the following year at the per pupil MOE amount the county provided in the most recent year in which it met MOE. *Chapter 6* also excluded debt service from the MOE calculation. Additionally, beginning in fiscal 2015, the

legislation required counties that are below the statewide five-year moving average education effort level to increase their annual per pupil MOE amounts by the lesser of (1) the increase in local wealth per pupil; (2) the statewide average increase in local wealth per pupil; or (3) 2.5%. Due to a statewide average decrease in local wealth per pupil, this provision did not affect any counties in fiscal 2015.

To help ensure that counties have the fiscal ability to meet the MOE requirement, the counties were also given the authority to exceed county charter limitations on local property taxes for the purpose of funding the approved budget of the local school board.

Public School Construction

Capital Funding

Under the Public School Facilities Act of 2004 (Chapters 306 and 307), the State established the goal that a minimum of \$3.85 billion be provided to fund school facility needs by fiscal 2013. Of this amount, the State share was \$2.0 billion, and the local share was \$1.85 billion.

Meeting the objective of \$2.0 billion in State funding required the State to spend an average of \$250 million annually from fiscal 2006 to 2013. The State exceeded that level of funding for school construction in every year since the law was enacted and met the total goal one year early in fiscal 2012. As shown in **Exhibit L-2**, the State has continued to exceed the \$250 million mark every year of this four-year term, providing a total of \$1.3 billion. This includes \$1.2 billion of new general obligation (GO) bond and pay-as-you-go authorizations, \$112 million of previously authorized bonds, and a \$47.5 million supplementary appropriation in fiscal 2012.

In addition to the \$250 million of GO bonds provided to the State's Public School Construction Program in fiscal 2012, \$47.5 million was dedicated to school construction projects from revenues raised through an increase in the alcohol sales tax, as specified in **Chapter 572 of 2011**. In fiscal 2013, \$25.0 million in State GO bonds was reserved for projects that improved the energy efficiency of schools including improvements to heating, ventilation, air conditioning (HVAC) systems; lighting; mechanical systems; windows and doors; and any other type of improvement that is specifically designed to improve the energy efficiency of a school building.

Exhibit L-2
Fiscal 2012-2015 Public School Construction Funding
 (\$ in Thousands)

<u>LEA</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Allegany	\$727	\$1,999	\$2,496	\$6,597	\$11,819
Anne Arundel	32,400	33,349	34,870	36,200	136,819
Baltimore City	41,000	46,102	40,266	35,329	162,697
Baltimore County	39,000	47,394	52,068	34,561	173,023
Calvert	7,317	7,129	5,577	2,653	22,676
Caroline	235	756	7,788	0	8,779
Carroll	9,079	15,211	4,874	3,915	33,079
Cecil	2,830	1,915	1,268	8,194	14,207
Charles	9,180	12,480	9,426	8,200	39,286
Dorchester	3,639	979	1,590	768	6,976
Frederick	16,532	19,254	20,163	15,901	71,850
Garrett	382	319	134	0	835
Harford	17,040	16,573	13,214	2,791	59,617
Howard	26,936	32,811	25,931	20,772	106,450
Kent	104	123	95	817	1,139
Montgomery	42,000	43,794	38,592	39,950	164,336
Prince George's	40,348	42,192	39,371	38,539	160,450
Queen Anne's	5,374	649	4,371	5,112	15,506
St. Mary's	3,354	3,172	7,472	11,876	25,874
Somerset	3,371	289	3,811	2,752	10,223
Talbot	135	35	634	0	804
Washington	8,571	9,117	8,494	7,467	33,649
Wicomico	1,864	11,290	13,327	10,991	37,472
Worcester	165	166	4,882	0	5,213
Maryland School for the Blind ¹	N/A	2,800	6,063	14,733	23,596
Unallocated	0	100	500	660	1,260
Total	\$311,583	\$349,997	\$347,277	\$318,778	\$1,327,635

LEA: local education agency

N/A: Not applicable

Note: Includes new general obligation bond and pay-as-you-go funds and reallocated funds that were previously authorized. Counties receiving \$0 did not request any eligible projects to be funded in that year. A supplementary appropriation is also included in fiscal 2012.

¹Maryland School for the Blind became eligible for funds in fiscal 2013.

Source: Public School Construction Program, Department of Legislative Services

In fiscal 2014, the budget included \$25 million in pay-as-you-go funds dedicated to school security improvements. In addition, of the total amount in GO bonds, \$25 million was reserved for an air conditioning initiative to support projects in schools that did not currently have central air conditioning in instructional spaces. Projects in schools with window units in classrooms, schools that had central air in only a portion of the classrooms, and schools that had central air only in noninstructional spaces were eligible, though priority was given to schools that had no air conditioning.

Maryland School for the Blind

MSB is a private, nonprofit statewide educational and resource center located in northern Baltimore City that serves students referred by all 24 public school systems. Its programs include residential, day, and outreach services. *Chapter 144 of 2012* made MSB eligible for public school construction funding from fiscal 2013 through 2028. The law specified that public school construction funding for MSB does not affect funds allocated to Baltimore City or Baltimore County for school construction or capital improvements and that MSB was not precluded from receiving other funds in the State's capital budget. As shown in Exhibit L-2, MSB received \$2.8 million in fiscal 2013 for construction of a new education building, which increased to \$10.9 million in fiscal 2014 and \$14.0 million in fiscal 2015 as construction gets underway for their capital projects.

Aging Schools Program

The Aging Schools Program was initially established in 1997 by the Baltimore City-State Partnership legislation, which originally provided \$4.4 million for the program and specific allocations for local school systems. Eligible Aging Schools Program expenditures include asbestos and lead paint abatement; upgrading of fire protection systems and equipment; plumbing; roofing; upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring schools for technology; and renovation projects related to education programs and services. Originally funded with operating funds, the Aging Schools Program has been funded with State GO bonds since fiscal 2010. Funding for the program has been mandated at \$6.1 million annually since fiscal 2010, although the General Assembly has provided additional funding in some years. In fiscal 2012, the Aging Schools Program received \$8.6 million. The Aging Schools Program then received a one-time infusion of funds in fiscal 2013, receiving an increase of \$25.0 million, for a total funding level of \$31.1 million. The fiscal 2014 capital budget included \$8.1 million for the Aging Schools Program. The fiscal 2015 capital budget included \$6.1 million in funds for the Aging Schools Program.

Nonpublic Aging Schools Program

The fiscal 2014 capital budget included \$3.0 million in GO bonds to support a new Nonpublic Aging Schools Program to provide grants for school construction projects eligible under the Aging Schools Program, including school security improvements. Only nonpublic schools that met the eligibility requirements for the Aid to Nonpublic Schools Program for textbooks and computer hardware and software were eligible. Funds were distributed on a per-student basis, with a maximum of \$35 per student, except at schools with at least 20% of

students eligible for free or reduced-price meals (FRPM), which received \$50 per student. Each school received at least \$5,000.

The Nonpublic Aging Schools Program was funded at \$3.5 million in fiscal 2015, but the distribution of the funds was changed. Funds for eligible nonpublic schools, excluding preschools, received up to \$100,000 if the following three criteria were met as required in the fiscal 2015 capital budget:

- at least 20% of a school's students were eligible for the FRPM;
- tuition charged to students is less than the statewide average per pupil expenditure for public schools as calculated by MSDE; and
- the school facility has an average age of at least 50 years.

Schools meeting one of the three criteria receive up to \$25,000. Schools meeting two of the three criteria receive up to \$75,000. Schools that meet none of the criteria specified above but have a school facility with an average age of 16 years or more receive up to \$5,000.

Prevailing Wage Requirements Expanded for School Construction Projects

Chapters 281 and 282 of 2014 lowered, from 50% to 25%, the share of total school construction project costs that must be paid by the State in order for the prevailing wage requirement to apply. This effectively requires all school construction contracts valued at more than \$500,000 to pay prevailing wages. As a result, all future school construction contracts that exceed the \$500,000 threshold in eight counties (Anne Arundel, Baltimore, Garrett, Kent, Montgomery, Queen Anne's, Talbot, and Worcester counties) must pay prevailing wages. Additionally, although prevailing wages were previously required on some projects in Calvert and Carroll counties, under the legislation all projects that exceed \$500,000 will now be required to pay prevailing wages. The cost of individual school construction projects that pay prevailing wages under the legislation may increase by between 2% and 5%, although the research underlying that estimate is inconclusive. The actual effect on project costs will likely vary by project and may, in some instances, be negligible.

Baltimore City Public School Construction Funding

Two pieces of legislation addressed funding for public school construction in Baltimore City. *Chapter 583 of 2011* raised the maximum maturity for school construction bonds issued by the Baltimore City Board of School Commissioners, the only local board authorized to issue bonds, from 15 to 30 years. The Act also required the board to report to the Senate Budget and Taxation Committee and the House Appropriations Committee by December 1, 2011, on a long-term plan for the alignment of public school facilities with projected enrollments and educational programs within the Baltimore City Public School System (BCPSS).

To address the outstanding school facility deficiencies in Baltimore City, **Chapter 647 of 2013** allocated \$20 million in annual State lottery proceeds and \$40 million in annual Baltimore City revenues to support a multi-year \$1.1 billion public school construction and renovation initiative in Baltimore City. Subject to the approval of Board of Public Works (BPW) and a four-party memorandum of understanding (MOU) between the Maryland Stadium Authority (MSA), the Baltimore City Board of School Commissioners (BCBSC), the Interagency Committee on School Construction (IAC), and Baltimore City, MSA is authorized to issue up to \$1.1 billion in bonds to fund public school construction and renovation projects in Baltimore City. BPW approved the MOU in October 2013, and MSA expects to issue the first bonds in fall of 2015. MSA will manage the funds and, in accordance with the terms of the MOU and the 10-year school construction plan adopted by BCBSC, the construction of up to 15 new schools. BCBSC will manage the renovation of as many as 20 schools. The State and local funds dedicated to the initiative are pledged to pay debt service on the bonds issued by MSA and may also be used to cover administrative costs incurred by MSA and BCBSC in implementing the program. MSA may not spend any of its own funds, whether appropriated or nonbudgeted, to cover its administrative costs. **Chapter 647** also raised BCBSC's statutory limit on the principal amount of outstanding bonds from \$100 million to \$200 million.

It is anticipated that the initiative will address the bulk of BCBSC's \$1.4 billion in immediate infrastructure needs. A June 2012 report, commissioned by BCBSC and conducted by Jacobs Project Management, examined the condition of Baltimore City public school facilities and identified \$2.4 billion worth of facility deficiencies over the next 10 years. Of that, \$1.4 billion represents current needs, and \$1.0 billion represents 10-year life cycle deficiencies. Specifically, the report noted that 23% of Baltimore City school buildings were built before 1946, making them the oldest school facilities in the State, with more than two-thirds in very poor condition. The 10-year plan that resulted from the Jacobs report includes vacating 26 buildings, substantially renovating or replacing 49 buildings, and renovating 87 buildings. Under the legislation, BCBSC must follow specified procedures for closing existing school facilities, and must repay the State an estimated \$12.2 million in outstanding State debt on the 26 schools it is closing. BCBSC intends to use its expanded debt capacity to address ongoing and emergency maintenance needs for the duration of the initiative.

Funding for the initiative is to be phased in from fiscal 2015 through 2018, with each of the State, Baltimore City, and BCBSC contributing \$20 million annually when the phase-in is complete. The State, Baltimore City, and BCBSC funding continues until MSA bonds are no longer outstanding.

Qualified Zone Academy Bonds Expanded

As of December 2013, Maryland has issued \$87.6 million in Qualified Zone Academy Bonds (QZABs) allocated by the federal government to Maryland. QZABs are an alternative bond program that the federal government authorizes with bond holders receiving federal tax credits in lieu of interest. Financial institutions, insurance companies, and investment houses are the only entities allowed to purchase the bonds. QZAB funds may only be used in schools

located in a federal Enterprise or Empowerment Zone or in schools in which at least 35% of the student population qualifies for free or reduced price meals.

Maryland first authorized the sale of QZABs in Chapter 322 of 2000. Additional issuances were authorized by Chapter 139 of 2001, Chapter 55 of 2003, Chapter 431 of 2005, Chapter 585 of 2007, Chapter 523 of 2010, ***Chapter 96 of 2011, Chapter 3 of the 2012 First Special Session, Chapter 426 of 2013, and Chapter 475 of 2014.***

Federal requirements presented challenges for some school systems in expending their QZAB funds. School systems must have a 10% private-sector match, some school systems may not have enough qualifying schools (with at least 35% of students who qualify for FRPM) to use large amounts of QZABs, and funds issued beginning in 2008 must be encumbered within six months and spent within three years of the date of issuance.

To help speed up spending and broaden the reach of QZABs, ***Chapter 96, Chapter 3, Chapter 426, and Chapter 475,*** which authorized a total of \$40.3 million in QZAB funds, did the following: (1) authorized MSDE to allocate a portion of the QZAB funds to local school systems for Breakthrough Center projects; (2) authorized the balance of the funds to be accessed through competitive applications among eligible school systems; and (3) authorized eligible charter schools to apply for funds. The Breakthrough Center's focus is to efficiently coordinate MSDE's resources for concentrations of low performing schools in school systems, primarily in Baltimore City and Prince George's County.

Indoor Air Quality in Relocatable Classrooms

Chapters 284 and 285 of 2014 required BPW, in consultation with the Department of General Services and the Department of Housing and Community Development, to adopt regulations that establish criteria to enhance the indoor air quality for relocatable classrooms built after July 1, 2014, that are purchased or leased with State or local funds. The regulations must mandate that each unit be built with materials containing low amounts of volatile organic compounds in accordance with industry standards.

Adequacy Study Must Include Specified Elements

The Bridge to Excellence in Public Schools Act, Chapter 288 of 2002, established new primary State education aid formulas based on an adequacy cost study and other education finance analyses that were conducted in 2000 and 2001. Adequacy is an empirical estimate of the amount of funding that schools and school systems need in order to obtain resources necessary to reasonably expect students to meet academic performance standards. Chapter 288 required a follow up study of the adequacy of education funding to be undertaken approximately 10 years later. The BRFA of 2011 required the study be conducted in phases, with the first phase beginning no later than June 30, 2014, and the final phase being completed by December 1, 2016. The legislation also required the study to incorporate standards from the common core curriculum adopted by the State Board of Education and two years of results from the common core assessments.

Chapter 709 of 2012 required the adequacy study to include, during the first phase, a study regarding the size of public schools. Specifically, the study must include whether counties currently have policies regarding the size of schools, best practices in other states regarding school size, and the educational and extracurricular impacts of school size. The study must also assess the factors that contribute to large school sizes and how the State might mitigate those factors; the ideal size for high schools, middle schools, elementary schools, and alternative schools; and how to ensure appropriate public input into the establishment of any school size standard or guideline.

Further, the analysis must include a study on whether models exist for the creation of smaller schools, the potential impacts on the school construction program of establishing stricter policies regarding smaller schools, the costs and impacts on zoning of building new schools and how those costs can be reduced, school boundaries and attendance areas and how they affect school size, and whether opportunities are available for alternative methods to create space for smaller schools. *Chapter 2 of 2014*, the Prekindergarten Expansion Act, discussed further in this section, required the adequacy study to include providing universal access to prekindergarten services for Maryland children from families at different income levels. The study must also examine removing funding of prekindergarten services for economically disadvantaged four-year-old children from the compensatory education funding formula and instead incorporating prekindergarten students into the enrollment-based education funding formulas, originally enacted by Chapter 288 of 2002, that may be revised based on the findings of the adequacy study.

Chapters 515 and 516 of 2014 expressed the intent of the General Assembly that the impact of declining enrollment on small school districts be reviewed as part of the adequacy study. The review must include an evaluation of using a small-size factor in the calculation of State education aid and of transportation costs in a county that has small enrollment but is geographically large. Also, the adequacy study must include a review of the definition of wealth that is used to calculate State education aid, with a focus on geographically large counties with small populations and that have a greater proportion of their wealth from property assessments than other counties.

Statewide Education Policy

Early Childhood Education

Many studies have suggested that quality early childhood education programs can improve a child's cognitive and academic outcomes. Children who have attended some form of early childhood education routinely enter kindergarten more prepared than children who did not have access to early childhood education.

Chapter 288 of 2002 required each local school system to make publicly funded prekindergarten available to all economically disadvantaged or homeless four-year-old children in the State by the 2007-2008 school year. To qualify as economically disadvantaged, a child must be from a family whose income is at or below 185% of federal poverty guidelines (FPG).

After the initial enrollment of eligible children, local school systems may fill any vacancies with children who lack certain skills or exhibit a lack of readiness for kindergarten.

Chapter 2 of 2014 expanded prekindergarten services to additional eligible four-year-old children from families whose income is at or below 300% of FPG by establishing a competitive grant program to provide funding to qualified public and private prekindergarten providers. If funds are provided for the Prekindergarten Expansion Grant Program in the State budget, then at least the same amount must be provided in subsequent years. The fiscal 2015 budget included \$4.3 million for the Maryland Prekindergarten Expansion Program. Thus, at least \$4.3 million must be provided annually.

Prekindergarten Expansion Grants may be used to expand prekindergarten services, including (1) establishing or expanding existing half-day prekindergarten for additional eligible children (*i.e.*, whose family income is at or below 300% of FPG); (2) establishing or expanding existing full-day prekindergarten for eligible children (*i.e.*, eligible for FRPM with family income at or below 185% of FPG) or additional eligible children; (3) establishing or expanding existing Judy Centers for the families of eligible children or additional eligible children who are located in Title I school attendance areas; and (4) expanding existing half-day prekindergarten programs into full-day prekindergarten programs for eligible children or additional eligible children.

Priority for participation in the program must be given to qualified vendors that meet the following qualifications: (1) are located in areas of the State that have an unmet need for prekindergarten or comprehensive early childhood education services; (2) include a plan for long-term sustainability, including community and business partnerships and matching funds to the extent possible; and (3) incorporate parental engagement and the benefits of educational activities beyond the classroom into the vendors' programs. MSDE must also take measures to achieve geographic diversity in selecting grantees.

Before approving qualified vendors for prekindergarten services to receive a grant, a qualified vendor must certify to MSDE that for each classroom funded by the grant the vendor will (1) maintain a student-to-teacher ratio of no more than 10 to 1 with an average of 20 children per classroom; (2) provide each classroom with at least 1 teacher certified in early childhood education and at least 1 teacher's aide who has at least a high school diploma; (3) operate five days per week and 180 days per year, in accordance with the public school calendar established by the local school board; and (4) for half-day programs, operate for at least 2.5 hours per day and for full-day programs, operate for at least 6.5 hours per day.

A qualified vendor that receives a Prekindergarten Expansion Grant in the current year must be awarded a grant in the next year if the qualified vendor continues to satisfy the established requirements.

Chapter 232 of 2014 codified the State Early Childhood Advisory Council. The purposes of the council are to (1) coordinate efforts among early childhood care and education programs; (2) conduct needs assessments concerning early childhood education and development programs; and (3) develop a statewide strategic report regarding early childhood education and

care. The council must submit a statewide strategic report on its recommendations and findings, including the quality and availability of early childhood education and development programs, the coordination of federal and State funding, and the improvements to early learning standards. After submission of the report, the council must continue to meet periodically to review implementation of its recommendations and any changes in State and local needs after submission of the report.

Common Core and the Partnership for Assessment of Readiness for College and Careers Implementation

Maryland and 44 other states have adopted the Common Core State Standards (CCSS). This new State curriculum, known as the Maryland College and Career-Ready Standards (MCCRS), is intended to reflect college and workplace expectations and was fully implemented statewide in the 2013-2014 school year. The Partnership for Assessment of Readiness for College and Careers (PARCC) is a consortium of 16 states, including Maryland, and the District of Columbia. PARCC developed assessments that are aligned with the CCSS in English language arts, literacy, and mathematics. Maryland field tested PARCC in at least one classroom in every school during the spring of 2014, as the State prepared to replace most of the Maryland School Assessments (MSA) with the PARCC assessments in the 2014-2015 school year and most High School Assessments (HSA) soon thereafter. The PARCC assessments must be administered fully online by the 2017-2018 school year, although MSDE has set a goal to give the PARCC assessments fully online by the 2016-2017 school year. Concern has been raised not only with the content of CCSS but also the implementation process. These concerns are not insular to Maryland and have been echoed across the country.

MCCRS and PARCC Implementation Review Workgroup: The MCCRS and PARCC Implementation Review Workgroup, established by ***Chapter 246 of 2014***, addressed some of the concerns with the implementation of the MCCRS and the PARCC assessments. The workgroup must report its findings and recommendations on issues relating to the implementation of MCCRS and the PARCC assessments, including (1) identifying and analyzing the best practices of school systems in the State and in other jurisdictions that are successfully implementing CCSS and PARCC; (2) determining what, if any, new curriculum resources will be needed in order to fully implement MCCRS; (3) identifying how MSDE plans to assist local school systems in preparing parents and students for the PARCC assessments; (4) assessing the technological readiness and needs of the public schools for implementing the PARCC assessments; and (5) developing a plan to transfer from the HSAs to the PARCC assessments, among other issues. A preliminary report is due August 15, 2014, and the final report is due December 31, 2014.

Technological Readiness: In addition to the implementation of MCCRS, there were concerns with local school systems' ability to handle the technological requirements of administering the PARCC assessments online to students. A report done by MSDE in 2013 indicated that approximately 14% of local school systems could meet the technological requirements needed to fully administer the PARCC assessments online. Since the information in this report was self-reported by each county, ***Chapters 208 and 209 of 2014*** required MSDE to report to the General Assembly by December 1, 2014, on existing broadband speeds and

connections in all public schools in the State, including capabilities from the main building to classrooms and on each local school system's plan to reach a broadband speed of one gigabit per 1,000 students by fiscal 2020 and offer support and training programs for classroom teachers to use educational technology tools.

Elementary and Secondary Education Act Waivers

Although Maryland and many other states have implemented CCSS and PARCC, the federal Elementary and Secondary Education Act (ESEA) has not been reauthorized to account for this nationwide trend. Therefore, the most recent ESEA authorization, known as No Child Left Behind (NCLB), still provides that a school that fails to meet certain benchmarks may face strict penalties for noncompliance and that student performance is to be used in teacher and principal evaluations. However, in recognition of the nationwide trend, the U.S. Department of Education (USDE) has offered states an opportunity to apply for waivers from certain provisions of NCLB. Maryland's current federal flexibility waiver states that personnel decisions will be informed by the new evaluation system based on student growth on State assessments in the 2014-2015 school year. However, MSDE submitted a waiver extension request in March 2014 that included a delay of this requirement until the 2016-2017 school year in order to be responsive to the complexity and change inherent in the MCCRS and PARCC assessments. As of the publication of this report, USDE has not made a ruling on the request.

Chapters 544 and 545 of 2014 prohibited any performance evaluation criteria for teachers and principals from using student growth data based on State assessments to make personnel decisions before the 2016-2017 school year, except in the case where a local school system and the school system's exclusive employee representative have agreed to use student growth data based on State assessments in an agreement made after January 1, 2014, but before March 1, 2014. The legislation also clarifies that the model performance evaluation criteria for teachers and principals are the default model performance evaluation criteria.

Additionally, *Chapter 630 of 2014* required MSDE to submit a proposed waiver request from specific provisions of the ESEA to the Legislative Policy Committee (LPC) of the General Assembly before submitting the request to the USDE. MSDE is also required to allow LPC at least 30 days to review and comment on the proposed waiver request. The legislation took effect June 1, 2014, and does not apply to the waiver extension request discussed above.

Health and Safety

School Safety: In December 2012, a gunman fatally shot 20 children and 6 adult staff members at Sandy Hook Elementary School in Newtown, Connecticut. In the aftermath, school security was widely discussed in both the media and the political arena.

Several states have centers dedicated to school safety that serve as central locations for school safety information and provide schools with research, training, and technical assistance to reduce youth violence and promote safety. *Chapters 550 and 551 of 2011* established a Task Force to Study the Creation of a Maryland Center for School Safety to be staffed by Bowie State University. The final report included findings that suggested that Maryland would benefit from

the creation of a center for school safety. **Chapter 372 of 2013** established the Maryland Center for School Safety as an independent unit of State government based at Bowie State University. Beginning in fiscal 2015, the Governor must provide \$500,000 in the annual State budget for the center. The center may establish three satellite offices at institutions of higher education in specified regions of the State. The center must assist MSDE and local school systems in preparing an annual report that combines multiple school safety data systems into one format for public review and in incorporating new data points into existing data collection systems. The fiscal 2014 budget included \$500,000 for a separate Center for School Safety to be operated by the State Police.

Also in response to school safety concerns, **Chapters 187 and 188 of 2013** required local boards of education to evaluate the emergency management plan (EMP) in each public school by February 1, 2014. Each local board of education was also required to submit a report to MSDE on the required evaluation by March 1, 2014. By July 1, 2014, MSDE is required to submit to the General Assembly a report on EMPs in State public schools, recommendations on improving the EMPs, and the cost of improvements to the EMPs.

The fiscal 2014 capital budget also included \$25 million for statewide public school security improvements and requested that counties and local education agencies make installing controlled access measures in all public schools a priority in allocating school construction funding, including Aging Schools and QZAB funding.

Background Checks: According to a 2010 survey, 14 of the 24 local school systems required criminal background checks for student teachers. However, before the 2013 session, most of those 14 local school systems did not recognize the background checks of other local school systems. Therefore, a student teacher assigned to more than one local school system within a year may have been required to obtain and pay for multiple background checks. **Chapter 417 of 2013** eliminated the need for a student teacher to receive multiple background checks within a year by requiring the Department of Public Safety and Correctional Services, under certain circumstances, to submit a printed statement regarding a criminal records check to additional employers if the check was completed within the last 365 days.

Reportable Offenses: Within 24 hours of an arrest of a student for a reportable offense or an offense that is related to the student's membership in a criminal gang, the arresting law enforcement agency must notify the school superintendent (local or archdiocese) and the public or private school's principal. **Chapter 218 of 2014** added first degree burglary and animal cruelty to the list of crimes that law enforcement agencies must report to school officials.

Student Athletes: According to the National Federation of State High School Associations, participation in high school sports has increased for 25 consecutive years. Due to the increased participation in athletics, the State took measures to adequately protect its student athletes.

Sudden cardiac arrest and heat-related injuries are among the leading causes of death for student athletes. Similarly, the Centers for Disease Control and Prevention has reported that an estimated 300,000 sports-related head injuries occur each year. **Chapters 548 and 549 of 2011**

required MSDE to develop and implement a program to provide concussion awareness to students and youth in youth sports programs. The information must be provided as a separate information sheet or as part of the registration for the program. The individual or the parent or guardian of the individual must acknowledge receipt of the information. **Chapter 403 of 2014** required MSDE to develop and implement a program to provide sudden cardiac arrest awareness to coaches, school personnel, students, and parents. Similarly, **Chapter 700 of 2012** required MSDE to develop a model policy for preseason practice heat acclimatization guidelines for student athletes. Likewise, each local board of education was required to adopt heat acclimatization guidelines for its student athletes.

It has been argued that due to the differences in male and female bodies, female athletes are more susceptible to certain sports injuries. **Chapter 653 of 2014** established a Task Force to Study Sports Injuries in High School Female Athletes. The task force must review recent medical research on the nature and risks of sports injuries incurred by high school female athletes; study effective methods of reducing these injuries; and compare the rate of these injuries to those incurred by male high school athletes, among other things. The task force must submit to the Governor and the General Assembly an interim report by December 31, 2014, and a final report by December 1, 2015.

According to regulations, each local school system is required to establish its own standards of participation in interscholastic athletics at the high school level that assure that students involved in interscholastic athletics are making satisfactory progress toward graduation. As a result, standards varied widely across the State, ranging from a minimum grade point average of 2.0 to 1.49. **Chapter 335 of 2011** required the State Board of Education, in consultation with local boards of education, to report by December 31, 2011, to the General Assembly regarding minimum academic performance standards that students in public high schools should meet in order to participate in athletic competitions.

School Buses: If a school vehicle has stopped on a roadway and is operating its standard alternately flashing red lights, the driver of any other vehicle must stop at least 20 feet from the school vehicle, and may not proceed until the school vehicle resumes motion or its flashing lights are deactivated. MSDE conducted a one-day survey of school bus drivers to determine the prevalence of violations of this law – there were 7,028 reported violations during the day of the survey. **Chapter 273 of 2011** allowed law enforcement agencies, in consultation with a county board of education, to place cameras on county school buses to record motor vehicle violations of passing motorists.

Chapter 453 of 2011 required school buses procured for use in the State on or after January 1, 2014, to meet certain fire safety criteria. The legislation required MSDE to advise the Motor Vehicle Administration on the adoption of regulations to promote the fire safety of school buses.

Chapters 267 and 268 of 2014 prohibited a school vehicle driver from allowing certain individuals who are not students or school employees to board or ride on the school vehicle unless the individual is a school vehicle attendant or has written permission from the local school

system. A school vehicle attendant must have photo identification that identifies the local school system or transportation company that employs the individual as a school vehicle attendant.

Individuals with Disabilities

Individualized Education Program (IEP) Process: ***Chapter 671 of 2013*** established a Commission on Special Education Access and Equity. The commission was tasked with studying (1) the extent to which parents and guardians of students with disabilities are made aware of their rights under the Individuals with Disabilities Education Act and State law and regulations; (2) disparities and potential methods for eliminating any disparities based on race, national origin, and limited English proficiency in the knowledge of and access to special education services; access to and participation in Individualized Education Program mediation and appeals; and access to and participation in FRPM; (3) the effects of workload, caseload, and paperwork requirements related to the special education process on the ability of educators to provide a free and appropriate public education; (4) potential methods for mitigating these factors; and (5) concerns about equity between the parties in special education due process hearings and potential methods for improving the process. The commission must report its findings and recommendations by June 30, 2014.

Chapter 400 of 2014 required each local board of education to develop and publish on its website a list of all special education service delivery models the local school system provides to children with disabilities and provide a written copy of the information described above upon request. The legislation also required a plain language verbal and written explanation of the parents' rights and responsibilities in the IEP process and a program procedural safeguards notice to be given to the parent at the initial evaluation meeting and at any other time the information is requested by the parent.

Chapter 386 of 2012 authorized school personnel who must provide the parents of a child with a disability with a copy of a completed or draft IEP following an IEP meeting to do so through any reasonable and legal method of delivery and allowed parents of a child with a disability to request not to receive certain IEP documents.

Other Services for Individuals with Disabilities: Chapters 368 and 369 of 2001 established a hearing aid loan bank program within MSDE. The statutory provisions establishing that program terminated June 30, 2004, but MSDE continued to operate a hearing aid loan bank program similar to the program established by Chapters 368 and 369 with federal funding support. ***Chapters 539 and 540 of 2011*** reestablished the Hearing Aid Loan Bank Program in MSDE. Through the program, hearing aids must be loaned on a temporary basis to the parent or legal guardian of an eligible child who is a Maryland resident younger than age three, who has been identified by an otolaryngologist or a licensed audiologist as having a hearing loss, and who has no immediate access to a hearing aid.

Adapted programs are programs developed specifically for a student with a disability. Allied sports and unified programs are specifically designed to combine groups of students with and without disabilities. The State board and each local board of education must also ensure that adapted, allied, or unified physical education programs are available. ***Chapter 566 of 2014***

required that the State Board of Education and each local board of education ensure that adapted, allied, or unified physical education and athletic programs are not only available but also adequately funded by the local board of education.

Habilitative services are therapeutic services that are provided to children with genetic conditions or conditions present from birth to enhance the child's ability to function. **Chapters 293 and 294 of 2012** required the Maryland Insurance Commissioner to establish a workgroup on access to habilitative services and benefits. Resulting from the recommendations of the workgroup, **Chapters 329 and 330 of 2014** required each local school system to provide to the parents of a child with a disability verbal and written information about access to habilitative services including a copy of the Maryland Insurance Administration's *Parents' Guide to Habilitative Services* at certain times during the child's life.

Assessments and Student Achievement

Concerns with the academic content of the State's public schools in the midst of a changing landscape sparked much debate, and subsequently, legislation during the 2011-2014 term.

Chapter 466 of 2012 required local boards of education to continue submitting annual updates to their master plans in 2012 through 2014 and delayed the requirement that local boards of education submit new five-year comprehensive master plans until October 15, 2015, rather than October 15, 2012. Beginning in 2016, rather than 2013, each annual master plan update must cover a five-year period.

Chapter 476 of 2012 required the State Board of Education and the State Superintendent of Schools to implement assessment programs at the middle school and high school levels in reading, language, mathematics, science, and social studies. The assessments must include written responses and must be administered annually beginning with the 2014-2015 school year. The middle school assessment program must be a statewide, comprehensive, grade band program and the high school assessment program must be a statewide, standardized, end-of-course assessment. The fiscal 2013 budget included \$3.5 million to reinstate the Government HSA to comply with the law and begin developing an essay portion for implementation in fiscal 2014.

The Southern Regional Education Board (SREB) published a comprehensive report in 2011 titled *A New Mission for the Middle Grades*. **Chapter 220 of 2014** established a task force to study how to improve student achievement in middle school. The task force must study and analyze the findings and recommendations set forth in SREB's report and consider whether the findings and recommendations would be feasible and appropriate to implement in the State. If the task force concludes that the findings and recommendations would be feasible and appropriate for the State, the task force must develop a collaborative action plan to create a statewide framework for redesigning the middle school experience for students in grades 6 through 8. A report with findings and recommendations is due by December 1, 2014.

Chapters 568 and 569 of 2014 established the Summer Career Academy Pilot Program for three years beginning in the summer of 2015. The program is intended to provide students

who are interested in obtaining workforce skills and training and who are struggling to meet graduation requirements an opportunity for summer employment thereby advancing the skills of the State's workforce. The program is also intended to promote sustainable employment for students after graduation thereby growing the State's economy. The State Superintendent of Schools may select up to four eligible local school systems to participate in the program each year, and each school system may only be selected to participate for one year.

Age for Compulsory Public School Attendance and Truancy

A child age 5 to 15 must attend public school regularly unless the child is otherwise receiving regular, thorough instruction in an alternative setting (*i.e.*, a private or home school). Regulations specify that a record of the daily attendance of each student must be kept in accordance with the Maryland Student Records System Manual (2011).

After considering legislation for more than a decade, **Chapter 494 of 2012** phased in increases in the age of compulsory school attendance from 15 to 17 years old. Beginning with the 2015-2016 school year, the age of compulsory school attendance will increase from 15 to 16 years old for any child who turns 16 on or after July 1, 2015. Beginning with the 2017-2018 school year, the age of compulsory school attendance will increase from 16 to 17 years old for any child who turns 17 on or after July 1, 2017. The legislation also provides specific exceptions to the compulsory age requirement.

Beginning July 1, 2015, the legislation requires a child under the legal dropout age to return to regular attendance at a public school if the child is no longer participating in general educational development (GED) courses and has not obtained a passing score on the GED test that resulted in the issuance of a Maryland high school diploma.

Costs for the initiatives recommended by MSDE could be significant and will likely begin in fiscal 2016. Costs will also increase due to higher student enrollments beginning in fiscal 2017. State education aid is expected to increase by approximately \$35 million in fiscal 2018 and by roughly twice that amount by fiscal 2020 due to increased enrollments.

Compulsory school attendance and truancy issues go hand in hand. Each local school system is required to develop a student attendance policy that includes penalties for not meeting attendance standards and actions that will be taken when a student is unlawfully absent. Poor attendance is a key warning sign that a student may drop out of high school. In order to address this issue, **Chapter 355 of 2013** required each local board of education to develop a system of active intervention for students who are truant. Any student attending kindergarten through grade 12 who is truant, which is defined as being unlawfully absent more than 8 school days in any quarter, 15 days in any semester, or 20 days in a school year, must immediately be referred for intervention.

Virtual Learning

In Maryland, supplemental online courses are offered through the Maryland Virtual Learning Opportunities Program (MVLO). MVLO is managed by MSDE and is designed to

expand the access of Maryland public school students to challenging curricula aligned to the appropriate academic standards through the delivery of high-quality online courses. **Chapters 290 and 291 of 2012** established the Maryland Advisory Council for Virtual Learning within MSDE with the mission of encouraging and supporting the education of students in accordance with national standards of online learning and State law. By December 1 of each year, the council must report its recommendations regarding professional development, funding strategies, assessment and accountability, infrastructure, coordination of programs, expanded curriculum, increasing opportunities, and implementation plans.

Furthermore, **Chapters 287 and 288 of 2012** authorized a local board of education to request that MSDE develop or review and approve online courses and services. If MSDE delegates this authority to a local board, the local board must request approval of the online course from MSDE once it has completed the development or the review and approval. The legislation authorized the local board to impose reasonable fees to be paid by the vendor to cover the cost of reviewing and approving online courses and services and require the local board to remit 15% of the fees collected to MSDE. Also, the State Board of Education may set reasonable fees for developing or reviewing online courses and services and for processing approvals for online courses and services. **Chapters 470 and 471 of 2013** codified the requirement established in **Chapters 287 and 288** that the development, review, and approval of an online course or service by MSDE include an assessment regarding the accessibility of the online course or service to individuals with disabilities, including the blind.

Charter Schools

Chapter 451 of 2013 required MSDE to conduct a comprehensive study related to charter schools and provide recommendations to the Governor and the General Assembly by November 1, 2014, with a status report due December 1, 2013. The study and recommendations must include documented consultation and cooperation with interested stakeholders; a review and analysis of charter school laws deemed effective in other states and of research regarding innovative practices for charter schools authorizers; and recommendations for improvements to the Maryland Public Charter School Program. By December 31, 2014, the Department of Legislative Services must review the report and make comments to the General Assembly.

In Maryland, public charter schools must use the per pupil funding amounts they receive from the local school system for operational expenses and funds from other sources to pay for capital expenses. **Chapter 502 of 2011** authorized public charter schools in the State to occupy and use school sites or buildings that are no longer needed by the county board of education for school purposes if the county governing body determines the property is not an integral part of an existing economic development plan. The legislation also exempted any portion of a building or property occupied and used by a public charter school from property taxes.

In addition, **Chapter 96 of 2011, Chapter 3 of the 2012 First Special Session, Chapter 426 of 2013, and Chapter 475 of 2014**, which collectively authorized a total of \$40.3 million in QZAB, specified that charter schools are eligible for the funds.

School Employees

Certifications: *Chapter 581 of 2013* repealed the scheduled termination date of the State and Local Aid Program for Certification by the National Board for Professional Teaching Standards (NBPTS). The program pays the NBPTS certification fee of teachers who are selected to participate in the program. The State is required to pay two-thirds of the certification fee, and the local school system that employs the selected teacher is required to pay one-third. Up to 1,000 teachers per year may be selected to participate in the program. Both teachers seeking initial certification and teachers seeking renewal of certification are eligible for the program.

Chapters 154 and 155 of 2013 required the State Superintendent of Schools to expedite the issuance of specified license, registration, and certificates for active military personnel, veterans, and their spouses. For additional information on this subject, see the subpart “Health Occupations” within Part J – Health and Human Services in this *Major Issues Review*.

Collective Bargaining: Chapter 325 of 2010, the Fairness in Negotiations Act, established the Public School Labor Relations Board (PSLRB) to enforce labor relations laws for local boards of education and their employees and repealed the authority of the State Board of Education to decide labor relations disputes and the authority of the State Superintendent to declare impasses. **Chapters 261 and 262 of 2013** required each local board of education and the employee organizations representing both certificated and noncertificated public school employees in the State to negotiate a reasonable service or representation fee to be charged to nonmembers of the employee organizations. An employee whose religious beliefs are opposed to joining or financially supporting any collective bargaining organization is not required to pay a service or representation fee. However, the employee is required to pay an amount equal to the fee to a nonreligious, nonunion charity, or to such other charitable organization as may be mutually agreed upon.

In 2014, a Howard County Circuit Court judge interpreted PSLRB’s “five-year lifespan” to mean that PSLRB lacks “authority to alter the interpretation of statutes.” In order to address this concern, **Chapters 369 and 370 of 2014** repealed the scheduled termination of the Fairness in Negotiations Act and required PSLRB to report to the General Assembly on the number and disposition of its cases, in addition to other related information, by August 1, 2018.

Task Forces and Commissions: As of October 2012, 76.4% of teachers in Maryland were White, 16.6% were African American, and 7.0% were another race. As of September 2012, the student population in Maryland public schools was as follows: 0.3% American Indian or Alaskan Native, 6.0% Asian, 35.1% African American, 41.8% White, 12.9% Hispanic, 0.1% Native Hawaiian or other Pacific Islander, and 3.9% were two or more races. To address this disparity, **Chapter 286 of 2013** required MSDE, the Maryland Higher Education Commission, and the University System of Maryland to study and make recommendations on strategies to increase and improve the recruitment, preparation, development, and retention of high-quality minority teachers in elementary and secondary education in the State. A final report with any recommendations was submitted in December 2013.

Maryland educators dedicate their lives on a daily basis in service to the teaching, care, safety, and future of the children in the State. **Chapters 569 and 570 of 2013** established the Commission on the Establishment of a Maryland Educators Service Memorial. The commission must identify an appropriate site; estimate the total funding required; consider preliminary design ideas for the construction of the memorial; make recommendations regarding the site and the design of the memorial; and provide ongoing review and recommendations regarding the funding and construction of the memorial. A report of the commission's findings and recommendations was submitted in December 2013.

Local Boards of Education and Other Local Issues

During the 2011-2014 term, the General Assembly passed a number of local initiatives related to education, including restructuring boards of education and increasing board of education members' salaries, among other issues. Note that the Maryland Constitution prohibits increases in the salaries and compensation of board members during a term of office, thus the compensation increases discussed below take effect at the beginning of the next terms of office.

Anne Arundel County

In each county, with certain exceptions for Baltimore City and Prince George's County, a county superintendent of schools must be devoted full time to public school business and is entitled to compensation as set by the county board of education. **Chapters 335 and 336 of 2014** prohibited the Anne Arundel County Board of Education from paying monetary compensation to the county superintendent of schools for sick leave benefits earned while employed by any other board of education or public school system. The legislation authorized the county superintendent to use sick leave earned while employed by any other board of education or public school system in the same manner as sick leave accrued while employed by the county.

Baltimore County

Before the 2014 legislative session, the Baltimore County Board of Education consisted of 12 appointed members, including 4 members from the county at large, 1 member from each of the seven legislative districts, and 1 student member. **Chapters 459 and 460 of 2011** established a task force on the membership and operation of the Baltimore County Board of Education. The task force was required to make recommendations on the ideal size of the board of education, the most appropriate method of selecting board members, the appropriate phase-in period for changes to the existing selection process, and improving the transparency and professionalism of the board. A report of the task force's findings and recommendations was submitted in October 2011.

Chapter 480 of 2014 restructured the Baltimore County Board of Education from a 12-member appointed board to a 12-member hybrid board consisting of 1 nonpartisan member elected from each of the 7 councilmanic districts, 4 at-large members appointed by the Governor, and 1 student member. The first election of board members will be in November 2018 with the elected members' terms beginning on December 3, 2018. The legislation also altered the date of

expiration for the terms of specified members, reduced member terms from five to four years, and set term limits.

The legislation also established a Baltimore County School Board Nominating Commission. Beginning October 1, 2018, the commission must submit to the Governor a list of nominees that contains at least two names for each vacancy on the county board, unless there are less than two applicants for a vacancy. The commission, staffed by the Baltimore County Public Schools, must hold at least two public hearings on the selection of nominees before recommending nominees to the Governor. Absent an extraordinary circumstance, the Governor must appoint a member to the county board from the list submitted by the commission.

Carroll County

The Carroll County Board of Education consists of five elected voting members and the county commissioners, who are nonvoting *ex officio* members. **Chapters 466 and 467 of 2013** added one nonvoting student representative to the county board. The student representative serves a one-year term and advises the county board on the thoughts and feelings of students in the county public schools. The legislation also clarifies that only voting members of the county board are entitled to specified compensation.

Charles County

The Charles County Board of Education consists of seven elected members and one nonvoting student member. **Chapter 279 of 2014** increased the annual salary of the board's chair from \$5,000 to \$7,000, and the salary of the other six elected members, including the vice chair, from \$4,000 to \$6,000. The amount each elected member, other than the chair, receives annually for travel and expenses increased from \$600 to \$800 beginning January 1, 2015. The annual compensation for travel and expenses for the chair remains \$1,500. The nonstudent members also are entitled to a maximum of \$1,000 annually for expenses connected to attendance at out-of-county meetings and conferences related to board duties. A student member who completes a full one-year term on the county board is entitled to a \$1,000 higher education scholarship.

Frederick County

The Frederick County Board of Education consists of seven members elected from the county at large and one nonvoting student member. State law governing board membership specifies that an individual who is married to an administrator or teacher of the county board may not be elected to or serve on the county board. Similarly, an individual who is married to a member of the county board may not be hired as an administrator or teacher unless the individual's spouse first resigns from the county board. **Chapter 57 of 2012** repealed both prohibitions.

Garrett County

The Allegany County Board of Education consists of five elected members, the Chairman of the Allegany County Board of County Commissioners (or the Chairman's designee) who serves as a nonvoting *ex officio* member, and one nonvoting student member. The Garrett County Board of Education consists of two members elected from the county at large, three members elected from one of three county commissioner districts, the Chairman or Vice Chairman of the Garrett County Board of Commissioners who serves as a nonvoting *ex officio* member, and one nonvoting student member. **Chapter 295 of 2014** repealed requirements that the Chairman of the Allegany County Board of County Commissioners, or the Chairman's designee, and the Chairman or Vice Chairman of the Garrett County Board of Commissioners, serve as a nonvoting *ex officio* member of the board of education in the respective county. The legislation also repealed provisions for reimbursement for travel and other expenses incurred by the Chairman of the Allegany County Board of County Commissioners, or the Chairman's designee, as a result of county board of education meetings.

Howard County

The Howard County Board of Education consists of seven elected members and one student member. **Chapter 444 of 2014** increased the annual salaries of the board's chair from \$14,000 to \$17,000, and the salary of the other six elected members, including the vice chair, from \$12,000 to \$15,000. The legislation also establishes that a student member who completes a full one-year term on the board is entitled to a \$5,000 higher education scholarship. The terms of four members will begin in December 2014, and the terms of three members will begin in December 2016.

Montgomery County

The Montgomery County Board of Education consists of seven elected members, two elected from the county at large and five from separate board of education districts, as well as one student member. **Chapter 382 of 2013** increased the annual salary of the county board by \$6,500 per board member. The board president will receive an annual salary of \$29,000, and other board members will receive an annual salary of \$25,000.

Prince George's County

Academic Revitalization and Management Effectiveness Initiative: The structure of the Prince George's County Board of Education has been changed several times over the past two decades. Chapter 289 of 2002 eliminated the then-elected county board and established a new board that consisted of nine voting members, jointly appointed by the County Executive of Prince George's County and the Governor from a list of nominees submitted by the State Board of Education, and one student member with limited voting privileges. Chapter 289 also eliminated the existing Prince George's County Superintendent of Schools position and replaced it with a chief executive officer (CEO) who was responsible for the overall administration of the county public school system. The CEO's contract, which could not exceed four years, provided

that continued employment was contingent on demonstrable improvement in student performance and successful management of the school system. The provisions establishing the CEO and the CEO's responsibilities expired on June 30, 2006.

Chapters 348 and 349 of 2008 established an elected board consisting of nine elected members, each residing in one of nine school board districts, as well as one student member with limited voting rights. **Chapter 147 of 2013** further revised the governance of the Prince George's County public school system by restructuring the county board; enhancing the authority of the Prince George's County Superintendent of Schools – redesignated to be the CEO; and giving the County Executive of Prince George's County additional authority to select the CEO while reducing the authority of the county board.

The legislation also altered the membership of the county board by adding four appointed members to the existing elected board. The county executive appoints three members with certain experience requirements, and the county council appoints one member who must be a parent of a student in the county school system. The initial terms of the new positions are staggered, and subsequent terms are for four years. If a seat held by an elected member becomes vacant, the county executive must appoint a qualified individual for the remainder of the term, with the appointment subject to rejection by a two-thirds vote of the county council. **Chapter 437 of 2014** required the county executive to transmit to the clerk of the county council the name of an appointee to fill the vacancy of a seat that was held by an elected member of the board. Such an appointment is considered approved unless the county council disapproves the appointment by a two-thirds vote within 45 days after the submittal of the name of the appointee.

Finally, **Chapter 147** required the county executive, the CEO, and the county board to submit an interim report on the implementation of the Act to relevant committees of the General Assembly by December 31, 2013, and, by December 31, 2017, a final report on the academic progress and improvement in the management of the school system and recommendations as to whether the provisions of the legislation should continue.

Additionally, **Chapters 488 and 489 of 2011** required the Prince George's County Board of Education to develop and operate a free, public, searchable website by January 1, 2013, that includes data on specified board payments of \$25,000 or more. The legislation did not require disclosure of information that is confidential under federal, State, or local law or payments to public school employees and retirees as compensation or retirement allowance.

Financial Literacy: Pursuant to State regulations, the Prince George's County public school system has financial literacy embedded in elementary, middle, and high school social studies courses. The school system also offers a high school financial literacy course as an elective and plans to open a Junior Achievement Finance Park for the 2014-2015 school year. **Chapter 664 of 2013** authorized the county board to develop curriculum content for a hands-on course in financial literacy to be offered to all eighth grade students beginning in the 2013-2014 school year. The legislation specified instructional topics that must be included if the county board develops the curriculum content.

Recycling: In 1988, the Maryland Recycling Act required each county to submit a recycling plan. Although counties have flexibility to determine the best way to reach the required recycling rates, the county recycling plan must address specified issues. Chapters 264 and 265 of 2009 added to this list a strategy for collecting, processing, marketing, and disposing of recyclable materials from county public schools. While Chapters 264 and 265 required counties to revise recycling plans to incorporate a recycling strategy for public schools, recycling at public schools is not required. In 2010, the Maryland Department of the Environment tentatively approved Prince George’s County’s incorporation of public schools into its triennial recycling plan that was due in 2012. **Chapter 396 of 2012** required the Prince George’s County Board of Education to develop and implement a recycling program for all facilities under its jurisdiction. The legislation also required the board to submit a report regarding the recycling program to the Prince George’s County legislative delegation by September 1, 2012.

Queen Anne’s County

The Queen Anne’s County Board of Education consists of five voting members, with one member elected from each of the four county commissioner districts, one member elected from the county at large, and one nonvoting student member from each of the public high schools in the county. Elected members serve staggered four-year terms. The Governor must appoint a new member to fill any vacancy on the county board for the remainder of that term and until a successor is elected and qualifies. **Chapter 438 of 2014** altered the procedure for filling a vacancy on the Queen Anne’s County Board of Education. If the vacancy occurs before the filing deadline for candidates for the primary election that is held in the second year of the term, the qualified individual appointed by the Governor to fill the vacancy serves until a successor is elected at the next general election and qualifies. If the vacancy occurs after the above specified filing deadline, the qualified individual appointed by the Governor to fill the vacancy serves for the remainder of the term of the vacating member and until a successor is elected at the next general election and qualifies.

Talbot County

Each county board of education must encourage the use of public school facilities for community purposes. In addition, a private entity may hold the title to property used for a particular public school or local school system if the private entity is contractually obligated to transfer the title to the appropriate local board of education on a specified date. **Chapters 508 and 509 of 2014** authorized the Talbot County Board of Education to enter into a lease with an organization that operates a community-based educational and recreational program to use a public school facility if (1) the lease term is no longer than 99 years; (2) the county board does not anticipate a need for the facility during the lease term; and (3) the county board determines that the public school system will benefit from the operation of the program at the facility.

Higher Education

College and Career Readiness and College Completion

In 2009, the Governor set a goal that at least 55% of Maryland's residents age 25 to 64 will hold an associate's degree or higher by the year 2025. In 2011, the National Center for Higher Education Management Systems reported that Maryland's college completion rate of 45.4% ranked eighth in the nation. This would mean that Maryland must increase its college completion rate by almost 10% in order to meet the goal. In 2013, the enactment of **Chapter 533 of 2013**, the College and Career Readiness and College Completion Act, was responsive to this challenge.

The Governor's goal, as codified in **Chapter 533**, coincides with the President's goal for the United States to have the highest degree completion rate in the world by 2020. These goals are not only necessary for the country to remain globally competitive but for individuals to be competitive in the job market. According to *Help Wanted* by the Georgetown University Center on Education and Workforce, 66% of Maryland's jobs will require some postsecondary education or training by 2018.

Chapter 533 was a significant step toward increasing college and career readiness and college completion rates. A coordinated effort aligned along the P-20 continuum (prekindergarten, primary, secondary, and postsecondary education; college completion; and career attainment) will be necessary to prepare students to succeed in college and careers. Among other things, the Act required alignment of curricular requirements in high school with college and career expectations by requiring four years of mathematics; the availability and accessibility of college-level courses to high school students; the facilitation of credit transfer between community colleges and four-year institutions of higher education; and the encouragement of students who nearly completed their degrees to return to institutions of higher education.

Aligning High School Curriculum with College and Career Readiness

As part of aligning the curricular requirements of high school with college and career expectations, **Chapter 533** required that beginning with the 2015-2016 school year, all students must be assessed using acceptable college placement cut scores no later than grade 11 to determine whether they are college and career ready, specifically relating to English language arts literacy, and mathematics. Beginning with the grade 9 entering class of 2014, each student must enroll in a mathematics course during each year that the student attends high school, and it is the goal that all high school students achieve mathematics competency in Algebra II. These courses may include math-related career and technology program courses or credit-bearing mathematics transition courses, but a transition course may not fulfill the mathematics requirement to the exclusion of other credit-bearing courses that are required for graduation. By the 2016-2017 school year, transition courses or other instructional opportunities must be delivered to students in grade 12 who are found not to be college and career ready.

Dual Enrollment in High Schools and Institutions of Higher Education

In order to increase the availability and accessibility of college-level courses to high school students, **Chapter 533** altered the tuition payment schedule and requirements for a student who is dually enrolled in courses in both a public high school in the State and a public institution of higher education. Beginning with the fall 2013 semester, a public institution of higher education may no longer charge tuition to the student. Instead, each local school system must pay the institution a percentage of the institution's tuition based on how many courses the student takes, and the local school system may charge the student a fee to cover these costs. However, the local school system may not charge a fee to students who are eligible to receive free and reduced-price meals, and a student's ability to pay must be taken into account when setting fees.

Transfer of Higher Education Credit

Chapter 533 required the Maryland Higher Education Commission (MHEC), by July 1, 2016, to develop and implement a statewide transfer agreement so that at least 60 credits of general education, elective, and major courses toward an Associate's of Art or an Associate's of Science degree from a community college transfer to a public four-year institution in the State. In addition, MHEC must develop and implement a reverse transfer agreement whereby at least 30 credits taken at a public four-year institution may be transferred back to a community college to count toward an associate's degree. **Chapter 533** also required the State and each public institution of higher education to develop incentives for students to achieve an associate's degree before graduating from a community college, established a goal that a student earn an associate's degree before transferring or leaving a community college, and required four-year public institutions of higher education to provide financial aid to students who transfer to their institution with an associate's degree.

Maryland's online articulation data system (ARTSYS), which communicates the transferability of courses among the segments of higher education, is operated and owned by the University System of Maryland (USM). During the 2013 session, questions arose regarding the transparency and user-friendly functionality of ARTSYS, as well as whether there are alternative articulation data systems available and, if so, what would be the cost and schedule of implementation. Therefore, **Chapter 533** required the Segmental Advisory Council of MHEC to provide a report regarding potential improvements to ARTSYS, a review of other articulation data systems, an analysis of gaps or deficiencies in the articulation of academic course equivalencies amongst the segments of higher education, and recommendations on establishing a transparent and user-friendly system and how to maximize degree credit transferability in a cost- and time-efficient manner.

MHEC tasked the Student Transfer Advisory Council, codified under **Chapter 327 of 2012** and which includes representatives from all of the segments, with reviewing ARTSYS and other articulation data systems and completing this report.

Near Completers

Chapter 533 implemented a statewide campaign to encourage individuals who have earned at least 45 credits at a community college or 90 credits at a public four-year institution and who have earned at least a 2.0 grade point average but have left college without a credential to re-enroll. The State is required to provide a centralized contact point for information about and assistance with re-enrolling. MHEC must develop incentives for both the “near completers” and the colleges using all available resources.

Degree Plans and Pathways

Under *Chapter 533*, each undergraduate student enrolled in a public four-year institution must submit a degree plan by the forty-fifth credit hour, and if the student transfers to the institution with 45 or more credits, he or she must file a degree plan within the first semester following transfer. If the student is enrolled at a community college, a degree plan must be submitted upon entering the institution. The degree plan must follow a pathway to a degree and must be developed in consultation with an academic advisor. Pathways must include credit-bearing mathematics and English classes during the first 24 credit hours of study for first-time degree-seeking students and must enroll students in credit-bearing English and mathematics classes following the completion of a developmental class. Additionally, pathways must include graduation progress benchmarks for each academic major and for the general education program for students who have not declared a major.

Credit-to-degree Standardization

Chapter 533 set the standard number of credit hours required for a bachelor’s degree at 120 credits, unless it is a five-year or professional or certificate program. By the fall 2015 semester, the standard number of credit hours required for an associate’s degree will be 60 credits, unless the program is defined as more than a two-year associate’s degree or a professional or certificate program. Additionally, *Chapter 533* authorized the governing board of an institution to approve additional exceptions to these requirements.

Trends in Higher Education Funding

Recent improvements in the economy resulted in increased funding for higher education institutions that more than offset declines in funding during the recession. Funding increased \$262.2 million (16.5%) between fiscal 2011 and 2015 as shown in **Exhibit L-3**, which includes general funds and Higher Education Investment Funds (HEIF). A \$42.1 million (2.7%) decline in funding in fiscal 2012 is mainly attributed to a \$42.7 million (4.5%) decrease in funding for USM related to various cost containment actions and health insurance and retirement savings. The decline was partially offset by increases for Morgan State University (MSU), St. Mary’s College of Maryland (SMCM), and the local community colleges of 0.8%, 2.5%, and 3.1%, respectively, while Sellinger aid to independent institutions was frozen and Baltimore City Community College (BCCC) decreased slightly. Further declines in funding were offset by the use of the HEIF balance in fiscal 2012.

Exhibit L-3
State Support for Higher Education
Fiscal 2011-2015
(\$ in Thousands)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
USM	\$1,056,406	\$1,008,636	\$1,075,834	\$1,145,360	\$1,254,435
MSU	72,946	73,002	73,998	79,928	87,293
SMCM	17,518	17,962	18,383	19,843	21,353 ²
Community Colleges ¹	258,114	263,055	272,320	281,311	297,326
BCCC	40,902	40,743	40,481	42,170	41,753
Independents	38,446	38,446	38,056	41,292	44,422
MHEC Student Financial Aid	101,978	102,341	99,953	117,621	101,812
Total	\$1,586,309	\$1,544,184	\$1,619,026	\$1,727,525	\$1,848,393
Dollar Change from Prior Year		-\$42,125	\$74,842	\$108,500	\$120,867
Percent Change from Prior Year		-2.7%	4.8%	6.7%	7.0%

¹Community College funds include the Senator John A. Cade formula, other programs, and fringe benefits.

²Does not include \$1.5 million stabilization grant in the fiscal 2015 budget for MHEC that was restricted to only be transferred to STMC to reduce tuition below the fall 2012 rate.

Note: Includes general funds and Higher Education Investment Funds.

BCCC: Baltimore City Community College

MHEC: Maryland Higher Education Commission

MSU: Morgan State University

SMCM: St. Mary's College of Maryland

USM: University System of Maryland

Source: Maryland State Budget Books, Fiscal 2011-2015; Department of Legislative Services

An upturn in the economy in fiscal 2013 resulted in a funding increase of 4.8% with USM receiving the majority (\$67.2 million) of the increase, which more than offset the decrease in fiscal 2012. Sellinger and BCCC funding declined slightly, while local community college funding increased by 3.1%.

In fiscal 2014, funding for USM and MSU grew 6.5% and 8.0% respectively, which included enhancement funding. USM received funds to support programs to improve student performance and success, including course redesign and various initiatives in the areas of science, technology, engineering, and mathematics (STEM), public health, and workforce. In addition, USM transferred \$10 million from its fund balance to supplement enhancement funding received in fiscal 2014, which was replaced with State funds in fiscal 2015 to continue funding of the initiatives. Additionally, MSU, Bowie State University, the University of Maryland

Eastern Shore, and Coppin State University received funds to convert contractual faculty to regular positions and increase expenditures on institutional need-based aid.

In fiscal 2014 and 2015, funding was provided for merit increases and cost-of-living adjustments (COLA) after 2.5 years of employee furloughs. Increased funding in fiscal 2015 of 9.5% and 9.2% at USM and MSU, respectively, was related to increased personnel costs. However, in order to receive this level of funding in fiscal 2015, USM and MSU transferred \$31.0 and \$2.0 million, respectively, from their fund balances.

Whereas most higher education segments saw State support grow from 15.0 to 22.0% from fiscal 2011 to 2015, State funding for BCCC grew only 2.3%, largely because of flat or declining student enrollment. In fiscal 2015, State support to BCCC actually declined 0.8% because the State did not budget a COLA for BCCC as it had in fiscal 2014. Support for local community colleges grew 15.2% in total, with a 5.7% increase in fiscal 2015 after accounting for cost containment from the General Assembly. State funding for independent institutions through the Sellinger Program grew 15.5%, a rate similar to community colleges due to the formulas sharing inputs such as State support to public four-year institutions.

Tuition Limits

In an effort to make college more affordable for its residents, resident undergraduate tuition was frozen at fall 2005 rates in fiscal 2007 through 2010 at USM institutions and MSU. The State subsidized the tuition freeze with HEIF. Beginning in fiscal 2011, in order to keep tuition affordable, the State has appropriated HEIF funding to limit tuition increases to 3% at most public four-year institutions. Since fiscal 2012, Salisbury University has increased tuition 6% annually to align its tuition with market demand and rates at peer institutions as authorized by Chapters 192 and 193 of 2010. In terms of affordability, the combination of freezing and limiting tuition increases over the past nine years has resulted in Maryland public four-year institutions becoming more reasonably priced when compared to other states. Since fall 2004 when Maryland institutions were ranked as the seventh most expensive in the country, Maryland's ranking has fallen to the twenty-seventh most expensive in the country in fall 2013.

St. Mary's College of Maryland

SMCM, which is formula funded, did not participate in the tuition freeze and was not originally eligible to receive HEIF. State support for SMCM increased approximately 2% annually in fiscal 2012 and 2013 due to the inflation-based formula. As a result of the BRFA of 2012, SMCM became eligible to receive funds from HEIF to offset tuition increases, and received \$383,840 in the fiscal 2013 budget to offset an additional 2% tuition increase. ***Chapters 563 and 564 of 2013*** froze undergraduate resident tuition at SMCM at the fall 2012 rate for two academic years beginning in fall 2013 and 2014. Additionally, the fiscal 2014 budget included a provision that allowed SMCM to receive up to \$1.1 million from HEIF with the passage of ***Chapters 563 and 564***. The Governor was also required to appropriate \$1.6 million in fiscal 2015 for SMCM from HEIF. Beginning in fiscal 2016, the general fund appropriation for SMCM must include the fiscal 2015 appropriation from this grant. As a result of these legislative changes, the first to SMCM's statutory formula since it was implemented in

fiscal 1993, State support for SMCM increased 7.9% and 7.6%, respectively, in fiscal 2014 and 2015.

In addition, the fiscal 2015 budget included \$1.5 million in MHEC for a stabilization grant to address declining enrollment and tuition revenues at SMCM. The General Assembly restricted the funds to be used only if the funds are transferred to SMCM's budget and are used to reduce tuition below the fall 2012 rate at which tuition is frozen under **Chapters 563 and 564**. The budget language also expresses legislative intent that the grant be included in SMCM's appropriation in future years so that tuition does not bounce back to the higher level after fiscal 2015. If these additional funds are transferred in fiscal 2015, State support for SMCM will increase 14.8% over fiscal 2014.

The DeSousa-Brent Scholars Completion Grant for SMCM was also established by **Chapters 563 and 564** to support students from traditionally underrepresented groups at SMCM. The goals of the program are student retention and the reduction of the four-year graduation rate gap for underrepresented groups. The Governor is required to appropriate a specified amount to SMCM from HEIF for fiscal 2014 through 2019 for the DeSousa-Brent Scholars Completion Grant to increase the retention and graduation rates of DeSousa-Brent Scholars. If SMCM meets specified performance measures for retention and graduation rates for DeSousa-Brent Scholars, beginning in fiscal 2020 the general fund appropriation for SMCM must include the fiscal 2019 appropriation from this grant. While the program primarily serves first-year students, SMCM has expressed interest in expanding the program to a four-year curriculum.

Statutory Formulas

The State's three higher education funding formulas for community colleges (Senator John A. Cade Funding Formula), BCCC, and independent institutions (Joseph A. Sellinger Program) were altered several times to mitigate cost increases to the State. The BRFA of 2012 froze per full-time equivalent student (FTES) funding at the fiscal 2013 level from fiscal 2014 through 2017 for all three formulas, and reduced formula funding levels for Cade and BCCC in fiscal 2018 through 2022 and in fiscal 2018 through 2020 for Sellinger. The most recent changes made by the BRFA of 2014 increase the Cade and Sellinger formulas, which were set to decline in fiscal 2016 and 2017. Cade was increased in fiscal 2016 through 2019, still reaching full funding of 29.0% in fiscal 2023. Sellinger was altered in fiscal 2016 to 2020 and still reaches full funding, 15.5%, in fiscal 2021. The BCCC formula was not altered. The modified percentages increase State funding for community colleges by \$58.8 million in fiscal 2016 through 2019; Sellinger funding increases in fiscal 2016 through 2018 offset by decreases in fiscal 2019 and 2020. **Exhibit L-4** shows the percentage of State support per FTES to be used in each of the statutory formulas through fiscal 2023, when all three formulas will have reached full funding.

Exhibit L-4
Percent of State Support per Student Used in Statutory Formulas
Fiscal 2015-2023

<u>Segment</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Independents	9.4%	9.6%	10.1%	10.5%	10.8%	11.1%	15.5%	15.5%	15.5%
Community Colleges	19.7%	20.0%	20.5%	21.0%	22.0%	23.0%	25.0%	27.0%	29.0%
BCCC	61.0%	58.0%	58.0%	60.0%	61.0%	62.5%	64.5%	66.5%	68.5%

BCCC: Baltimore City Community College

Source: Department of Legislative Services, Budget Reconciliation and Financing Act of 2014

Chapter 658 of 2013 increased the State funding cap for the English for Speakers of Other Languages (ESOL) program for local community colleges from \$6.0 million to \$8.0 million and from \$1.0 million to \$1.333 million for BCCC beginning in fiscal 2015. The maximum funding per ESOL student remains at \$800 for BCCC and local community colleges. In fiscal 2015, ESOL funding for local community colleges was \$5.5 million and \$0.9 million for BCCC. Due to increasing ESOL enrollments, ESOL funding is estimated to exceed the previous statutory caps as soon as fiscal 2016.

Capital Program for Higher Education Nearly \$1.7 Billion

The capital program for all segments of higher education from fiscal 2012 to 2015 totaled just over \$1.3 billion including general obligation bonds and academic revenue bonds (ARB). This consisted of \$1.0 billion for public four-year institutions, \$222.1 million for the State's 16 community colleges (including BCCC), and \$70.5 million for independent institutions. **Exhibit L-5** shows the allocation of capital support by institution. For more information on authorized capital projects, see the subpart "Capital Budget" within Part A – Budget and State Aid of this *Major Issues Review*.

Exhibit L-5
Higher Education Capital Program, by Institution
Fiscal 2012-2015

<u>Institution</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Four-year Total</u>
UM, Baltimore	\$4,000,000	\$4,672,000	\$16,570,000	\$49,000,000	\$74,242,000
UM, College Park	35,100,000	48,035,000	30,705,000	42,446,000	156,286,000
Bowie State University	2,957,000	5,266,000	6,000,000	23,842,000	38,065,000
Towson University	1,200,000	11,700,000	11,512,000	1,500,000	25,912,000
UM Eastern Shore	3,600,000	-	22,695,000	60,755,000	87,050,000
Frostburg State University	10,054,000	44,550,000	9,843,000	400,000	64,847,000
Coppin State University	-	38,775,000	56,198,000	10,300,000	105,273,000
University of Baltimore	41,493,000	4,037,000	1,000,000	2,775,000	49,305,000
Salisbury University	1,500,000	1,900,000	7,472,000	45,000,000	55,872,000
UM Baltimore County	41,200,000	34,225,000	38,068,000	14,106,000	127,599,000
UM University College	-	-	-	-	-
UM Ctr. for Env. Science	-	1,150,000	2,350,000	10,604,000	14,104,000
USM Office	17,000,000	27,000,000	17,000,000	17,000,000	78,000,000
<i>Subtotal, USM Institutions</i>	<i>\$158,104,000</i>	<i>\$221,310,000</i>	<i>\$219,413,000</i>	<i>\$277,728,000</i>	<i>\$876,555,000</i>
<u>Institution</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Four-year Total</u>
MSU	6,071,000	29,685,000	54,861,000	16,170,000	\$106,787,000
SMCM	-	310,000	4,580,000	17,850,000	22,740,000
Regional Centers	935,000	-	6,500,000	5,300,000	12,735,000
Community Colleges	58,091,000	37,629,000	52,035,000	65,405,000	213,160,000
BCCC	2,250,000	6,686,000	-	-	8,936,000
Independents	10,000,000	14,000,000	22,500,000	24,000,000	70,500,000
Total	\$235,451,000	\$309,620,000	\$359,889,000	\$406,453,000	\$1,311,413,000

BCCC: Baltimore City Community College

MSU: Morgan State University

SMCM: St. Mary's College of Maryland

UM: University of Maryland

USM: University System of Maryland

Note: The capital appropriation to the USM Office is the total amount that is distributed to individual institutions for facility renewal needs.

Source: Department of Legislative Services, *90 Day Reports*

ARBs and auxiliary bonds are issued directly by institutions to construct or renovate academic and auxiliary facilities, with debt service support by academic fees, auxiliary fees, or

other sources established for the bonds. The current debt limits established by statute are \$1.4 billion for USM, \$88 million for MSU, \$65 million for BCCC, and \$60 million for SMCM. While MSU refinanced some debt in fiscal 2013, USM is the only segment of public higher education that has issued bonds directly since fiscal 2011. ARB authorizations must be approved by legislation annually; legislation was enacted authorizing \$27.0 million in ARBs for USM in fiscal 2012, which increased to \$32.0 million annually in fiscal 2013 through 2015.

Student Financial Assistance

After declining \$1.2 million, or 1.4%, between fiscal 2007 and 2011, State-supported student financial assistance was essentially flat funded from fiscal 2011 through 2015, as shown in Exhibit L-1. The stagnation in financial aid during a recession was partially offset by the ongoing tuition buydown at public four-year institutions mentioned above and mitigated by the phase out of the merit-based Distinguished Scholars Program, which began in fiscal 2012 and will be completed after fiscal 2015. Beginning in fiscal 2011, unspent State funds for financial aid revert into the special Need-Based Student Financial Assistance Fund (NBSFAF). Year-to-year comparisons of State financial aid can be difficult since MHEC may appropriate significant balances from NBSFAF to more fully meet demand for certain programs. In fiscal 2014, MHEC transferred nearly \$16.7 million from NBSFAF to make additional awards which makes the fiscal 2015 appropriation appear to be much smaller.

Loan Repayment Assistance

The Janet L. Hoffman Loan Assistance Repayment Program (LARP) provides loan repayment assistance to Maryland residents who provide public service to low-income or underserved residents through their work for State or local governments or nonprofit agencies in Maryland. The LARP program helps to ensure that underserved areas of the State have sufficient numbers of primary care physicians, dentists, and professionals. LARP-eligible fields of employment include lawyers, nurses, nurse faculty members, physical and occupational therapists, social workers, speech-language pathologists, physician assistants, and teachers. The Office of Student Financial Assistance (OSFA) within MHEC makes the financial aid awards to assist in the repayment of loans. Awards are capped at \$10,000 per year.

Lawyers: *Chapter 129 of 2011* required the State Court Administration to assess a \$100 fee for the special admission of an out-of-state attorney and to pay \$75 of the fee to LARP. Any revenues paid to LARP must be allocated to assist eligible law school graduates whose applications for loan assistance repayment were disapproved by MHEC due to insufficient funds.

Teachers: The following year, the Nancy Grasmick Teacher Award within LARP was established through *Chapters 495 and 496 of 2012* for Maryland public school teachers who have taught in Maryland for at least two years in STEM subjects or a school in which at least 75% of the students are enrolled in the free and reduced-price meal program. To qualify for the award, the teacher must also have received the highest performance evaluation rating for the most recent year available. Before *Chapters 495 and 496*, priority for LARP was given to individuals who had graduated from an institution of higher education in the last three years and

were in the field of legal services and nursing; upon enactment of **Chapters 495 and 496**, priority is given to an individual who qualifies for a Nancy Grasmick Teacher Award.

Physicians and Physician Assistants: The Maryland Loan Assistance Repayment Program for Physicians (MLARP) provides higher education loan repayment assistance to physicians who practice primary care for a nonprofit organization or government entity in an area of the State that has been federally designated as having a shortage of primary care. **Chapter 99 of 2014** expanded the eligibility for MLARP to physician assistants and renamed the program as the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants. Additionally, the definition of “primary care” was expanded to include women’s health. Federal funding, requiring a 50% State match, is available through the federal Health Resources and Services Administration for physician assistants who provide primary care, including women’s health; the intent of the expansion is to maximize and access all of the federal matching funds available for this purpose.

Scholarships

Edward T. Conroy Memorial Scholarship: The Edward T. Conroy Memorial Scholarship Program awards postsecondary education financial assistance to the children, or in certain situations a surviving spouse, of certain United States Armed Forces members and public safety employees, specified veterans, and victims of the attacks of September 11, 2001. **Chapter 209 of 2011** altered the residency requirements for the scholarship program to include a person who lives outside of the State if the person is a resident of the State at the time of application or the person was a resident of the State at the time of the event that made the person eligible for the scholarship. **Chapter 209** also repealed the June 30, 2014 termination date of the scholarship. Additionally, **Chapter 123 of 2012** expanded the eligibility requirements to include the surviving spouse of a member of certain U.S. Armed Forces who suffered a service-connected 100% permanent disability and is a resident of Maryland or had been a resident of the State at the time of the event that made the surviving spouse eligible for the scholarship.

Jean B. Cryor Memorial Scholarship: In memory of Jean B. Cryor, a former member of the Maryland House of Delegates, **Chapter 395 of 2013** established the Jean B. Cryor Memorial Scholarship Program for the child or surviving spouse of a public or nonpublic school employee who died in the line of duty or is 100% disabled due to an injury sustained in the line of duty. **Chapter 395** altered the Edward T. Conroy Scholarship Fund to be the Edward T. Conroy and Jean B. Cryor Scholarship Fund.

Veterans of the Afghanistan and Iraq Conflicts Scholarship: The termination date for the Veterans of the Afghanistan and Iraq Conflicts Scholarship Program was extended through **Chapter 475 of 2012** from June 30, 2016, to June 30, 2020. Scholarships may be awarded for five years of full-time study or eight years of part-time study. Approximately 120 veterans received the scholarship in fiscal 2013 and 170 in fiscal 2014.

Charles W. Riley Firefighter and Ambulance and Rescue Squad Member Scholarship: **Chapter 503 of 2013** repealed the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program effective October 1, 2015, and established the Charles W. Riley

Firefighter and Ambulance and Rescue Squad Member Scholarship. The new scholarship applies to an actively engaged firefighter, ambulance, or rescue squad member who is a Maryland resident and must be used for courses credited toward a degree in fire service technology, emergency medical technology, fire service management, or public safety administration with a minor or concentration in fire service technology or fire service management. A scholarship may be up to 100% of the equivalent annual tuition and mandatory fees of a resident undergraduate student at a four-year public institution of higher education within USM with the highest annual expenses for a full-time resident undergraduate and carries a service obligation component. The scholarship will be funded by the same funding source as the current tuition reimbursement program, which is a portion of a court surcharge on traffic cases totaling approximately \$358,000 annually.

Maryland First Scholarship: *Chapter 374 of 2013* established the Maryland First Scholarship, which is for first-generation students who meet certain eligibility requirements such as residency in Maryland, a demonstrated financial need, and at least a 3.0 grade point average at the end of the first semester of the senior year of high school or, if the individual graduated from high school more than four years prior to enrolling in an eligible institution, at least 40 hours of verifiable community service in the year before applying for the scholarship. The amount of annual scholarship award varies depending on the type of institution of higher education the student attends. *Chapter 374* created the Maryland First Scholarship Fund as a nonlapsing, special fund to be administered by MHEC to make scholarship awards. Funds must be provided in the annual budget; however no amount is specified.

2+2 Transfer Scholarship: To provide an incentive for students to earn an associate's degree from a community college before enrolling in a four-year institution, *Chapters 339 and 340 of 2014* renamed the Community College Transfer Scholarship Program to be the 2+2 Transfer Scholarship Program. The program requires a student to achieve an associate's degree prior to transferring to a public or private nonprofit four-year institution, maintain a 2.5 grade point average (GPA) while at community college, and demonstrate financial need. If the State budget does not include at least \$2.0 million for the scholarship in any fiscal year, *Chapters 339 and 340* require funds to be transferred from the NBSFAF in an amount that provides a total of at least \$2.0 million to make awards under the program. An applicant must be accepted and enroll as a full-time student in a public or private nonprofit four-year institution by the fall semester following completion of the associate's degree. Each annual award must be for \$1,000, unless it is for a student who enrolls in a science, technology, engineering, computer science, mathematics, or nursing program at a four-year institution, in which case the award must be \$2,000.

Teaching Fellows for Maryland Scholarship: The Maryland Teacher Scholarship was renamed the Teaching Fellows for Maryland Scholarship under *Chapters 542 and 543 of 2014*. The Teaching Fellows for Maryland Scholarship Program awards students with a 3.3 GPA and a specified score on the SAT, ACT, or GRE, in addition to any other criteria set by MHEC, 100% of the equivalent annual tuition, mandatory fees, and room and board at an eligible public or private nonprofit institution of higher education that has a department, school, or college of education. The award carries a service obligation component and requires a recipient to teach

one year in a public school (including prekindergarten) that has at least 50% of its students eligible for free and reduced-price meals for each year that the recipient receives the award.

Tuition Rates at Public Institutions for Undocumented Students

Legislation authorizing specified undocumented students to receive in-state tuition benefits passed the General Assembly in 2003 but was vetoed by the Governor. Eight years later, **Chapter 191 of 2011** exempted individuals who attended and graduated from Maryland high schools from paying out-of-state tuition and out-of-county tuition under specified circumstances at public institutions of higher education in the State beginning at a community college. Nonimmigrant aliens such as individuals on student visas and certain work visas or individuals who are diplomats and do not intend to stay in the country do not qualify for the exemption, but otherwise the exemption applies regardless of residency status and would include undocumented students.

To qualify for an exemption from paying out-of-state tuition at a community college, an individual must (1) beginning with the 2005-2006 school year, have attended a public or nonpublic secondary school in the State for at least three years; (2) beginning with the 2007-2008 school year, have graduated from a public or nonpublic secondary school in the State or received the equivalent of a high school diploma in the State; (3) register as an entering student at a community college in the State not earlier than the 2011 fall semester; (4) provide to the community college documentation that the individual or the individual's parent or legal guardian has filed a Maryland income tax return annually for the three years while the individual attended a public or nonpublic secondary school in the State; annually during the period, if any, between graduation from a public or nonpublic secondary school in the State and registration at a community college; and annually during the period of attendance at the community college; (5) in the case of an individual who is not a permanent resident, provide to the community college an affidavit stating that the individual will file an application to become a permanent resident within 30 days after the individual becomes eligible to do so; (6) in the case of an individual who is required to register with the selective service system, provide to the community college documentation that the individual has complied with the registration requirement; and (7) register at a community college in the State not later than four years after graduating from a public or nonpublic secondary school in the State or receiving the equivalent of a high school diploma in the State.

In order to be eligible to pay a rate equivalent to the in-county tuition rate at a community college in the State, **Chapter 191** specified that an individual must attend a community college supported by the county in which the secondary school from which the individual graduated is located, or if an individual received the equivalent of a high school diploma in the State, the county in which the secondary school most recently attended by the individual is located.

Eligibility to pay in-state tuition at a four-year public institution of higher education includes individuals who (1) have attended a community college not earlier than the 2010 fall semester and met the requirements described above for qualifying for an exemption from paying out-of-state tuition at a community college, except for registering as an entering student at a

community college in the State not earlier than the 2011 fall semester; (2) have been awarded an associate's degree by, or achieved 60 credits at, a community college in the State; (3) provide the institution a copy of the affidavit stating the individual will file an application to become a permanent resident within 30 days after the individual becomes eligible to do so; (4) provide to the institution documentation that the individual or the individual's parent or legal guardian has filed a Maryland income tax return annually while the individual attended a community college in the State; annually during the period, if any, between graduation from or achieving 60 credits at a community college in the State and registration at a four-year public institution of higher education in the State; and annually during the period of attendance at the institution; and (5) register at a four-year public institution of higher education in the State not later than four years after graduation from, or achieving 60 credits at, a community college in the State.

Although *Chapter 191* was petitioned to referendum, the voters of Maryland affirmed the law with 58% supporting the measure at the 2012 general election. The law took effect immediately upon certification of the election results.

Tuition Waivers

Individuals with Disabilities: An individual with a disability who is a resident of the State is eligible for a community college tuition waiver if the individual is retired from the workforce due to total and permanent disability. *Chapter 576 of 2011* altered these requirements to allow any individual who is out of work due to a disability, instead of retired, to obtain a tuition waiver at a community college. In order to receive the waiver, an individual must additionally apply for any State or federal student financial aid, other than a student loan, for which the student may qualify. Any financial aid received by the student must be applied first to pay the student's tuition. The waiver must apply to the difference, if any, between the charge for tuition and the financial aid award that the student received.

The tuition waiver for disabled individuals established by *Chapter 576* led to an expansion of the coursework that qualifies for a tuition waiver in *Chapters 82 and 83 of 2012* so that an individual with a disability who is out of the workforce is exempt from paying tuition at a community college if the individual is enrolled in classes for continuing education instruction designed to lead to employment, including life-skills instruction. Life-skills include communication, cooperation, problem-solving, self-initiation, and responsibility, which have been shown to be related to job stability and to expand an individual's community participation.

Foster Care Recipients: A tuition waiver program for children in foster care homes was established in 2000 and was extended to foster care children who were adopted from an out-of-home placement in 2007. *Chapter 159 of 2011* changed the age from 21 to 25 years old as the deadline for a foster care recipient to be enrolled at a public institution of higher education in order to receive a waiver from tuition and mandatory fees. *Chapters 259 and 260 of 2013* further expanded the tuition waiver program to include individuals who are placed into guardianship or who are adopted from an out-of-home placement by a guardianship family.

Unaccompanied Homeless Youth: Based on the foster care recipient waiver, *Chapter 482 of 2014* expanded eligibility for tuition and mandatory fee waivers at public

institutions of higher education in Maryland to specified unaccompanied homeless youth. To receive a waiver or exemption, an unaccompanied homeless youth must meet the same conditions as a foster care recipient to receive a waiver under the law. The tuition waiver for both foster care and unaccompanied homeless youth applies regardless of any other scholarship or grant that a student receives.

Tuition Subsidies and Assistance for Veterans

Chapter 654 of 2013 exempted honorably discharged veterans from the U.S. Armed Forces from paying out-of-state tuition at a public institution of higher education in Maryland if the individual resides in or is domiciled in the State. Under *Chapter 654*, all honorably discharged veterans who live in or move to Maryland may pay in-state tuition without meeting a residency requirement and without attending and graduating from a high school in the State and enrolling at a public institution of higher education within four years of discharge.

Further, *Chapter 183 of 2014* expanded the continuation of tuition assistance for a member of the Maryland National Guard already receiving assistance from the Military Department for a member whose unit has been disbanded on or after September 1, 2013. This allows the individual not to be penalized by having to pay back the tuition assistance received if an individual must leave the State in order to remain in the National Guard when a unit is disbanded.

Regulation of Institutions and Programs

Online Distance Education Programs

Online learning has been rapidly growing in both availability and popularity. Many institutions of postsecondary education offer online courses in addition to traditional face-to-face courses, and some institutions offer only online courses. More than 1,300 public, private nonprofit, and for-profit institutions offer online postsecondary higher education in the United States.

In order to keep pace with this growth and also to ensure that Maryland students are provided rigorous programs from qualified or reputable institutions, *Chapters 595 and 596 of 2012* required an institution of postsecondary education that enrolls Maryland students in a fully online distance education program to file an application to register with MHEC within three months of enrolling its first Maryland student. Under the law, an institution required to register with MHEC must be accredited by an accrediting body recognized and approved by the U.S. Department of Education and also must meet a number of specified financial conditions and business practices, including complying with the student refund policy and procedures established by MHEC. An institution required to register with MHEC must comply with the principles for good practice for distance education established by MHEC through regulation, are subject to complaint investigation by the Office of the Attorney General or MHEC or both, and must post on its website whether the institution is registered in Maryland and the process by which complaints can be made against the institution.

Chapters 595 and 596 required MHEC to post on its website a list of registered institutions of postsecondary education that offer fully online distance education programs in the State as well as the names of institutions for which MHEC denied or revoked registration. MHEC may impose various penalties on institutions that fail to comply with the requirements of the Acts, including prohibiting an institution from enrolling Maryland students in fully online distance education programs in the State, imposing a fine on an institution, and revoking the registration of an institution.

Additionally, MHEC was authorized to create a guaranty fund to reimburse Maryland students who attend a fully online distance education program. The fund must be used to reimburse any student at any of the institutions required to register, who is entitled to a refund of tuition and fees because the institution has failed to perform faithfully any agreement or contract with the student or has failed to comply with any provision of the Education Article.

Chapter 490 of 2013 altered the type of institution that is required to register with MHEC before enrolling Maryland students in fully online distance education programs, so that private career schools are excluded. In addition, an institution of higher education that is subject to program review by MHEC or participates in the Southern Regional Education Board's Electronic Campus is not required to register. At least twice a year, MHEC must peruse federal databases and other information sources to determine whether Maryland students are enrolled in a fully online distance education program offered by an institution of higher education that is required, but has failed, to register with MHEC.

The definition of "fully online distance education program in the State," established in **Chapters 595 and 596**, was changed by **Chapter 132 of 2014** because MHEC advised that the definition under the 2012 legislation was difficult to explain and justify to institutions of higher education seeking to register. MHEC also reported that technology has advanced since the definition of a "fully online distance education program" was first established in statute. When the term was defined in 2012, courses were transmitted via satellite, telephone lines, or a variety of alternative means to an off-site location where students would gather for instruction; however, students no longer have to be in one specific location to receive the transmission. **Chapter 132** also authorized MHEC to charge an institution that enrolls up to 20 Maryland students in a fully online distance education program a fee that is less than the fee charged to other institutions.

For-profit Institutions of Higher Education

The extremely rapid enrollment growth at for-profit institutions of higher education coupled with concerns regarding some for-profit institutions' questionable marketing practices and cost, led to the enactment of **Chapter 277 of 2011**. The Act distinguished between public, private nonprofit, and for-profit institutions of higher education in the State and expanded the scope of the Maryland Consumer Protection Act to include the unfair or deceptive offer for sale of course credit or other educational services. **Chapter 277** also created a separate guaranty fund to reimburse students at for-profit institutions of higher education who are entitled to a refund of tuition and fees due to the for-profit institution's breach of an agreement or a contract with the student or the State.

Chapter 277 also clarified the process for approval of programs offered by for-profit and nonprofit institutions of higher education and required notification to students if a program has not been recommended for implementation. Incentive payments, such as a commission or bonus, based on success in securing enrollment in an institution are prohibited under the Act. Lastly, the Act restricted the use of a scholarship, grant, loan, or other student financial assistance awarded by OSFA in MHEC to be used at an in-state institution of higher education that possesses a certificate of approval from MHEC. This provision terminates June 30, 2016, after which student assistance may only be used at public or private nonprofit institutions that possess MHEC certificates of approval, with certain exceptions.

Degree-granting Authority for the University of Maryland Center for Environmental Science

Prior to 2013, the University of Maryland Center for Environmental Science (UMCES) was a research institute for environmental and natural sciences studies that was not authorized to grant degrees. However, in 2010, UMCES began a process aimed at obtaining degree-granting authority. The process culminated with **Chapter 95 of 2013**, which gave statutory authority to the USM Board of Regents, subject to the approval of MHEC, to authorize UMCES to award graduate degrees in marine and environmental sciences (MEES) jointly with another public four-year institution of higher education and to award post-baccalaureate certificates. UMCES will now offer a joint degree program with the University of Maryland, College Park toward a Master's in Science and a Doctor of Philosophy in MEES. The first MEES cohort under the new degree designation will enroll in the 2014-2015 academic year.

Coalition for Equity and Excellence in Maryland Higher Education Lawsuit

In 2006, the Coalition for Equity and Excellence in Maryland Higher Education, which is a group of former, current, and prospective students of Maryland's four historically black colleges and universities (HBCUs), filed suit against MHEC and the State alleging violations of the Civil Rights Act of 1964 and the Equal Protection Clause of the Fourteenth Amendment of the U.S. Constitution, which protect against discrimination on the basis of race, color, or national origin. In 2013, the lawsuit went to trial.

In the coalition's lawsuit, three policies of the Maryland system of higher education allegedly traceable to the prior *de jure* (as a matter of law) segregated system were at issue: (1) limited institutional missions; (2) operational funding deficiencies; and (3) unnecessary program duplication. The court issued a memorandum of its findings of fact and conclusions of law in the case in October 2013 and concluded that mission-related policies or practices and current operational funding were not traceable to the *de jure* era; however, the court concluded that the State has failed to eliminate unnecessary program duplication for Maryland's HBCUs and that this policy is traceable to the *de jure* era.

The court deferred entry of judgment pending mediation or further proceedings, if necessary, to establish a remedy. The case was referred back for mediation and the parties are in the mediation process. In its current form, the memorandum is not a final decision of the court. If mediation is unsuccessful, then one or more of the parties may request an immediate appeal

under the Federal Rules of Civil Procedure. Although it failed, *Senate Bill 169 of 2014 (failed)* would have codified the decision of the court.

Regional Higher Education Needs

Authorization of Regional Higher Education Centers and Funding Formula

Regional higher education centers (RHECs) expand access to higher education in geographically underserved areas of the State that are not near public four-year institutions by bringing together two or more institutions of higher education that offer a variety of program offerings and offer multiple degree levels to the students in underserved areas.

MHEC is responsible for the coordination of the State's eight RHECs; however, two of the centers, Shady Grove and Hagerstown, are operated by USM and are funded as line-items in the USM System Office operating budget. The other six RHECs are independent centers that exist in areas not served by comprehensive four-year institutions and these six centers are funded by grants through the MHEC operating budget. In addition to clarifying that a new RHEC must be approved by MHEC before the center is authorized to operate in the State, *Chapter 710 of 2012* codified the funding formula that MHEC must use to calculate the amount of the annual funding for each of the six RHECs administered by MHEC as follows: (1) a base allocation for each center of \$200,000; (2) incentive funding for degree-seeking, full-time equivalent students (FTES) that is tied to the inflation-adjusted fiscal 2005 general fund appropriations per FTES at Shady Grove; (3) lease funding for centers with leased space that have not received capital funding support; and (4) special funding for one-time projects or start-up costs.

During the 2011-2014 term, the six RHECs administered by MHEC received the following amounts through the funding formula: fiscal 2012 \$1,500,000; fiscal 2013 \$1,750,000; fiscal 2014 \$2,550,000; and fiscal 2015 \$2,550,000.

Southern Maryland Higher Education Council

Chapter 622 of 2011 established a 12-member Southern Maryland Higher Education Council to develop a strategy for improving access to higher education for the residents of the Southern Maryland region, which includes Calvert, Charles, and St. Mary's counties. In 2013, the council requested a one-year extension, requested MHEC to be named as the council's official staffing agency, and requested an additional member to be appointed to the council who has extensive knowledge of higher education in Maryland. Accordingly, *Chapter 346 of 2013* implemented these requests and changes to the council. The council submitted a final report in December 2013 which laid out a vision to provide an expanded array of higher education programs in the Southern Maryland region.

Northeast Maryland Higher Education Advisory Board

Following the recommendations of a task force created by *Chapter 614 of 2011*, the Northeast Maryland Higher Education Advisory Board was established by *Chapter 661 of 2012* to address the need for higher education in northeastern Maryland, namely Cecil and Harford

counties, and the role of various segments of higher education in meeting the needs of the region. The board consists of representatives of each of the four-year institutions that offer an MHEC-approved program at the University Center at HEAT or another approved site and 10 representatives appointed in accordance with the bylaws of the board.

Frederick Regional Higher Education Advisory Board

Although Frederick County has one community college and two private nonprofit institutions of higher education, a 2011 report by USM revealed a demand for expanded higher education opportunities in Frederick County. Consequently, *Chapter 375 of 2013* established the Frederick Regional Higher Education Advisory Board to conduct an assessment of unmet higher education needs in the region and assist in establishing a Frederick Regional Higher Education Center.

Libraries

Operating Funding

The State provides assistance to county public libraries (including Baltimore City) through a formula that determines the State and local shares of a minimum per capita library program. The State also provides funding to libraries designated as resource centers including the State Library Resource Center in Baltimore City and to regional resource centers in Salisbury, Charlotte Hall, and Hagerstown. Chapter 481 of 2005 set a schedule of funding enhancements for public libraries; however, subsequent legislation altered the enhancements during the 2007-2010 and 2011-2014 terms.

Local Library Aid Formula

For county public libraries, the library aid formula was set to increase to \$15 per resident for fiscal 2012; however, *Chapter 397 of 2011*, the Budget Reconciliation and Financing Act (BRFA), altered the formula to \$14 per resident for fiscal 2012 through 2016 and then increasing to reach \$15 per resident for fiscal 2019 and beyond. This resulted in \$33.0 million in State funds provided to county public libraries in fiscal 2012, increasing to \$34.4 million in fiscal 2015. *Chapter 500 of 2014* increased the formula to \$15 per resident for fiscal 2016, \$16 per resident for fiscal 2017, and the formula will continue to increase until reaching \$16.70 per resident for fiscal 2019 and beyond.

State Library Resource Center

The State Library Resource Center (SLRC), located at the Central Library of the Enoch Pratt Free Library System in Baltimore City, was created in 1971 to expand access statewide to specialized library services and materials. The per capita funding formula for the SLRC was set to increase to \$1.85 per State resident for fiscal 2012; however, the BRFA of 2011 set the funding level for the SLRC to \$1.67 per State resident for fiscal 2012 through 2016 and then increasing to reach \$1.85 per State resident for fiscal 2019 and beyond. The per capita funding

formula for SLRC has not been altered since 2011. Operating funding for SLRC increased from \$9.5 million in fiscal 2012 to \$9.8 million in fiscal 2015.

Regional Resource Centers

The per capita funding formula for the regional resource centers was set to increase to \$7.50 per resident of the region for fiscal 2012; however, the BRFA of 2011 altered the formula to be \$6.75 per resident for fiscal 2012 through 2016 and then increasing to reach \$7.50 per resident for fiscal 2019 and beyond. *Chapter 500* increased the formula to \$7.50 per resident for fiscal 2016, and the formula will continue to increase until reaching \$8.75 per resident for fiscal 2019 and beyond. Operating funding for the regional resource centers increased from \$6.3 million in fiscal 2012 to \$6.5 million in fiscal 2015.

County Library Capital Projects

Chapter 494 of 2006 addressed the capital needs of county public library systems in Maryland. The legislation established a State grant program for county library capital projects to provide a uniform and objective analysis of proposed capital projects and to support projects that address library needs in the State. Chapter 494 required that the Governor include \$5 million annually in the State operating or capital budget for the program beginning in fiscal 2008. In fiscal 2012, the appropriation was reduced to \$4 million consistent with the 20% reduction experienced by the State's general obligation bond program that fiscal year. However, since fiscal 2013, the State has provided \$5 million annually to the county library capital projects program through general obligation bond funding.

Beginning in fiscal 2014, *Chapter 512 of 2013* altered the State share and local matching requirement for the State grant program for county public library capital projects based on the per capita wealth measure that is used to calculate the State aid formula for operating grants to county libraries. The State share percentage for an approved county library capital project is calculated by dividing the State aid formula grant amount by the full minimum program amount and multiplying the result by 1.25; however, the State share cannot be less than 50% or greater than 90% of the total project cost. Previously the State share was capped at 50% and required an equal local match.

Specialized Library Services

The Maryland Library for the Blind and Physically Handicapped

The Division of Library Development and Services (DLDS) of the Maryland State Department of Education is responsible for providing specialized library services to the blind and other physically handicapped individuals in the State. The Maryland Library for the Blind and Physically Handicapped (LBPH), located in Baltimore City, is a statewide library program serving 8,000 blind, visually impaired, physically disabled, and reading disabled Maryland residents. The library is the primary source of books, periodicals, and other information in formats such as Braille, large print, and recorded books. *Chapter 498 of 2014* established a minimum State funding amount for LBPH. Annual State funding under the formula must equal

an amount equivalent to at least 25% of the State funding provided to SLRC, beginning in fiscal 2016. SLRC is projected to receive \$9.9 million in fiscal 2016 increasing to \$11.2 million by fiscal 2019; therefore, estimated minimum State funding for LBPH will total \$2.5 million in fiscal 2016 and \$2.8 million in fiscal 2019.

Deaf Culture Digital Library

Following the recommendations of a task force established by *Chapters 540 and 541 of 2012*, the DLDS must establish a Deaf Culture Digital Library under *Chapter 606 of 2014*. The Deaf Culture Digital Library will serve as the primary information center on deaf library resources in the State. DLDS is also required to conduct a needs assessment to identify and fill gaps in library services for deaf patrons; develop and provide sensitivity training for State and county library staff; and develop partnerships, collaborations, and alliances with specified government and other entities.

Part M

Chapters to Bill Numbers by Session

2011 Regular Session

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1	SB0182
2	HB0166
3	SB0183
4	HB0170
5	SB0001
6	SB0009
7	SB0032
8	SB0044
9	HB0226
10	SB0055
11	SB0056
12	SB0058
13	SB0059
14	SB0060
15	SB0061
16	SB0062
17	SB0066
18	SB0067
19	HB0281
20	SB0080
21	SB0081
22	SB0082
23	SB0083
24	SB0093
25	SB0101
26	SB0115
27	HB0227
28	SB0132
29	HB0087
30	SB0143

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31	SB0145
32	SB0169
33	SB0191
34	HB0117
35	SB0192
36	SB0205
37	HB0366
38	SB0217
39	SB0218
40	SB0226
41	SB0255
42	HB0496
43	SB0256
44	HB1041
45	SB0269
46	HB0453
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50	SB0283
51	SB0284
52	SB0288
53	SB0292
54	SB0299
55	HB0345
56	SB0322
57	SB0342
58	HB0667
59	SB0356
60	SB0359

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62	SB0391
63	SB0428
64	SB0454
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66	SB0457
67	HB0653
68	SB0480
69	HB0666
70	SB0500
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78	SB0652
79	HB0507
80	SB0673
81	SB0682
82	HB0793
83	SB0691
84	HB0590
85	SB0705
86	SB0720
87	SB0768
88	HB0859
89	SB0885
90	SB0901
91	SB0902
92	SB0926
93	SB0948
94	HB0058
95	HB0062
96	HB0086
97	HB0102
98	HB0105
99	HB0108
100	HB0110
101	HB0112
102	HB0133
103	HB0136
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106	HB0176
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108	HB0197
109	HB0198
110	HB0203
111	HB0204
112	HB0210
113	HB0215
114	HB0217
115	HB0258
116	HB0265
117	HB0280
118	HB0298
119	HB0349
120	HB0355
121	HB0376
122	HB0377
123	HB0378
124	HB0486
125	HB0499
126	HB0505
127	HB0509
128	HB0522
129	HB0523
130	HB0558
131	HB0581
132	HB0598
133	HB0601
134	HB0602
135	HB0630
136	HB0634
137	HB0674
138	HB0679
139	HB0700
140	HB0751
141	HB0789
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144	HB0876
145	HB0877
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151	HB1030
152	HB1047
153	HB1049
154	HB1082
155	HB1085
156	HB1109
157	HB1118
158	HB1193
159	HB1208
160	HB1212
161	HB1233
162	HB1253
163	HB1310
164	SB0174
165	HB0241
166	SB0883
167	SB0692
168	HB0391
169	HB0671
170	HB1228
171	HB0171
172	SB0014
173	HB0130
174	SB0015
175	HB0034
176	SB0057
177	SB0078
178	HB0220
179	SB0092
180	SB0117
181	HB0036
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183	HB0624
184	SB0142
185	SB0146
186	SB0147
187	SB0148
188	SB0149
189	SB0151
190	HB0004
191	SB0167
192	SB0196

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194	SB0200
195	SB0204
196	HB1128
197	SB0221
198	HB0054
199	SB0227
200	HB0332
201	SB0235
202	SB0244
203	HB0597
204	SB0248
205	HB1175
206	SB0282
207	SB0285
208	SB0287
209	SB0289
210	SB0290
211	SB0291
212	SB0293
213	SB0306
214	HB1167
215	SB0308
216	SB0309
217	HB0442
218	SB0327
219	SB0344
220	HB0387
221	SB0346
222	HB0011
223	SB0347
224	SB0362
225	HB0749
226	SB0368
227	HB0292
228	SB0370
229	HB0328
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232	SB0373
233	HB0868
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238	SB0496
239	HB1202
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242	SB0514
243	HB0450
244	SB0515
245	SB0516
246	HB0842
247	SB0534
248	SB0556
249	HB1150
250	SB0557
251	HB0665
252	HB0456
253	SB0120
254	SB0558
255	SB0562
256	SB0568
257	HB0392
258	SB0569
259	SB0571
260	HB0763
261	SB0607
262	HB0881
263	SB0613
264	SB0620
265	HB0670
266	SB0639
267	SB0641
268	HB0560
269	SB0658
270	HB1181
271	SB0664
272	HB0841
273	SB0679
274	SB0689
275	HB0319
276	SB0693
277	SB0695
278	SB0728
279	HB1135
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289	HB0561
290	SB0787
291	HB0511
292	SB0806
293	HB0740
294	SB0821
295	SB0822
296	SB0836
297	SB0839
298	SB0841
299	HB1281
300	SB0850
301	HB1178
302	SB0875
303	SB0891
304	SB0906
305	SB0913
306	SB0950
307	HB1116
308	SB0960
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314	HB0012
315	HB0039
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318	HB0109
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322	HB0202
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324	HB0233

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333.....	HB0362
334.....	HB0363
335.....	HB0364
336.....	HB0404
337.....	HB0435
338.....	HB0437
339.....	HB0466
340.....	HB0487
341.....	HB0497
342.....	HB0510
343.....	HB0519
344.....	HB0534
345.....	HB0535
346.....	HB0542
347.....	HB0543
348.....	HB0545
349.....	HB0587
350.....	HB0604
351.....	HB0613
352.....	HB0632
353.....	HB0643
354.....	HB0678
355.....	HB0728
356.....	HB0739
357.....	HB0748
358.....	HB0752
359.....	HB0757
360.....	HB0758
361.....	HB0794
362.....	HB0801
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370.....	HB0973
371.....	HB0992
372.....	HB0996
373.....	HB1005
374.....	HB1020
375.....	HB1095
376.....	HB1104
377.....	HB1134
378.....	HB1141
379.....	HB1143
380.....	HB1146
381.....	HB1174
382.....	HB1190
383.....	HB1196
384.....	HB1218
385.....	HB1240
386.....	HB1242
387.....	HB1246
388.....	HB1274
389.....	HB1282
390.....	HB1292
391.....	HB1315
392.....	HB1327
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394.....	SB0281
395.....	HB0070
396.....	HB0071
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399.....	HB0162
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402.....	HB0163
403.....	SB0179
404.....	HB0164
405.....	SB0380
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409.....	HB0173
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424.....	HB0402
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426.....	HB0083
427.....	SB0159
428.....	HB0273
429.....	SB0163
430.....	SB0188
431.....	SB0199
432.....	HB0249
433.....	SB0203
434.....	HB0082
435.....	SB0212
436.....	HB0417
437.....	SB0228
438.....	SB0230
439.....	HB0329
440.....	SB0253
441.....	SB0258
442.....	HB0188
443.....	SB0294
444.....	SB0302
445.....	SB0317
446.....	HB0647
447.....	SB0320
448.....	HB0053
449.....	SB0328
450.....	SB0334
451.....	HB0379
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453.....	SB0369
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461.....	SB0398
462.....	HB0502
463.....	SB0400
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467.....	HB0289
468.....	SB0414
469.....	HB0396
470.....	SB0421
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478.....	HB0412
479.....	SB0466
480.....	SB0476
481.....	HB0311
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523.....	HB0799
524.....	SB0701
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526.....	SB0702
527.....	HB0452
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529.....	HB0444
530.....	SB0718
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534.....	SB0723
535.....	HB0784
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558.....	SB0830
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561.....	SB0888
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563.....	SB0917
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565.....	SB0958
566.....	SB0959
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572.....	HB1213
573.....	HB0065
574.....	HB0075
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576.....	HB0104
577.....	HB0111
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579.....	HB0208
580.....	HB0211
581.....	HB0214
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601.....	HB0807
602.....	HB0826
603.....	HB0837
604.....	HB0840
605.....	HB0869
606.....	HB0897
607.....	HB0941
608.....	HB0943
609.....	HB1028
610.....	HB1033
611.....	HB1038
612.....	HB1105
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615.....	HB1168
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6	SB0848
7	SB0009
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9	HB0325
10	SB0030
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13	SB0051
14	SB0059
15	HB0117
16	SB0085
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19	SB0108
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23	SB0115
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29	SB0131
30	HB0115
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48	SB0226
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71	SB0448
72	SB0449
73	HB0280
74	SB0484
75	HB0286
76	SB0487
77	HB0435
78	SB0545
79	SB0566
80	HB0699
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91	SB0816
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101	HB0126
102	HB0135
103	HB0143
104	HB0150
105	HB0171
106	HB0173
107	HB0197
108	HB0198
109	HB0205
110	HB0210
111	HB0214
112	HB0216
113	HB0222
114	HB0248
115	HB0258
116	HB0264
117	HB0271
118	HB0288
119	HB0293
120	HB0301
121	HB0353
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134	HB0691
135	HB0726
136	HB0813
137	HB0817
138	HB0858
139	HB0889
140	HB0890
141	HB0923
142	HB1160
143	HB1268
144	HB1391
145	HB1431
146	SB0048
147	HB0211
148	SB0150
149	SB0236
150	HB0446
151	HB0987
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163	HB0059
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165	SB0041
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167	SB0049
168	SB0052
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177	SB0116
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179	SB0128
180	SB0129
181	SB0130
182	SB0132
183	HB0334
184	SB0134
185	SB0147
186	SB0178
187	HB0617
188	SB0182
189	SB0193
190	SB0205
191	SB0208
192	HB0001
193	SB0214
194	HB0350
195	SB0227
196	SB0230
197	SB0243
198	SB0245
199	SB0246
200	HB0206
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204	SB0262
205	HB0276
206	SB0272
207	HB1364
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210	SB0309
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218	HB0013
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223	SB0377
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229	SB0414
230	HB0598
231	SB0419
232	SB0425
233	SB0433
234	HB0964
235	SB0442
236	HB1058
237	SB0446
238	HB0434
239	SB0453
240	HB0707
241	SB0479
242	HB0584
243	SB0489
244	HB0742
245	SB0506
246	HB0292
247	SB0514
248	HB0396
249	SB0521
250	HB0604
251	SB0529
252	HB0055
253	SB0531
254	SB0546
255	SB0550
256	HB0399
257	SB0551

Chapter	Bill
258	HB0425
259	SB0565
260	HB0942
261	SB0567
262	HB0563
263	SB0581
264	HB1108
265	SB0602
266	HB0366
267	SB0603
268	SB0604
269	HB0715
270	SB0606
271	HB0868
272	SB0607
273	SB0609
274	HB0936
275	SB0627
276	SB0640
277	HB0209
278	SB0649
279	HB1262
280	SB0650
281	HB0631
282	SB0655
283	HB0913
284	SB0666
285	SB0668
286	HB0623
287	SB0674
288	HB1219
289	SB0680
290	SB0689
291	HB0745
292	SB0741
293	SB0744
294	HB1055
295	SB0749
296	HB1140
297	SB0756
298	HB0839
299	SB0764
300	HB0885
301	SB0787

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Chapter	Bill
302	HB0772
303	SB0794
304	SB0797
305	SB0804
306	SB0814
307	HB0089
308	SB0853
309	SB0856
310	SB0858
311	HB1001
312	SB0868
313	HB0862
314	SB0870
315	HB0688
316	SB0889
317	HB0349
318	SB0903
319	HB0838
320	SB0918
321	HB1103
322	SB0919
323	HB1007
324	SB0941
325	HB1257
326	SB0954
327	SB0967
328	SB0975
329	HB1319
330	SB0977
331	HB1278
332	SB0984
333	SB0994
334	SB0998
335	HB1279
336	SB1006
337	SB1024
338	SB1033
339	HB1285
340	SB1077
341	HB1455
342	SB1082
343	HB0860
344	SB1086
345	HB1456

Chapter	Bill
346	HB0007
347	HB0009
348	HB0057
349	HB0060
350	HB0072
351	HB0074
352	HB0096
353	HB0100
354	HB0111
355	HB0134
356	HB0158
357	HB0182
358	HB0186
359	HB0187
360	HB0190
361	HB0192
362	HB0224
363	HB0254
364	HB0281
365	HB0324
366	HB0341
367	HB0342
368	HB0394
369	HB0398
370	HB0402
371	HB0423
372	HB0448
373	HB0472
374	HB0475
375	HB0476
376	SB0306
377	HB0499
378	HB0512
379	HB0516
380	HB0518
381	HB0525
382	HB0545
383	HB0573
384	HB0589
385	HB0595
386	HB0596
387	HB0644
388	HB0658
389	HB0668

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Chapter	Bill
390	HB0686
391	HB0717
392	HB0721
393	HB0786
394	HB0802
395	HB0803
396	HB0805
397	HB0834
398	HB0835
399	HB0841
400	HB0879
401	HB0897
402	HB0898
403	HB0901
404	HB0902
405	HB0904
406	HB0924
407	HB1005
408	HB1017
409	HB1023
410	HB1031
411	HB1046
412	HB1047
413	HB1054
414	HB1089
415	HB1120
416	HB1122
417	HB1138
418	HB1141
419	HB1161
420	HB1175
421	HB1180
422	HB1182
423	HB1189
424	HB1220
425	HB1235
426	HB1290
427	HB1130
428	HB1303
429	HB1304
430	HB1305
431	HB1308
432	HB1326
433	HB1329

Chapter	Bill
434	HB1334
435	HB1372
436	HB1387
437	HB1418
438	HB1435
439	HB1436
440	HB1438
441	HB1457
442	HB1463
443	HB1476
444	SB0151
445	HB1101
446	SB0235
447	HB0440
448	SB0294
449	HB0444
450	HB0442
451	SB0008
452	SB0019
453	HB0319
454	SB0023
455	HB0109
456	SB0040
457	HB1301
458	SB0058
459	SB0067
460	SB0082
461	SB0123
462	SB0133
463	HB0316
464	SB0135
465	HB0177
466	SB0143
467	SB0167
468	SB0231
469	SB0250
470	HB0084
471	SB0251
472	SB0256
473	HB0876
474	SB0273
475	SB0292
476	SB0293
477	HB1227

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Chapter	Bill
478	SB0296
479	SB0297
480	HB0463
481	SB0314
482	HB1193
483	SB0332
484	HB0071
485	SB0335
486	SB0337
487	HB0238
488	SB0343
489	HB0277
490	SB0346
491	SB0352
492	HB0607
493	SB0354
494	SB0362
495	SB0364
496	HB0613
497	SB0390
498	SB0405
499	HB0141
500	SB0415
501	HB0540
502	SB0421
503	HB0875
504	SB0422
505	HB0261
506	SB0431
507	HB1085
508	SB0439
509	SB0452
510	HB0570
511	SB0455
512	HB0526
513	SB0456
514	HB0465
515	SB0463
516	HB0174
517	SB0474
518	HB0348
519	SB0476
520	HB0515
521	SB0477

Chapter	Bill
522	HB1107
523	SB0485
524	HB0556
525	SB0496
526	SB0497
527	HB0630
528	SB0507
529	HB0533
530	SB0524
531	HB0886
532	SB0534
533	HB0232
534	SB0540
535	HB0470
536	SB0542
537	HB0575
538	SB0549
539	HB0456
540	SB0571
541	HB0390
542	SB0579
543	HB1126
544	SB0580
545	HB0600
546	SB0591
547	HB0678
548	SB0597
549	HB0250
550	SB0605
551	HB0757
552	SB0621
553	HB0497
554	SB0647
555	HB1146
556	SB0652
557	HB1186
558	SB0654
559	SB0659
560	HB0865
561	SB0672
562	HB0806
563	SB0678
564	SB0691
565	HB0670

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Chapter	Bill
566	SB0708
567	HB1019
568	SB0739
569	HB0764
570	SB0745
571	SB0746
572	HB1087
573	SB0765
574	HB1269
575	SB0778
576	HB0997
577	SB0779
578	HB0916
579	SB0781
580	HB1149
581	SB0783
582	HB0537
583	SB0791
584	HB1187
585	SB0792
586	HB0571
587	SB0807
588	SB0811
589	HB1094
590	SB0812
591	HB1097
592	SB0820
593	SB0841
594	HB0754
595	SB0843
596	HB1223
597	SB0852
598	HB0918
599	SB0855
600	HB0777
601	SB0861
602	HB1093
603	SB0864
604	SB0867
605	HB1401
606	SB0869
607	HB0940
608	SB0880
609	HB0801

Chapter	Bill
610	SB0885
611	HB1121
612	SB0894
613	HB1261
614	SB0895
615	HB0753
616	SB0899
617	HB0930
618	SB0901
619	HB1027
620	SB0920
621	SB0921
622	SB0928
623	HB0982
624	SB0929
625	HB0520
626	SB0938
627	HB1059
628	SB0969
629	HB1207
630	SB0990
631	SB0997
632	HB1280
633	SB1003
634	HB1340
635	SB1004
636	SB1018
637	HB1316
638	SB1036
639	SB1037
640	SB1044
641	SB1059
642	HB1432
643	SB1073
644	HB1427
645	HB0016
646	HB0019
647	HB0094
648	HB0099
649	HB0101
650	HB0125
651	HB0138
652	HB0167
653	HB0175

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Chapter	Bill
654	HB0213
655	HB0215
656	HB0245
657	HB0269
658	HB0283
659	HB0284
660	HB0329
661	HB0362
662	HB0392
663	HB0421
664	HB0457
665	HB0493
666	HB0509
667	HB0511
668	HB0568
669	HB0641
670	HB0651
671	HB0679
672	HB0680
673	HB0700
674	HB0713
675	HB0723
676	HB0724
677	HB0725
678	HB0766
679	HB0770
680	HB0807
681	HB0824
682	HB0827
683	HB0866
684	HB0884
685	HB0896
686	HB0900
687	HB0903
688	HB0906
689	HB0910
690	HB0919
691	HB0920
692	HB0929
693	HB0975
694	HB0979
695	HB0991
696	HB1009
697	HB1050

Chapter	Bill
698	HB1052
699	HB1068
700	HB1080
701	HB1081
702	HB1117
703	HB1123
704	HB1124
705	HB1148
706	HB1188
707	HB1196
708	HB1201
709	HB1214
710	HB1228
711	HB1238
712	HB1254
713	HB1264
714	HB1272
715	HB1289
716	HB1296
717	HB1306
718	HB1325
719	HB1327
720	HB1356
721	HB1368
722	HB1411
723	HB1429
724	HB1445
725	HB1446
726	SB0737
727	HB1118
JR0001	SJ0001
JR0002	HJ0001
JR0003	SJ0002
JR0004	HJ0003
JR0005	SJ0003

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Chapter	Bill
1	SB1301
2	SB1302
3	SB1303

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Chapter	Bill
1	SB0001

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Chapter	Bill
1	SB0278
2	HB0227
3	HB0226
4	HB0229
5	HB0560
6	SB0006
7	HB0069
8	SB0014
9	SB0055
10	SB0056
11	SB0060
12	SB0061
13	SB0062
14	SB0063
15	SB0064
16	SB0065
17	SB0067
18	SB0073
19	SB0075
20	SB0081
21	SB0085
22	SB0086
23	SB0140
24	SB0153
25	SB0158
26	HB0128
27	SB0180
28	SB0183
29	SB0196
30	SB0216
31	HB0346
32	SB0217
33	HB0320
34	SB0239
35	SB0262
36	SB0264
37	SB0265
38	SB0267
39	HB0116
40	SB0282

Chapter	Bill
41	HB1053
42	SB0283
43	SB0284
44	SB0360
45	SB0369
46	SB0405
47	SB0408
48	HB0559
49	SB0413
50	HB0443
51	SB0415
52	HB0442
53	SB0421
54	HB0950
55	SB0441
56	SB0458
57	SB0464
58	SB0507
59	HB0792
60	SB0508
61	SB0580
62	HB0180
63	SB0588
64	SB0600
65	HB0836
66	SB0621
67	SB0622
68	HB0702
69	SB0629
70	HB0816
71	SB0640
72	HB0838
73	SB0749
74	HB1132
75	SB0779
76	HB0328
77	SB0947
78	SB0961
79	SB1001
80	HB0096
81	HB0097
82	HB0108
83	HB0136
84	HB0164

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Chapter	Bill
85	HB0172
86	HB0182
87	HB0213
88	HB0230
89	HB0244
90	HB0245
91	HB0247
92	HB0254
93	HB0255
94	HB0257
95	HB0268
96	HB0288
97	HB0338
98	HB0348
99	HB0349
100.....	HB0350
101	HB0351
102	HB0353
103	HB0354
104	HB0355
105	HB0356
106	HB0360
107	HB0364
108	HB0378
109	HB0386
110	HB0388
111	HB0392
112	HB0401
113	HB0420
114	HB0428
115	HB0431
116	HB0450
117	HB0455
118	HB0467
119	HB0472
120	HB0491
121	HB0583
122	HB0587
123	HB0616
124	HB0636
125	HB0638
126	HB0640
127	HB0641
128	HB0645

Chapter	Bill
129	HB0647
130	HB0649
131	HB0665
132	HB0670
133	HB0672
134	HB0675
135	HB0677
136	HB0733
137	HB0752
138	HB0757
139	HB0766
140	HB0797
141	HB0830
142	HB0901
143	HB1020
144	HB1070
145	HB1079
146	HB1088
147	HB1107
148	HB1183
149	HB1240
150	HB1315
151	HB1327
152	HB1349
153	HB1407
154	SB0273
155	HB0225
156	SB0276
157	SB0279
158	HB0224
159	HB0228
160	SB0004
161	SB0008
162	SB0011
163	SB0012
164	SB0019
165	SB0021
166	HB0072
167	SB0025
168	SB0032
169	HB0004
170	SB0039
171	SB0053
172	SB0054

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Chapter	Bill
173	SB0059
174	SB0069
175	SB0070
176	SB0072
177	SB0080
178	SB0083
179	SB0087
180	SB0090
181	SB0128
182	SB0129
183	SB0131
184	SB0139
185	SB0142
186	HB0124
187	SB0143
188	HB0983
189	SB0144
190	HB0263
191	SB0148
192	HB0162
193	SB0151
194	SB0154
195	SB0155
196	SB0168
197	SB0171
198	HB0196
199	SB0175
200	SB0188
201	HB1353
202	SB0195
203	HB1062
204	SB0198
205	SB0199
206	SB0212
207	SB0223
208	SB0224
209	SB0230
210	SB0235
211	SB0237
212	SB0238
213	SB0243
214	SB0244
215	HB0145
216	SB0245

Chapter	Bill
217	HB0103
218	SB0254
219	HB0098
220	SB0269
221	HB0376
222	SB0302
223	SB0304
224	SB0305
225	SB0313
226	HB0370
227	SB0315
228	HB0414
229	SB0321
230	HB0410
231	SB0335
232	SB0338
233	HB0425
234	SB0344
235	HB0357
236	SB0346
237	SB0350
238	SB0351
239	SB0355
240	SB0356
241	HB0698
242	SB0358
243	HB0314
244	SB0371
245	HB0464
246	SB0374
247	SB0375
248	SB0380
249	HB1343
250	SB0385
251	SB0390
252	HB0009
253	SB0392
254	SB0400
255	SB0401
256	HB0179
257	SB0404
258	HB0408
259	SB0414
260	HB1012

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Chapter	Bill
261	SB0422
262	HB0667
263	SB0424
264	SB0426
265	HB0891
266	SB0431
267	SB0436
268	HB1209
269	SB0446
270	HB0342
271	SB0459
272	HB1121
273	SB0460
274	HB0723
275	SB0462
276	HB0994
277	SB0471
278	SB0484
279	HB0184
280	SB0496
281	SB0501
282	HB0624
283	SB0516
284	SB0547
285	HB0708
286	SB0548
287	SB0557
288	SB0581
289	HB1216
290	SB0582
291	HB1252
292	SB0586
293	HB1019
294	SB0589
295	HB0334
296	SB0592
297	HB1148
298	SB0595
299	SB0610
300	SB0624
301	HB0942
302	SB0634
303	HB1127
304	SB0676

Chapter	Bill
305	SB0679
306	HB0690
307	SB0690
308	HB0900
309	SB0715
310	SB0729
311	SB0736
312	SB0742
313	SB0745
314	SB0748
315	HB0561
316	SB0752
317	HB1119
318	SB0769
319	SB0776
320	HB0934
321	SB0777
322	SB0797
323	HB1084
324	SB0798
325	SB0846
326	SB0849
327	HB1090
328	SB0881
329	SB0897
330	HB1297
331	SB0899
332	HB0778
333	SB0920
334	SB0930
335	SB0931
336	SB0963
337	SB1004
338	HB1448
339	SB1029
340	SB1057
341	SB1064
342	HB1534
343	SB1066
344	SB1068
345	SB1072
346	HB0007
347	HB0034
348	HB0056

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Chapter	Bill
349	HB0099
350	HB0126
351	HB0139
352	HB0167
353	HB0199
354	HB0201
355	HB0207
356	HB0212
357	HB0214
358	HB0216
359	HB0218
360	HB0234
361	HB0235
362	HB0238
363	HB0250
364	HB0301
365	HB0303
366	HB0311
367	HB0333
368	HB0361
369	HB0396
370	HB0419
371	HB0430
372	HB0453
373	HB0489
374	HB0526
375	HB0527
376	HB0529
377	HB0537
378	HB0555
379	HB0581
380	HB0631
381	HB0669
382	HB0674
383	HB0695
384	HB0706
385	HB0724
386	HB0742
387	HB0749
388	HB0781
389	HB0791
390	HB0803
391	HB0806
392	HB0813

Chapter	Bill
393	HB0868
394	HB0955
395	HB0963
396	HB0978
397	HB0986
398	HB1009
399	HB1040
400	HB1082
401	HB1096
402	HB1098
403	HB1101
404	HB1115
405	HB1190
406	HB1203
407	HB1205
408	HB1215
409	HB1220
410	HB1279
411	HB1292
412	HB1301
413	HB1320
414	HB1394
415	HB1396
416	HB1406
417	HB1408
418	HB1429
419	HB1499
420	HB1513
421	HB1514
422	SB0829
423	HB0100
424	HB0101
425	HB0102
426	HB0115
427	SB0281
428	SB0841
429	HB1515
430	HB1372
431	HB0292
432	SB0002
433	HB0066
434	SB0027
435	HB0385
436	SB0042

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Chapter	Bill
437	SB0047
438	HB0191
439	SB0058
440	SB0066
441	SB0082
442	SB0109
443	SB0124
444	SB0149
445	HB0068
446	SB0150
447	HB0133
448	SB0161
449	HB0286
450	SB0190
451	SB0194
452	SB0202
453	HB0372
454	SB0280
455	SB0332
456	SB0334
457	HB0312
458	SB0342
459	HB0070
460	SB0349
461	HB0275
462	SB0366
463	SB0370
464	SB0383
465	HB0291
466	SB0428
467	HB0319
468	SB0429
469	HB0305
470	SB0461
471	HB1176
472	SB0470
473	HB0492
474	SB0473
475	SB0474
476	HB0496
477	SB0476
478	HB0495
479	SB0477
480	HB0494

Chapter	Bill
481	SB0481
482	SB0482
483	SB0486
484	HB0523
485	SB0489
486	HB1211
487	SB0505
488	SB0506
489	HB0551
490	SB0510
491	SB0512
492	SB0524
493	SB0526
494	HB1076
495	SB0535
496	SB0536
497	HB0604
498	SB0542
499	SB0553
500	SB0563
501	HB0554
502	SB0575
503	SB0587
504	SB0599
505	HB0585
506	SB0613
507	HB0644
508	SB0617
509	HB0716
510	SB0631
511	SB0632
512	SB0633
513	SB0639
514	SB0642
515	HB1308
516	SB0656
517	SB0658
518	HB1031
519	SB0662
520	SB0671
521	HB0409
522	SB0674
523	SB0675
524	HB0775

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Chapter	Bill
525	SB0682
526	SB0686
527	SB0697
528	HB1140
529	SB0702
530	HB1337
531	SB0730
532	HB1236
533	SB0740
534	SB0741
535	HB0390
536	SB0750
537	HB0769
538	SB0757
539	HB0795
540	SB0758
541	HB1130
542	SB0762
543	HB0793
544	SB0764
545	HB0823
546	SB0774
547	SB0784
548	HB0804
549	SB0790
550	SB0801
551	HB0852
552	SB0809
553	HB1303
554	SB0811
555	HB0877
556	SB0813
557	SB0814
558	HB0720
559	SB0815
560	HB1014
561	SB0820
562	HB0767
563	SB0828
564	HB0831
565	SB0832
566	HB0932
567	SB0840
568	SB0854

Chapter	Bill
569	SB0857
570	HB1131
571	SB0863
572	SB0887
573	SB0900
574	HB0335
575	SB0904
576	HB1160
577	SB0905
578	HB1155
579	SB0916
580	SB0917
581	SB0926
582	SB0942
583	HB1313
584	SB0949
585	SB0951
586	HB0879
587	SB0954
588	HB0980
589	SB0955
590	SB0957
591	HB1387
592	SB0965
593	HB1170
594	SB0969
595	HB1413
596	SB0981
597	HB1296
598	SB1026
599	SB1028
600	SB1031
601	HB1482
602	SB1049
603	SB1067
604	HB0018
605	HB0048
606	HB0057
607	HB0077
608	HB0095
609	HB0232
610	HB0256
611	HB0264
612	HB0331

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Chapter	Bill
613	HB0347
614	HB0359
615	HB0362
616	HB0365
617	HB0380
618	HB0543
619	HB0563
620	HB0572
621	HB0591
622	HB0596
623	HB0598
624	HB0613
625	HB0621
626	HB0637
627	HB0639
628	HB0642
629	HB0646
630	HB0650
631	HB0653
632	HB0680
633	HB0687
634	HB0697
635	HB0709
636	HB0713
637	HB0753
638	SB0339
639	HB0786
640	HB0794
641	HB0801
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643	HB0854
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