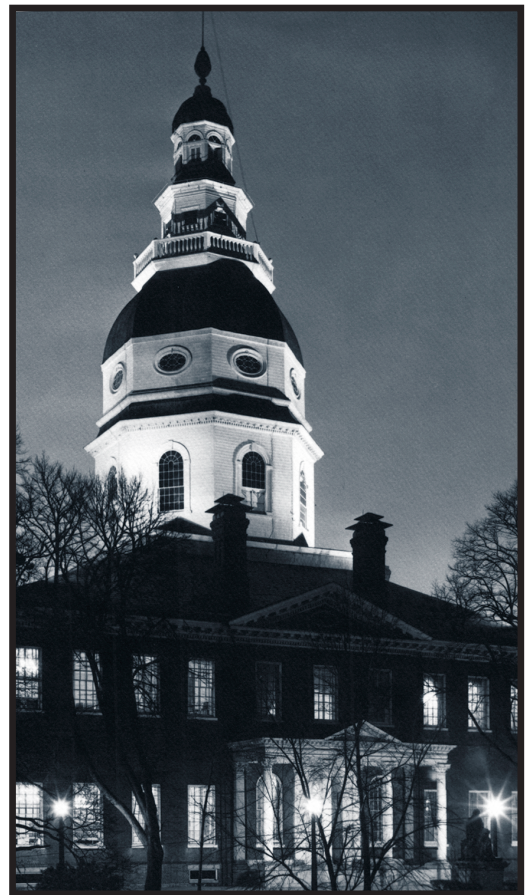


THE 90 DAY REPORT

*A Review of the 2014
Legislative Session*



Department *of* Legislative Services
MARYLAND GENERAL ASSEMBLY

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April 11, 2014

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

Ladies and Gentlemen:

I am pleased to present you with *The 90 Day Report – A Review of the 2014 Legislative Session*.

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

I hope that you will find *The 90 Day Report* as helpful this year as you have in the past. The *Effect of the 2014 Legislative Program on the Financial Condition of the State* will be issued after the Governor has taken final action on all bills.

Sincerely,

Karl S. Aro
Executive Director

KSA/ncs

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Part A

Budget and State Aid

Operating Budget

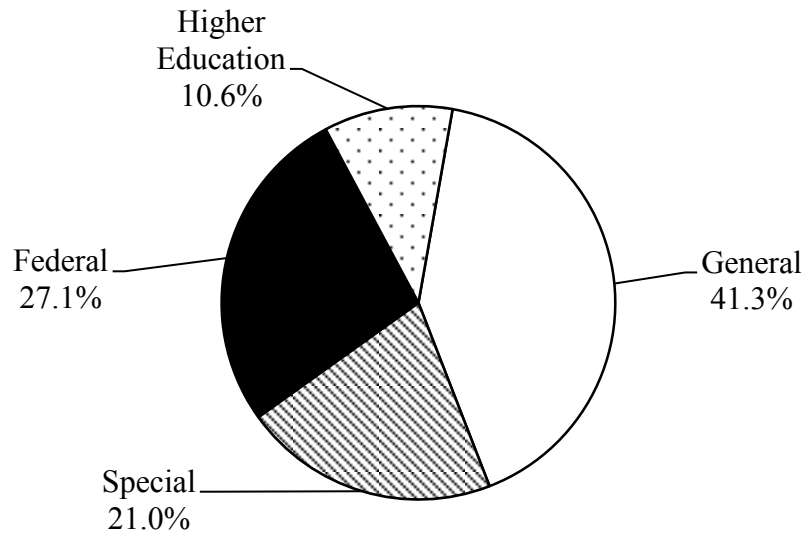
Overview

The fiscal 2015 budget grows by 4.3%, to \$38.9 billion. Aside from a large influx of federal dollars due to Affordable Care Act (ACA) enrollment growth in Medicaid, this is essentially a current services budget. Funding is provided for entitlements and mandated cost increases for K-12 education and other formula-based programs. State employment remains virtually flat, with nominal compensation growth of a 2.0% general salary increase. Merit increases are fully funded for the first time since fiscal 2009. Final action on the budget leaves an estimated general fund cash balance of \$83.0 million at the end of fiscal 2015, in addition to \$794.9 million in the Rainy Day Fund. The legislature also met all of the recommendations of the Spending Affordability Committee (SAC).

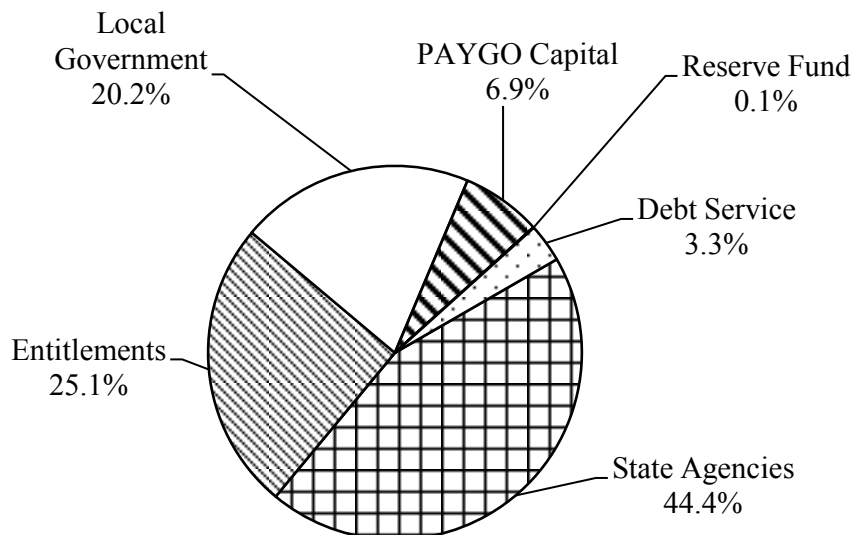
Budget in Brief

The Fiscal Year 2015 Budget Bill, *Senate Bill 170 (enacted)*, provides \$38.9 billion in appropriations for fiscal 2015 – an increase of \$1.6 billion (4.3%) above fiscal 2014. **Exhibit A-1.1** illustrates funding by type of revenue. General fund spending accounts for 41.3% of the total budget. Federal funds support 27.1% of all spending. Special funds constitute 21.0% of the budget, and higher education revenue provides the remaining 10.6%. State agency operations constitute the largest area of spending, representing 44.4% of the total budget. Entitlements account for 25.1% of the budget, and 20.2% is provided as aid to local governments. Remaining appropriations fund pay-as-you-go (PAYGO) capital spending, debt service on State general obligation (GO) bonds, and transfers to the State Reserve Fund.

Exhibit A-1.1
Maryland's \$38.9 Billion Fiscal 2015 Budget
Where It Comes From: Budget by Fund Source



Where It Goes: Budget by Purpose



PAYGO: pay-as-you-go

General fund appropriations increase by \$478.7 million, or 3.1%, over the fiscal 2014 working appropriation. About one-half of the increase is related to State employee compensation, net of offsetting health insurance savings due to a surplus balance. Annualization of the fiscal 2014 general salary increase and merit increases accounts for \$120.6 million. A 2.0% general salary increase effective January 1, 2015, merit increases, and selected position reclassifications add \$119.5 million. Another cost driver is mandated education and library aid, including funds to continue phasing-in Net Taxable Income adjustments to education formulas and an initiative to expand prekindergarten programs. Debt service on GO bonds requires an increase of \$57.0 million. Additional aid to higher education provides funding to meet mandated expenses and to limit tuition growth to 3.0%. Formula aid to community colleges increases by \$13.1 million in fiscal 2015 to \$226.1 million. Aid to nonpublic colleges and universities grows by \$3.1 million, to \$44.4 million. Various provider inflation adjustments were also funded.

Special funds grow by \$409.9 million, or 5.3%, compared to the fiscal 2014 working appropriation. The bulk of this relates to the increase in the transportation PAYGO capital program following the enactment of Chapter 429 of 2013, which substantially increased revenue to the Transportation Trust Fund. The Maryland Department of Transportation also received over 350 new positions to convert temporary positions in the Maryland Transit Administration to full-time regular status and to implement an initiative to reduce wait times at Motor Vehicle Administration branch offices and call centers. Transportation-related debt service also rises by \$43.1 million due to previously issued bonds. Other growth in special fund appropriations is found in K-12 education aid as gaming revenue continues to climb, low-income energy assistance based on greater attainment of Strategic Energy Investment Funds, and Medicaid. Decreases are seen in the Maryland Health Insurance Plan (MHIP) as enrollees shift to the Maryland Health Benefit Exchange (MHBE) and lower attainment from corporate income taxes, which are credited to the Higher Education Investment Fund.

Federal fund spending increases by \$633.3 million, or 6.4%. Most of the increase is for Medicaid expansion due to the federal ACA. Other federal increases are provided for transportation PAYGO capital for new planned transit lines and highway projects, and for rising caseloads in the 100.0% federally funded Supplemental Nutrition Assistance Program. Federal funds decrease in the Maryland State Department of Education due to a loss in one-time fiscal agent Partnership for Assessment of Readiness for College and Careers funds and a decline in Race to the Top expenditures as projects are wrapping up. There are also decreases for major information technology (IT) project development in MHBE and for the Broadband Exchange under the Department of Information Technology. Finally, decreases are realized as MHIP enrollees shift to the State's MHBE, and the Department of Human Resources realigns its estimate of anticipated Low Income Home Energy Assistance Program funds in fiscal 2015.

The budgets for public higher education institutions increase by \$185.3 million in total funds, or 3.5%, in fiscal 2015. Of this amount, \$143.7 million is from general funds, which in part, is intended to limit tuition growth to 3.0% at most institutions.

With respect to personnel, the size of the regular State workforce increases by 0.65%, or 522 positions, to 80,744 regular positions in fiscal 2015. State employees receive a 2.0% general

salary increase on January 1, 2015, and merit increments on July 1, 2014, or January 1, 2015, based on their date of employment. There is also funding for a limited number of Annual Salary Review reclassifications. State employees will also receive four additional health insurance premium holidays and five additional service reduction days. For a more detailed discussion of personnel issues, see the subpart “Personnel” within Part A of this *90 Day Report*.

Framing the Session: 2013 Interim Activity

Board of Revenue Estimates Revenue Revisions

In September 2013, the Board of Revenue Estimates (BRE) revised the fiscal 2014 estimate downward by \$61.9 million, due mainly to underperformance of the corporate income tax and the sales tax. In its December 2013 revision, the board adopted a transfer of \$99.5 million to the local income tax reserve fund to correct for fiscal 2013 underfunding. The estimate for fiscal 2015 was increased by \$143.7 million based on expected employment growth and increased sales taxes. Sales tax revenue was boosted partly on the expected establishment of an Amazon distribution center in Baltimore City. Overall, revenue growth was forecasted at 2.3% in fiscal 2014 and 5.2% in fiscal 2015.

Spending Affordability Committee Recommendations

SAC prepared its final report to the Governor in December 2013, which recommended continuing efforts to reduce the ongoing structural imbalance in the general fund, as well as the more traditional limit on the rate of growth in spending.

Spending Limit and Sustainability: The committee recommended that the budget submitted by the Governor and approved by the General Assembly for fiscal 2015 reduce the general fund structural deficit by at least \$125 million. This action would reduce the projected \$362 million structural deficit to approximately \$237 million. Moreover, the committee adopted a 4% limit on spending growth for the 2014 session.

Personnel: The committee recommended that the current complement of 80,688 regular positions was appropriate for the delivery of State services given the fiscal condition of the State. It was recommended that any additional positions necessary for new activities or facilities be accommodated within the current overall level, with exceptions provided for:

- up to 100 new correctional officers;
- up to 333 new public defenders and related personnel, in response to the *DeWolfe vs. Richmond* decision;

- the conversion of contractual employees; or
- positions required to address deficiencies identified in legislative audits.

State Reserve Fund: SAC recommended that the balance of the Rainy Day Fund should be maintained at or above 5% of estimated revenues.

Governor’s Spending Plan as Introduced

For fiscal 2014, the Governor proposed \$198.7 million in deficiency appropriations. Additional funding was provided for Medicaid, computer operations in MHBE, overtime and other inmate-related costs in the Department of Public Safety and Correctional Services, K-12 school assessment contracts, Educational Excellence scholarships, public defender operating expenses, and a variety of miscellaneous increases across State government. A large portion of deficiency spending was offset by a reduction of \$86.1 million for supplemental retirement system contributions, as well as across-the-board reductions due to a surplus in the State employee health care account and overbudgeted funds for development of a statewide Personnel IT system. General fund reversions of \$71.8 million were assumed, consisting of \$30.0 million in unspecified reversions and \$41.8 million in targeted reversions.

The fiscal plan submitted by the Administration provided for \$39.2 billion in total spending for fiscal 2015, net of \$30.0 million in unspecified reversions. Relative to the recommendation made by SAC to reduce the structural deficit by at least \$125.0 million, the proposed budget reduced \$152.0 million from the projected fiscal 2015 structural deficit. The Governor’s proposed spending plan estimated a closing fiscal 2015 general fund balance of \$36.9 million, including a \$204.5 million transfer from the Rainy Day Fund. **Exhibit A-1.2** details the Governor’s original general fund spending plan for fiscal 2014 and 2015.

The Governor’s budget plan was balanced in part through additional revenue assumptions, proposed fund transfers, and spending cuts contingent upon legislative action through budget reconciliation legislation.

Revenue Assumptions: The Governor’s fiscal 2015 spending plan assumed \$45.4 million in additional revenues. This included the diversion of revenue from the sale of Medevac helicopters from the Annuity Bond Fund to the general fund (\$17.6 million) and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (\$11.2 million). A proposed reduction in lottery commissions would yield \$8.8 million, and the balance was expected from settlements and smaller miscellaneous revenues. These increases would be offset by the loss of \$7.3 million from new or expanded tax credit programs. The Governor proposed to expand the film tax credit program by \$3.5 million, to add \$2.0 million to the biotechnology tax credit, \$1.0 million to the cybersecurity tax credit, and to increase the Research & Development tax credit.

Exhibit A-1.2
Governor's Original Budget Plan
Fiscal 2014-2015
(\$ in Millions)

	<u>2014</u>	<u>2015</u>
Opening Balance	\$501.9	\$84.7
Board of Revenue Estimates Revenues	\$15,230.6	\$16,005.3
Additional Revenues	14.2	23.9
Transfers	22.1	348.2
Subtotal	\$15,266.9	\$16,377.4
Appropriations and Deficiencies	\$15,755.9	\$16,557.6
Contingent Reductions	0.0	-97.8
Targeted Reversions	-41.8	-4.7
Reversions	-30.0	-30.0
Subtotal	\$15,684.2	\$16,425.1
Closing Balance	\$84.7	\$36.9

Source: Maryland Budget Highlights, Fiscal 2015

Fund Transfers: Fiscal 2015 was balanced in part by a \$118.2 million in proposed transfers to the general fund. The largest included a transfer of \$69.1 million from Program Open Space, which in combination with the \$75.1 million to be transferred in fiscal 2015 per Chapter 425 of 2013, represents about 75% of estimated transfer tax revenues. The Governor also proposed transfers of \$25.8 million from the University System of Maryland fund balance, \$19.1 million from cancelled Sustainable Community Tax Credit projects, and \$4.2 million from other funds.

Contingent Reductions: Finally, the Governor proposed \$99.7 million in general fund reductions, contingent on the enactment of the Budget Reconciliation and Financing Act (BRFA) of 2014, *Senate Bill 172 (passed)*. The largest element was a proposed ongoing reduction of \$88.3 million (\$100.0 million in all funds) of supplemental retirement contributions. Smaller reductions were proposed to Aid to Community Colleges, Aid to Private Colleges and Universities, the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO), and Medicaid. The BRFA of 2014 also included a provision to allow use of special Charter Unit funds in the State Department of Assessments and Taxation (SDAT) to be used to replace general funds in support of administrative expenses.

Legislative Consideration of the Budget

Revenue and Spending Changes

Revenue Revision: Legislative consideration of the budget was made more challenging in March 2014 when BRE revised general fund revenues downward by a combined \$237.8 million. This included a write-down of \$126.7 million in fiscal 2014 and \$111.1 million in fiscal 2015. Growth in both the sales and personal income tax were tempered as the economy grew more slowly than expected. This lowered the rate of growth to 1.5% in fiscal 2014, while the expectation of a stronger 5.2% growth in fiscal 2015 remained. Additionally, gaming revenue to the Education Trust Fund was lowered by \$9.7 million in fiscal 2015, which would necessitate a general fund appropriation to ensure that education formulas were fully funded.

Supplemental Budget No. 1: The Governor introduced one supplemental budget that increased spending by a total of \$160.7 million (net of double-counted funds for higher education). Some of the larger items that were funded include \$55.0 million in special funds for debt service, due to the recognition of anticipated bond premiums in fiscal 2015, \$32.0 million in general and federal dollars to account for enrollment growth and managed care organization (MCO) rate increases for the Children's Health Insurance Program in Medicaid, \$20.1 million in special funds for low-income energy assistance due to severe winter weather, and \$15.8 million in mostly federal funds for continued IT improvements for MHBE. Spending increases are offset by anticipated reversions from Medicaid of \$9.3 million in fiscal 2014, and \$0.3 million in fiscal 2015.

The supplemental budget also boosted the fiscal 2014 fund balance by withdrawing \$20.8 million in health insurance spending while increasing a like amount in fiscal 2015.

Reductions: The legislature reduced the fiscal 2014 budget by \$204.5 million and the fiscal 2015 budget by \$661.7 million. The combined reduction equals \$866.2 million. Nearly one-half of this amount relates to the reduction of supplemental retirement contributions, which are made above the actuarially required contribution per pension reform adopted at the 2011 session. In lieu of the Governor's proposed ongoing reduction of \$100.0 million, the legislature chose to reduce \$200.0 million in each of fiscal 2014 and 2015, phasing back to the \$300.0 million contribution level by fiscal 2019. For a more detailed discussion of this issue, see the subpart "Personnel" within Part C – State Government of this *90 Day Report*.

Other major actions include a reduction of \$208.5 million from the appropriation to the Rainy Day Fund, consistent with an action to forego a planned transfer of \$204.5 million from the fund to the general fund. This more accurately portrays spending in the budget. Debt service was reduced by \$55.0 million due to a larger than expected bond premium in fiscal 2014 and the decision to recognize a portion of bond premiums expected to be realized in fiscal 2015. Spending for Program Open Space is reduced by \$69.1 million, related to the transfer of revenue to the general fund. Medicaid was reduced by \$49.2 million, mostly for MCO cost containment and the deletion of funding due to delays in a new IT system.

Final Actions Related to SAC

Limiting Spending Growth: Exhibit A-1.3 indicates that final revenue and spending actions by the legislature reduced the fiscal 2014 structural deficit by \$126.1 million, which exceeds the SAC recommendation to reduce the structural general fund deficit by at least \$125.0 million. Spending growth as measured on a SAC basis grows by 2.76% at the 2014 session, which is far below the 4.0% limit that was recommended.

Personnel: The budget as introduced funded 80,927.9 positions. Exemptions for contractual conversions, 100.0 additional correctional officers, and positions to address deficiencies identified by legislative audits reduced this amount by 291.1 resulting in 80,636.8 positions on a spending affordability basis. Supplemental Budget No. 1 created 7.0 positions. The legislature also abolished 191.0 positions from the base budget. At 80,452.8 positions, the fiscal 2015 personnel complement is below the 80,688.0 cap recommended by SAC for the 2014 session. Thus, the final action for State employment is consistent with the SAC recommendation.

Exhibit A-1.3 Operating Budget Affordability Limit (\$ in Millions)

Target

Estimated Structural Gap (December 2013)	-\$362
Target Reduction	-125

Ongoing Revenues	\$16,060
March 2014 Revenue Revision	-111
Supplemental Budget No. 1	1
Legislation	-1
Medevac Sale	-18
Other One-time Items	-8

Subtotal	\$15,923
-----------------	-----------------

Ongoing Spending	\$16,061
Rainy Day Fund	-20
Tobacco Arbitration	40
One-time Attorney Expense	-10
One-time Reduction to Mandated Appropriations	1
One-time Supplemental Retirement Contribution	88
Supplemental Budget No. 1 One-time Spending	1
Pay-as-you-go Capital	-1

Subtotal	\$16,159
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Amount Reduced from Structural Shortfall	\$126
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Remaining Structural Gap	\$236
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Source: Department of Legislative Services

State Reserve Fund Balance: No funds are transferred to support fiscal 2015 spending, maintaining a \$794.9 million balance in the Rainy Day Fund. This constitutes a 5% balance. Final action on the budget complied with the SAC recommendation to maintain at least a 5% balance.

Summary of Fiscal 2015 Legislative Activity

Exhibit A-1.4 shows the impact of the legislative budget on the general fund balance for fiscal 2014 and 2015. The fiscal 2014 balance is estimated to be \$127.0 million, assuming \$46.2 million in targeted reversions and another \$30.0 million in unspecified reversions. At the end of fiscal 2015, the closing balance is estimated to be \$83.0 million assuming \$30.3 million in reversions.

Exhibit A-1.4 Final Legislative Budget Action with SB 170 Fiscal 2014-2015 (\$ in Millions)

	<u>2014</u>	<u>2015</u>
Opening Balance	\$501.9	\$127.0
Board of Revenue Estimates Revenues	\$15,103.9	\$15,894.2
Additional Revenues	37.7	23.4
Legislation	8.0	29.9
Transfers	58.2	70.1
Subtotal	\$15,207.9	\$16,017.6
Appropriations/Supplemental/Deficiencies	\$15,841.3	\$16,591.8
Reductions	-7.9	-318.7
Contingent Reductions	-174.5	-181.4
Reversions	-76.2	-30.3
Subtotal	\$15,582.8	\$16,061.5
Closing Balance	\$127.0	\$83.0

Source: Department of Legislative Services

Outlook for Future Budgets

As shown in **Exhibit A-1.5**, fiscal 2015 is projected to end with an \$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 also has an estimated \$395 million cash shortfall. The cash shortfall is attributable to the following cost increases:

- \$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 repayment;
- \$50 million for the phase-in of the \$300 million supplemental retirement payment;
- \$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, below); and
- \$15 million to support cost increases related to the minimum wage increase, library formulas, and E-Nnovation (discussed further, below).

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 appropriations from fiscal 2016 to 2019.

Exhibit A-1.5
General Fund Budget Outlook
Fiscal 2014-2019
(\$ in Millions)

	2014	2015	2016	2017	2018	2019	2015-19
	<u>Working</u>	<u>Leg. Approp.</u>	<u>Est.</u>	<u>Est.</u>	<u>Est.</u>	<u>Est.</u>	<u>Avg Annual Change</u>
<u>Revenues</u>							
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	
<i>Subtotal One-time Revenue</i>	<i>\$592</i>	<i>\$222</i>	<i>\$110</i>	<i>\$28</i>	<i>\$30</i>	<i>\$35</i>	<i>-37.0%</i>
Ongoing Revenues	\$15,118	\$15,924	\$16,686	\$17,475	\$18,243	\$18,930	
Revenue Adjustments and Legislation	0	-1	-35	-64	-104	-139	
<i>Subtotal Ongoing Revenue</i>	<i>\$15,118</i>	<i>\$15,923</i>	<i>\$16,651</i>	<i>\$17,411</i>	<i>\$18,139</i>	<i>\$18,790</i>	<i>4.2%</i>
Total Revenues and Fund Balance	\$15,710	\$16,145	\$16,761	\$17,439	\$18,169	\$18,825	3.9%
<u>Ongoing Spending</u>							
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	
<i>Subtotal Ongoing Spending</i>	<i>\$15,620</i>	<i>\$16,159</i>	<i>\$17,055</i>	<i>\$17,636</i>	<i>\$18,423</i>	<i>\$19,221</i>	<i>4.4%</i>
<u>One-time Spending</u>							
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	
<i>Subtotal One-time Spending</i>	<i>-\$38</i>	<i>-\$97</i>	<i>\$101</i>	<i>\$51</i>	<i>\$51</i>	<i>\$51</i>	
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

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

- ***House Bill 739 (passed)*** 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 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 \$21.0 million in fiscal 2016. This increases to \$105.0 million in fiscal 2019. When fully phased in, reduced revenues total \$154.0 million in fiscal 2021;
- ***House Bill 198 (passed)*** expands the refund for low- and moderate-income individuals from 25 to 28% 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 \$4.0 million in fiscal 2016 to \$27.0 million in fiscal 2019; and
- ***Senate Bill 601/House Bill 741 (both passed)*** creates 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:

- ***House Bill 295 (passed)*** 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 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;
- ***Senate Bill 419 (passed)*** increases the per capita funding amount that must be provided to regional resource centers and county public libraries. This increases fiscal 2016 costs by \$3.0 million. Costs are expected to grow over the forecast period to \$6.0 million in fiscal 2019;

- **Senate Bill 430 (passed)** establishes minimum funding for the Maryland Library for the Blind and Physically Handicapped (LBPH), 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 \$2.0 million. This grant increases modestly each year and totals \$3.0 million in fiscal 2019;
- **Senate Bill 601/House Bill 741**, creates 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. Because the revenue component does not equal a projected \$8.5 million annually, the forecast also includes an additional \$1.2 million to \$3.4 million in general fund appropriations during the forecast period.

Exhibit A-1.6 shows that structural deficit increases from \$236 million in fiscal 2015 to \$431 million in fiscal 2019. In March 2014, the Board of Revenue Estimates 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.

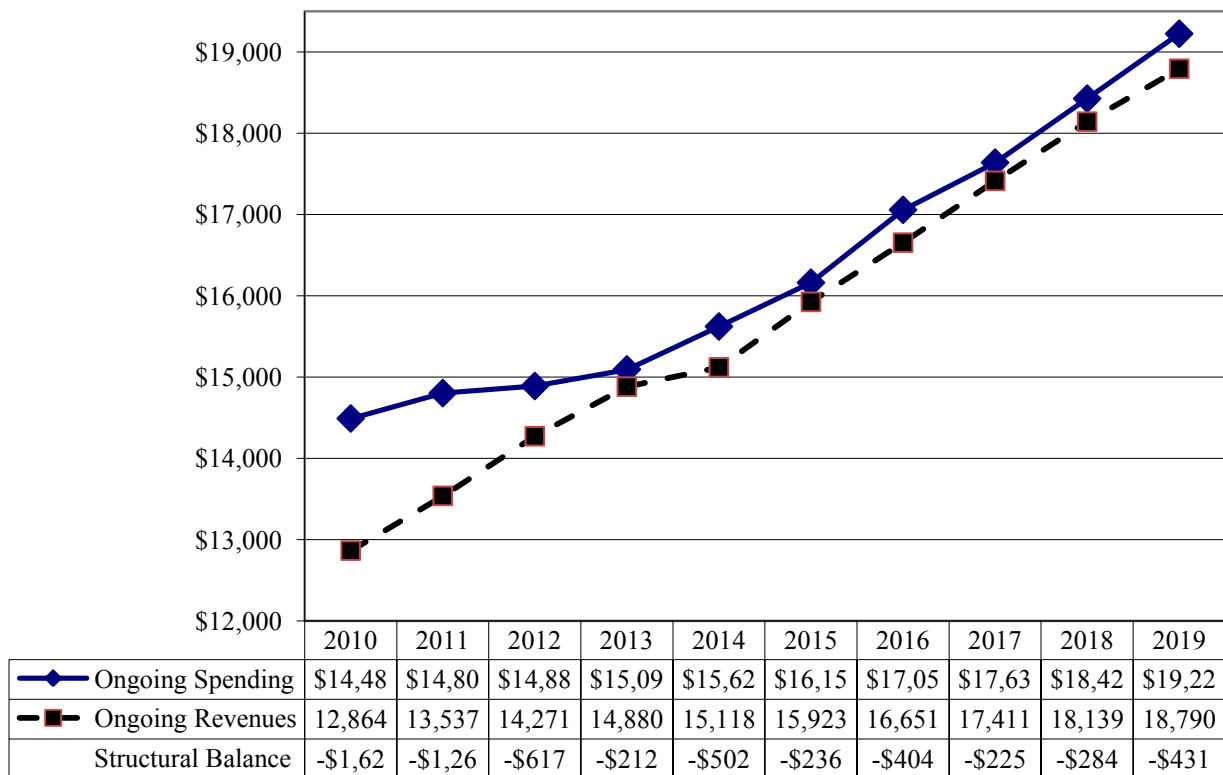
Budget Reconciliation and Financing Legislation

Senate Bill 172, the BRFA of 2014, implements \$523.3 million in actions to the benefit of the general fund for fiscal 2014 and 2015 (as shown in **Exhibit A-1.7**) and includes certain actions that reduce the State's structural imbalance. The provisions in the BRFA of 2014 can be categorized into six groups: use of special fund revenues, general fund revenue actions, cost control measures and modifications to mandates, program oversight and administration, provisions that benefit local governments, and other provisions.

Use of Special Funds

The BRFA of 2014 contains a number of provisions to expand the use of special funds for State agency operations and programs. SDAT is authorized to use Charter Unit Fund revenues to cover up to 5% of the administrative expenses of the Office of the Director. The Department of General Services is authorized to use monies in the Not-For-Profit Development Fund to evaluate the participation of not-for-profit entities in State procurement. The Department of Business and Economic Development may use funds from the Economic Development Opportunities (Sunny Day) Fund and the Special Fund for the Preservation of Cultural Arts to provide grants to supplement tax credits awarded under the film production activity tax credit program.

Exhibit A-1.6
The General Fund Structural Deficit Widens by Fiscal 2019
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.

Exhibit A-1.7
Summary of Actions in the Budget Reconciliation and Financing Act of 2014
(\$ in Millions)

Fiscal 2014 Fund Transfers	\$58.2
Fiscal 2015 Fund Transfers	70.1
Fiscal 2014 Revenues	8.0
Fiscal 2015 Revenues	31.1
Fiscal 2014 Expenditure Reductions	174.5
Fiscal 2015 Expenditure Reductions	181.4
Total Budgetary Action	\$523.3

The BRFA of 2014 designates at least \$7 million annually, for fiscal 2016 through 2018, for State police vehicles and related equipment and requires an increasing percentage of Maryland Park Service revenues be provided to the Maryland Park Service for its operations. The BRFA of 2014 permanently establishes the allocation of proceeds from the Regional Greenhouse Gas Initiative across programs in several State agencies.

The BRFA of 2014 also designates special fund revenues for grants to external entities, such as an annual grant to the Maryland State Firemen's Association Widows' and Orphans' Fund from the proceeds of the moving violation surcharge. For fiscal 2015 through 2019, \$500,000 is designated annually from certain video lottery terminal revenues to supplement racetrack impact aid in the communities around Laurel Park. Finally, the BRFA of 2014 specifies grants to be distributed from the Special Fund for the Preservation of Cultural Arts: \$100,000 to Arena Players, Inc.; \$150,000 to the Great Blacks in Wax Museum, Inc; \$200,000 to the Prince George's African-American Museum and Cultural Center at North Brentwood, Inc.; and \$800,000 to the Maryland School for the Blind.

General Fund Revenue Actions

Revenue actions that benefit the general fund include permanently establishing lottery agent commissions at 5.5% of gross receipts from ticket sales and directing the proceeds from the sale of the Dauphin 365N Medevac helicopters to the general fund instead of the Annuity Bond Fund. The revenue from the sales tax on vehicle rentals that is directed to the general fund instead of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is increased by \$8.0 million in fiscal 2014 and \$6.2 million in fiscal 2015, and an additional \$69.1 million of transfer tax revenues is directed to the general fund in fiscal 2015. Contingent on the enactment of *House Bill 510 (passed)*, \$19.0 million from the Sustainable Communities Tax Credit Reserve Fund is directed to the general fund; this represents the amount of commercial tax credit certificates issued in fiscal 2006 through 2010 that have not been claimed or extended.

As seen in **Exhibit A-1.8**, balances in the following funds are transferred to the general fund:

Exhibit A-1.8 Budget Reconciliation and Financing Act of 2014 General Fund Transfers Fiscal 2014-2015 (\$ in Millions)		
	<u>2014</u>	<u>2015</u>
Radiation Control Fund	\$300,000	
Biotechnology Investment Tax Credit Reserve Fund	650,000	
Senior Prescription Drug Assistance Program	1,000,000	
Maryland Correctional Enterprises Revolving Fund	1,800,000	\$1,000,000
Morgan State University	2,000,000	
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	2,400,000	
Sustainable Communities Tax Credit (Unallocated)	125,000	
Sustainable Communities Tax Credit (Unclaimed Credit)	18,971,632	
University System of Maryland	31,000,000	
Program Open Space		69,126,544
Total	\$58,246,632	\$70,126,544

Source: Department of Legislative Services

Cost Control Measures and Modifications to Mandates

The fiscal 2015 appropriation for MARBIDCO is reduced to \$2,875,000, and the period for the corporation to receive a grant is extended to fiscal 2021. The percentage of per-student funding that is used to calculate the Cade formula for community college aid is modified for fiscal 2016 through 2019; the Sellinger formula for private colleges and universities is similarly modified for fiscal 2016 through 2020. The Targeted Public Health formula is clarified so that the inflation and population adjustments are applied to the prior year's grant.

The annual amount of supplemental contribution that is to be paid into the State Employees and Teachers Retirement System is specified, reaching \$300 million by fiscal 2019. The supplemental contribution ends when the system is 85% funded and has exited the corridor funding method. The Board of Trustees is to undertake a study and submit a report based on an actuarial valuation that examines, among other things, the effects of exiting the corridor funding method and of this change in the supplemental contribution.

The annual hospital assessment levied for MHIP is reduced to a maximum of 0.3%, and the increase in rates paid to group homes for fiscal 2015 is limited to 1.5% over the rates in effect on January 15, 2014. Statute is clarified to state that a community college is only eligible to receive a payment under the hold harmless component of the community college funding formula if the county government(s) meets maintenance of effort. Finally, the BRFA of 2014 establishes that costs for attorneys appointed to implement the holding in *DeWolfe v. Richmond* beyond the amount expressly provided for this purpose in the State budget are to be billed to and paid by the county in which the representation is provided.

Program Oversight and Administration

The Maryland Amusement Game Advisory Committee is established to advise the State Lottery and Gaming Control Commission on issues related to the amusement industry, and a workgroup is established within SDAT to study issues related to the calculation and administration of tax credits and exemptions. The Secretary of the Department of Information Technology is authorized to designate any project of MHBE as a Major Information Technology Project and subject, therefore, to those statutory requirements. The process for determining future reductions of the Medicaid deficit hospital assessment based on savings to the Medicaid program that result from the new All-payer Model Contract is modified.

The BRFA of 2014 repeals legislative committees that are obsolete or duplicative – the Joint Committee on Welfare Reform, the Joint Committee on Access to Mental Health Services, and the Joint Committee on Health Care Delivery and Financing. The Joint Advisory Committee on Legislative Data Systems and the Joint Committee on Transparency and Open Government are consolidated to become the Joint Committee on Legislative Information Technology Systems and Open Government. The Joint Information Technology and Biotechnology Committee is modified to become the Joint Committee on Cybersecurity, Information Technology, and Biotechnology. Statute governing code revision is clarified to state that the Department of Legislative Services’ Office of Policy Analysis may bring the work to completion.

Provisions that Benefit Local Governments

The rate of interest for income tax refunds for tax years 2006 through 2014 paid as a result of the *Comptroller v. Brian Wynne* case is set at the average prime rate of fiscal 2015. All charter counties are authorized to impose a hotel rental tax. Local education maintenance of effort requirements are clarified to specify that wealth per pupil is calculated using September 1 net taxable income for fiscal 2015 through 2017; beginning in fiscal 2018, November 1 net taxable income will be used. The Maryland Department of the Environment is authorized to enter into a memorandum of understanding with Carroll County or Frederick County by December 1, 2014, to establish an alternative source of revenue to be deposited into a local watershed protection and restoration fund. For a more detailed discussion of this issue, see the subpart “Local Stormwater Remediation Fees” within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Other Provisions

A statutory provision that maintains the certificate of title fee for rental vehicles at \$50 is extended through fiscal 2016. The Health Services Cost Review Commission is authorized in fiscal 2015 only to include \$15.0 million in hospital rates to fund costs incurred by hospitals to implement the new All-payer Model Contract and to fund statewide or regional proposals to support the Model Contract. The Maryland State Police is authorized to donate one of its surplus Dauphin Medevac helicopters to the Smithsonian Institution.

Transportation

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-1.9 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-1.9 Programmed Spending of New Transportation Special Fund Revenue (\$ in Millions)

	Fiscal Years						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*

State Reserve Fund

The Rainy Day Fund, Dedicated Purpose Account, and Catastrophic Event Account are projected to have a combined \$795.2 million fund balance at the end of fiscal 2015. Activity in fiscal 2014 and 2015 is shown in **Exhibit A-1.10**. The fiscal 2015 budget includes an appropriation of \$19.7 million into the Rainy Day Fund. The end-of-year Rainy Day Fund balance is projected to be 5% of fiscal 2015 general fund revenues.

Exhibit A-1.10 State Reserve Fund Activity Fiscal 2014-2015 (\$ in Millions)

	<u>Rainy Day Fund</u>	<u>Dedicated Purpose Acct.</u>	<u>Catastrophic Event Acct.</u>
Estimated Balances June 30, 2013	\$700.4	\$10.0	\$0.6
Fiscal 2014 Appropriations	55.3		
Expenditures – Federal Sequestration		-10.0	
Expenditures – Severe Winter Weather			-0.3
Estimated Interest	7.6		
Estimated Balances June 30, 2014	\$763.3	\$0.0	\$0.3
Fiscal 2015 Appropriations	19.7		
Estimated Interest	11.9		
Estimated Balances June 30, 2015	\$794.9	\$0.0	\$0.3
Percent of Revenues in Reserve	5.0%		

Source: Department of Budget and Management

In fiscal 2014, the Dedicated Purpose Account received \$10.0 million to offset the loss of federal revenues attributable to sequestration. The funds have been transferred in fiscal 2014. Among the programs supported are the Maryland State Department of Education's Head Start and vocational rehabilitation programs; the Department of Health and Mental Hygiene's substance abuse prevention services; the Department of Aging's nutritional and health screening services; and the Department of Labor, Licensing, and Regulation's training, adult education, and job placement programs.

The Catastrophic Event Account began fiscal 2014 with a fund balance totaling \$567,687. Supplemental Budget No. 1 transferred \$259,184 to the Military Department to support unexpected snow removal costs, leaving \$308,503 in the account at the end of fiscal 2015.

Personnel

State expenditures for employee compensation, estimated to be \$7.8 billion in fiscal 2015, are a major component of the budget. Expenditures for regular employees increase by approximately \$418 million, or 5.4%. The major increases are for the annualization of fiscal 2014 salary actions as well as funding for fiscal 2015 salary increases. The increases in employee compensation are offset by reduced spending for health insurance due to the drawdown of excess fund balance and a reduced supplemental contribution to the pension system.

Employee Compensation

The fiscal 2015 budget includes funds for a general salary increase and increments. All employees will receive a 2% general salary increase on January 1, 2015, and qualified employees will also receive a merit increase on July 1, 2014, or January 1, 2015. These salary actions were provided as a result of the one-year collective bargaining agreement. In addition to the compensation items, the agreement provides for five additional service reduction days for employees and four additional health insurance premium holidays. The budget did not fund deferred compensation matching contributions.

Pension Contributions

As part of the plan to balance the budget, the supplemental retirement contribution was reduced by \$200 million in all funds in fiscal 2014 and 2015. For a more detailed discussion of this issue, see the subpart “Personnel” within Part C – State Government of this *90 Day Report*.

Employee and Retiree Health Insurance

At the end of fiscal 2013, the State accumulated a large fund balance in the State Employee Health and Welfare Benefits Fund due to decreased expenditures for medical claims. To draw down the excess fund balance, the Administration reduced agency spending in fiscal 2014 and 2015. With medical claims expected to grow 5.4% in fiscal 2014 and 4.8% in fiscal 2015 and lower agency spending, the excess fund balance will be used to cover the difference between agency spending and medical claims. While agency spending is depressed in fiscal 2014 and 2015 due to the use of fund balance, in fiscal 2016 agency spending is expected to increase by \$67 million, according to the Department of Budget and Management’s long-term forecast.

As discussed earlier, a portion of the fund balance was shared with employees and retirees. During calendar 2014, employees will have four additional health insurance premium holidays. Retirees, who receive benefits on a monthly basis, will receive two additional premium holidays.

Workforce Changes

In fiscal 2015, the State workforce increases by 522 positions, to 80,744 as shown in **Exhibit A-1.11**. The allowance and Supplemental Budget No. 1 added 712 positions, and the legislature abolished 191 positions. Major increases are in the Maryland Department of Transportation (additional positions at the Maryland Transit Administration and the Motor Vehicle Administration), the Department of Public Safety and Correctional Services (additional positions for correctional officers and other administrative positions), and the Judiciary (additional positions for various positions).

By the Numbers

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

Exhibit A-1.12, the fiscal note on the budget bill, depicts the Governor's allowance, funding changes made through Supplemental Budget No. 1, legislative reductions, and final appropriations for fiscal 2014 and 2015 by fund source. The Governor's original request provided for \$39.4 billion in fiscal 2015 expenditures and \$198.7 million in fiscal 2014 deficiencies.

The Governor added \$160.7 million in fiscal 2014 and 2015 spending in the supplemental budget. The legislature made \$204.5 million in reductions to fiscal 2014 appropriations, resulting in a net appropriation of \$37.3 billion for fiscal 2014. The fiscal 2015 budget was reduced by a net of \$661.7 million, consisting of \$661.8 billion in total fund reductions offset by \$0.1 million in special funds that replace general fund cuts. This resulted in a final appropriation of \$38.9 billion.

Exhibit A-1.13 illustrates budget changes by major expenditure category by fund. Total spending increases by \$1.6 billion, or 4.3%. Debt service grows by 8.3% because the State has issued additional GO debt in recent years. Aid to local government increases by 2.7% largely due to formula-based education aid. Entitlement spending grows by 8.8% due to Medicaid expansion to 138.0% of the federal poverty level as part of the federal ACA. State agency spending only increases by 1.3%. PAYGO capital expenditures increase by 10.7%, due mostly to greater spending on transportation projects funded by the revenue increase adopted at the 2013 session.

Exhibit A-1.11
Regular Full-time Equivalent Positions
Fiscal 2014-2015

<u>Department/Service Area</u>	<u>2014 Working Approp.</u>	<u>2015 Allowance*</u>	<u>Legis. Reductions</u>	<u>2015 Legis. Approp.</u>
Health and Human Services				
Health and Mental Hygiene	6,407	6,413	-5	6,408
Human Resources	6,529	6,502	0	6,502
Juvenile Services	2,078	2,078	0	2,078
Subtotal	15,014	14,993	-5	14,988
Public Safety				
Public Safety and Correctional Services	11,046	11,151	-15	11,136
Police and Fire Marshal	2,424	2,450	0	2,450
Subtotal	13,470	13,601	-15	13,586
Transportation	8,784	9,156	0	9,156
Other Executive				
Legal (Excluding Judiciary)	1,505	1,505	0	1,505
Executive and Administrative Control	1,635	1,647	0	1,647
Financial and Revenue Administration	2,054	2,109	0	2,109
Budget and Management and DoIT	441	448	0	448
Retirement	205	205	0	205
General Services	580	594	0	594
Natural Resources	1,295	1,305	0	1,305
Agriculture	383	385	0	385
Labor, Licensing, and Regulation	1,647	1,647	-1	1,646
MSDE and Other Education	1,973	1,984	0	1,984
Housing and Community Development	337	341	0	341
Business and Economic Development	222	220	-1	219
Environment	937	958	0	958
Subtotal	13,213	13,347	-2	13,345
Executive Branch Subtotal	50,480	51,096	-22	50,074
Higher Education	25,355	25,339	0	25,339
Judiciary	3,639	3,752	-19	3,733
Legislature	748	748	0	748
Across-the-board Reduction			-150	
Grand Total	80,222	80,934	-191	80,744

DoIT: Department of Information Technology
MSDE: Maryland State Department of Education

* Includes 7 positions funded in Supplemental Budget No. 1.

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

Exhibit A-1.12
Fiscal Note – Summary of the Fiscal 2015 Budget Bill – Senate Bill 170

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Education Funds</u>	<u>Total Funds</u>
Governor's Allowance					
Fiscal 2014 Budget	\$15,775,377,975	\$7,740,284,179	\$9,858,731,182	\$4,054,412,900	\$37,428,806,236 ⁽¹⁾
Fiscal 2015 Budget	16,527,609,954	8,199,702,176	10,560,748,098	4,117,413,398	39,405,473,626 ⁽²⁾
Supplemental Budget No. 1					
Fiscal 2014 Deficiencies	-\$10,251,823 ⁽³⁾	\$26,947,686	\$31,085,064	\$0	\$47,780,927
Fiscal 2015 Budget	33,921,058 ⁽³⁾	71,269,459	7,871,738	-155,945	112,906,310
Subtotal	\$23,669,235	\$98,217,145	\$38,956,802	-\$155,945	\$160,687,237
Budget Reconciliation and Financing Act of 2014					
Fiscal 2014 Contingent Reductions	-\$174,463,553	-\$12,295,546	-\$8,770,214	\$0	-\$195,529,313
Fiscal 2015 Contingent Reductions	-181,359,500	-87,642,176 ⁽⁴⁾	-8,258,002	0	-277,259,678
Total Reductions	-\$355,823,053	-\$99,937,722	-\$17,028,216	\$0	-\$472,788,991
Legislative Reductions					
Fiscal 2014 Deficiencies	-\$7,856,516	-\$128,532	-\$1,028,557	\$0	-\$9,013,605
Fiscal 2015 Budget	-318,675,326	-18,665,553	-47,064,802	0	-384,405,681
Total Reductions	-\$326,531,842	-\$18,794,085	-\$48,093,359	\$0	-\$393,419,286
Appropriations					
Fiscal 2014 Budget	\$15,582,806,083	\$7,754,807,787	\$9,880,017,475	\$4,054,412,900	\$37,272,044,245
Fiscal 2015 Budget	16,061,496,186	8,164,663,906	10,513,297,032	4,117,257,453	38,856,714,577
Change	\$478,690,103	\$409,856,119	\$633,279,557	\$62,844,553	\$1,584,670,332

⁽¹⁾ Reflects \$198.7 million in proposed deficiencies, including \$137.3 million in general funds, \$0.3 million in special funds, and -\$61.1 million in federal funds. Reversion assumptions total \$66.9 million, including \$30.0 million in unspecified reversions and \$36.9 million in targeted reversions.

⁽²⁾ Reflects estimated general fund reversions of \$30.0 million and across-the-board reductions for overbudgeted health insurance.

⁽³⁾ Reflects targeted reversions of \$9.3 million in fiscal 2014 and \$0.3 million in fiscal 2015.

⁽⁴⁾ Includes \$0.1 million in special funds that will be added back to the budget by budget amendment to replace general fund reductions.

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

<u>Category</u>	<u>Actual FY 2013</u>	<u>Adjusted Wrk. Approp. FY 2014</u>	<u>Legislative Approp. FY 2015</u>	<u>FY 2014 to 2015 \$ Change</u>	<u>% Change</u>
Debt Service	\$0.0	\$83.0	\$140.0	\$57.0	68.7%
County/Municipal	159.0	245.0	254.5	9.5	3.9%
Community Colleges	252.4	281.3	297.3	16.0	5.7%
Education/Libraries	5,453.8	5,605.5	5,729.3	123.8	2.2%
Health	37.3	41.7	46.9	5.1	12.3%
<i>Aid to Local Governments</i>	<i>\$5,902.4</i>	<i>\$6,173.6</i>	<i>\$6,328.1</i>	<i>\$154.5</i>	<i>2.5%</i>
Foster Care Payments	203.1	256.9	232.6	-24.3	-9.5%
Assistance Payments	84.9	71.5	73.9	2.4	3.4%
Medical Assistance	2,311.7	2,478.8	2,452.3	-26.5	-1.1%
Property Tax Credits	81.9	80.2	82.0	1.7	2.2%
<i>Entitlements</i>	<i>\$2,681.5</i>	<i>\$2,887.4</i>	<i>\$2,840.7</i>	<i>-\$46.7</i>	<i>-1.6%</i>
Health	1,470.5	1,573.2	1,634.4	61.3	3.9%
Human Resources	372.3	331.1	337.9	6.8	2.0%
Children's Cabinet Interagency Fund	13.4	20.1	21.8	1.7	8.6%
Juvenile Services	269.5	278.7	290.7	12.0	4.3%
Public Safety/Police	1,309.2	1,384.9	1,451.9	67.0	4.8%
Higher Education	1,106.6	1,214.2	1,357.9	143.7	11.8%
Other Education	366.9	386.3	386.1	-0.2	-0.1%
Agric./Nat'l. Res./Environment	107.5	114.4	118.3	3.9	3.4%
Other Executive Agencies	594.6	663.4	694.1	30.7	4.6%
Legislative	77.3	79.6	83.3	3.7	4.6%
Judiciary	384.2	404.3	433.0	28.7	7.1%
Across-the-board cuts	0.0	-42.1	-58.7	-16.5	39.2%
<i>State Agencies</i>	<i>\$6,072.0</i>	<i>\$6,408.1</i>	<i>\$6,750.8</i>	<i>\$342.6</i>	<i>5.3%</i>
Total Operating	\$14,656.0	\$15,552.1	\$16,059.6	\$507.5	3.3%
Capital ⁽¹⁾	3.2	42.7	12.5	-30.2	-70.7%
<i>Subtotal</i>	<i>\$14,659.2</i>	<i>\$15,594.8</i>	<i>\$16,072.1</i>	<i>\$477.3</i>	<i>3.1%</i>
Reserve Funds	37.8	55.3	19.7	-35.5	-64.3%
Appropriations	\$14,697.0	\$15,650.0	\$16,091.8	\$441.8	2.8%
Reversions	0.0	-67.2	-30.3	36.9	-55.0%
Grand Total	\$14,697.0	\$15,582.8	\$16,061.5	\$478.7	3.1%

⁽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 (Continued)
State Expenditures – Special and Higher Education Funds*
(\$ in Millions)

<u>Category</u>	<u>Actual</u> <u>FY 2013</u>	<u>Work.</u> <u>Approp.</u> <u>FY 2014</u>	<u>Legislative</u> <u>Approp.</u> <u>FY 2015</u>	<u>FY 2014 to 2015</u>	
				<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,078.2	\$1,100.0	\$1,143.3	\$43.3	3.9%
County/Municipal	277.3	277.0	265.9	-11.1	-4.0%
Community Colleges	19.9	0.0	0.0	0.0	n/a
Education/Libraries	422.2	389.7	407.3	17.6	4.5%
Health	0.8	0.0	0.0	0.0	n/a
<i>Aid to Local Governments</i>	<i>\$720.1</i>	<i>\$666.6</i>	<i>\$673.2</i>	<i>\$6.6</i>	<i>1.0%</i>
Foster Care Payments	7.1	5.5	5.5	0.0	0.3%
Assistance Payments	18.7	18.6	18.6	0.0	0.0%
Medical Assistance	985.6	833.5	960.6	127.1	15.2%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<i>Entitlements</i>	<i>\$1,011.5</i>	<i>\$857.5</i>	<i>\$984.6</i>	<i>\$127.1</i>	<i>14.8%</i>
Health	504.7	538.4	482.0	-56.4	-10.5%
Human Resources	81.2	98.7	97.0	-1.7	-1.7%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	3.1	4.4	5.0	0.5	11.9%
Public Safety/Police	213.7	226.4	219.2	-7.2	-3.2%
Higher Education	3,965.5	4,144.4	4,186.0	41.6	1.0%
Other Education	63.4	72.7	56.9	-15.8	-21.7%
Transportation	1,558.6	1,606.0	1,660.1	54.1	3.4%
Agric./Nat'l. Res./Environment	197.9	225.2	247.3	22.1	9.8%
Other Executive Agencies	572.7	638.6	658.9	20.3	3.2%
Legislative	0.4	0.0	0.0	0.0	n/a
Judiciary	48.4	53.8	63.1	9.3	17.2%
Across-the-board cuts	0.0	-12.3	-12.5	-0.2	1.3%
<i>State Agencies</i>	<i>\$7,209.7</i>	<i>\$7,596.3</i>	<i>\$7,663.0</i>	<i>\$66.7</i>	<i>0.9%</i>
Total Operating	\$10,019.5	\$10,220.5	\$10,464.1	\$243.6	2.4%
Capital	1,218.9	1,588.7	1,817.8	229.1	14.4%
Grand Total	\$11,238.4	\$11,809.2	\$12,281.9	\$472.7	4.0%

* Includes higher education funds (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 (Continued)
State Expenditures – Federal Funds
(\$ in Millions)

<u>Category</u>	<u>Actual FY 2013</u>	<u>Work. Approp. FY 2014</u>	<u>Legislative Approp. FY 2015</u>	<u>FY 2014 to 2015 \$ Change</u>	<u>% Change</u>
Debt Service	\$12.1	\$12.4	\$11.5	-\$0.9	-7.2%
County/Municipal	72.1	59.3	55.3	-4.0	-6.7%
Community Colleges	0.0	0.0	0.0	0.0	n/a
Education/Libraries	748.3	754.3	802.3	48.0	6.4%
Health	4.5	4.5	4.5	0.0	0.0%
<i>Aid to Local Governments</i>	<i>\$824.9</i>	<i>\$818.1</i>	<i>\$862.1</i>	<i>\$44.0</i>	<i>5.4%</i>
Foster Care Payments	88.2	84.0	90.6	6.7	7.9%
Assistance Payments	1,269.9	1,197.7	1,353.1	155.4	13.0%
Medical Assistance	3,466.9	3,936.4	4,484.0	547.6	13.9%
Property Tax Credits	0.0	0.0	0.0	0.0	n/a
<i>Entitlements</i>	<i>\$4,825.0</i>	<i>\$5,218.0</i>	<i>\$5,927.7</i>	<i>\$709.6</i>	<i>13.6%</i>
Health	1,177.2	1,400.3	1,356.4	-43.9	-3.1%
Human Resources	478.8	521.0	519.2	-1.9	-0.4%
Children's Cabinet Interagency Fund	0.0	0.0	0.0	0.0	n/a
Juvenile Services	8.6	7.4	7.2	-0.3	-3.4%
Public Safety/Police	30.3	29.5	29.6	0.1	0.2%
Higher Education	0.0	0.0	0.0	0.0	n/a
Other Education	235.4	338.7	241.3	-97.3	-28.7%
Transportation	72.4	97.2	92.6	-4.6	-4.7%
Agric./Nat'l. Res./Environment	61.5	68.1	66.6	-1.5	-2.2%
Other Executive Agencies	596.7	573.3	546.3	-27.0	-4.7%
Judiciary	5.5	5.4	0.3	-5.1	-94.3%
Across-the-board cuts	0.0	-8.8	-8.3	0.5	-5.1%
<i>State Agencies</i>	<i>\$2,666.4</i>	<i>\$3,032.1</i>	<i>\$2,851.1</i>	<i>-\$181.0</i>	<i>-6.0%</i>
Total Operating	\$8,328.4	\$9,080.6	\$9,652.4	\$571.8	6.3%
Capital	855.8	799.4	860.9	61.5	7.7%
Grand Total	\$9,184.2	\$9,880.0	\$10,513.3	\$633.3	6.4%

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 (Continued)
State Expenditures – State Funds
(\$ in Millions)

<u>Category</u>	<u>Actual FY 2013</u>	<u>Adjusted Work. Approp. FY 2014</u>	<u>Legislative Approp. FY 2015</u>	<u>FY 2014 to 2015 \$ Change</u>	<u>% Change</u>
Debt Service	\$1,078.2	\$1,183.0	\$1,283.3	\$100.3	8.5%
County/Municipal	436.3	522.0	520.4	-1.6	-0.3%
Community Colleges	272.3	281.3	297.3	16.0	5.7%
Education/Libraries	5,875.9	5,995.2	6,136.6	141.5	2.4%
Health	38.1	41.7	46.9	5.1	12.3%
Aid to Local Governments	\$6,622.5	\$6,840.2	\$7,001.3	\$161.1	2.4%
Foster Care Payments	210.2	262.4	238.1	-24.3	-9.3%
Assistance Payments	103.6	90.1	92.5	2.4	2.7%
Medical Assistance	3,297.3	3,312.3	3,412.8	100.6	3.0%
Property Tax Credits	81.9	80.2	82.0	1.7	2.2%
Entitlements	\$3,693.0	\$3,744.9	\$3,825.4	\$80.4	2.1%
Health	1,975.2	2,111.6	2,113.2	1.6	0.1%
Human Resources	453.5	429.8	433.5	3.6	0.8%
Children's Cabinet Interagency Fund	13.4	20.1	21.8	1.7	8.6%
Juvenile Services	272.6	283.2	294.5	11.4	4.0%
Public Safety/Police	1,522.9	1,611.3	1,662.9	51.6	3.2%
Higher Education	5,072.1	5,358.6	5,539.7	181.1	3.4%
Other Education	430.3	459.0	442.5	-16.5	-3.6%
Transportation	1,558.6	1,606.0	1,657.5	51.5	3.2%
Agric./Nat'l. Res./Environment	305.4	339.5	364.6	25.0	7.4%
Other Executive Agencies	1,167.3	1,302.1	1,376.5	74.5	5.7%
Legislative	77.8	79.6	83.3	3.7	4.6%
Judiciary	432.6	458.1	496.1	37.9	8.3%
Across-the-board cuts	0.0	-54.4	-71.1	-16.7	30.6%
State Agencies	\$13,281.8	\$14,004.4	\$14,414.9	\$410.5	2.9%
Total Operating	\$24,675.5	\$25,772.6	\$25,524.9	\$752.3	2.9%
Capital ⁽¹⁾	1,222.1	1,631.4	1,829.1	197.7	12.1%
Subtotal	\$25,897.6	\$27,404.0	\$28,354.0	\$950.0	3.5%
Reserve Funds	37.8	55.3	19.7	-35.5	-64.3%
Appropriations	\$25,935.3	\$27,459.2	\$28,373.7	\$914.5	3.3%
Reversions	0.0	-67.2	-30.3	36.9	-55.0%
Grand Total	\$25,935.3	\$27,392.0	\$28,343.4	\$951.4	3.5%

⁽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 (Continued)
State Expenditures – All Funds
(\$ in Millions)

<u>Category</u>	<u>Actual FY 2013</u>	<u>Adjusted Work. Approp. FY 2014</u>	<u>Legislative Approp. FY 2015</u>	<u>FY 2014 to 2015</u>	
				<u>\$ Change</u>	<u>% Change</u>
Debt Service	\$1,090.3	\$1,195.3	\$1,294.8	\$99.4	8.3%
County/Municipal	508.4	581.3	575.7	-5.6	-1.0%
Community Colleges	272.3	281.3	297.3	16.0	5.7%
Education/Libraries	6,624.2	6,749.5	6,939.0	189.5	2.8%
Health	42.5	46.2	51.4	5.1	11.1%
<i>Aid to Local Governments</i>	<i>\$7,447.5</i>	<i>\$7,658.3</i>	<i>\$7,863.4</i>	<i>\$205.1</i>	<i>2.7%</i>
Foster Care Payments	298.4	346.3	328.7	-17.6	-5.1%
Assistance Payments	1,373.5	1,287.7	1,445.6	157.8	12.3%
Medical Assistance	6,764.2	7,248.7	7,896.8	648.2	8.9%
Property Tax Credits	81.9	80.2	82.0	1.7	2.2%
<i>Entitlements</i>	<i>\$8,518.0</i>	<i>\$8,963.0</i>	<i>\$9,753.0</i>	<i>\$790.1</i>	<i>8.8%</i>
Health	3,152.4	3,511.9	3,472.8	-39.1	-1.1%
Human Resources	932.3	950.8	954.1	3.2	0.3%
Children's Cabinet Interagency Fund	13.4	20.1	21.8	1.7	8.6%
Juvenile Services	281.2	290.6	302.9	12.3	4.2%
Public Safety/Police	1,553.2	1,640.8	1,700.7	59.9	3.6%
Higher Education	5,072.1	5,358.6	5,543.9	185.3	3.5%
Other Education	665.7	797.7	684.3	-113.4	-14.2%
Transportation	1,631.0	1,703.1	1,752.7	49.6	2.9%
Agric./Nat'l. Res./Environment	366.9	407.6	432.1	24.5	6.0%
Other Executive Agencies	1,763.9	1,875.3	1,899.2	23.9	1.3%
Legislative	77.8	79.6	83.3	3.7	4.6%
Judiciary	438.1	463.5	496.4	32.8	7.1%
Across-the-board cuts	0.0	-63.2	-79.4	-16.2	25.7%
<i>State Agencies</i>	<i>\$15,948.2</i>	<i>\$17,036.5</i>	<i>\$17,264.8</i>	<i>\$228.3</i>	<i>1.3%</i>
Total Operating	\$33,003.9	\$34,853.2	\$36,176.1	\$1,322.9	3.8%
Capital ⁽¹⁾	2077.9	2,430.8	2,691.2	260.4	10.7%
Subtotal	\$35,081.8	\$37,284.0	\$38,867.3	\$1,583.3	4.2%
Reserve Funds	37.8	55.3	19.7	-35.5	-64.3%
Appropriations	\$35,119.5	\$37,339.3	\$38,887.0	\$1,547.7	4.1%
Reversions	0.0	-67.2	-30.3	36.9	-55.0%
Grand Total	\$35,119.5	\$37,272.0	\$38,856.7	\$1,584.7	4.3%

⁽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

The 2014 General Assembly passed a capital budget program totaling \$3.954 billion, including \$2.421 billion for the transportation program. Apart from transportation, the program totals \$1.533 billion: \$1.180 billion is funded with general obligation (GO) bonds authorized in the Maryland Consolidated Capital Bond Loan (MCCBL) of 2014, the 2014 capital budget *Senate Bill 171 (passed)*; \$4.624 million is funded with Qualified Zone Academy Bonds (QZAB) authorized in *Senate Bill 218 (passed)*; \$336.0 million is funded on a pay-as-you-go (PAYGO) basis in the operating budget; and \$32.0 million is funded with Academic Revenue Bonds (ARB) for University System of Maryland facilities authorized in *Senate Bill 998 (passed)*.

Exhibit A-2.1 presents an overview of the State's capital program for fiscal 2015, **Exhibit A-2.2** lists capital projects and programs by function and fund source, and **Exhibit A-2.3** provides the individual legislative initiative projects funded in the MCCBL of 2014. The MCCBL of 2014 includes funding for:

- State facilities, including colleges and universities, hospitals, Department of Disabilities accessibility modifications, correctional facilities, and the public safety communication system;
- grants to local governments for public school construction, community college facilities, and local detention centers;
- health and social services facilities, such as juvenile services facilities, community health and addiction facilities, and low-income housing;
- environmental programs, such as the Chesapeake Bay Water Quality programs, Community Parks and Playgrounds, Program Open Space (POS), Maryland Agricultural Land Preservation, and Tobacco Transition programs, and Drinking and Stormwater programs; and
- local projects and legislative initiatives.

PAYGO Capital

In addition to GO debt, the State's capital program is funded with general, special, and federal funds appropriated in the operating budget referred to as PAYGO funds, which are used primarily to support housing and environmental programs. The use of PAYGO funds is generally restricted to capital grant and loan programs for which the use of tax-exempt debt is limited under federal tax guidelines, programs that are administered through the use of special nonlapsing funds for which revenue from principal and interest payments are used to support additional appropriations, and in instances where federal funds assist in the capitalization of State revolving grant and loan fund programs. The more recent fiscal situation continues to constrain the PAYGO general fund support for the capital program.

Exhibit A-2.1
Capital Program Summary for the 2014 Session
(\$ in Millions)

Function	Bonds		Current Funds (PAYGO)			Total
	GO	Revenue	General	Special	Federal	
State Facilities						\$55.7
Facilities Renewal	\$16.3	\$0.0	\$0.0	\$0.0	\$0.0	
State Facilities – Other	34.1	0.0	0.4	0.0	4.9	
Health/Social						\$77.6
Health Other	7.5	0.0	0.0	0.0	0.0	
Health State Facilities	34.0	0.0	0.0	0.0	0.0	
Private Hospitals	36.2	0.0	0.0	0.0	0.0	
Environment						\$479.4
Agriculture	21.4	0.0	0.0	12.3	0.0	
Energy	0.0	0.0	0.0	3.0	0.0	
Environment	86.0	0.0	1.0	197.6	41.3	
MD Environmental Services	9.1	0.0	0.0	0.0	0.0	
Natural Resources	92.4	0.0	0.0	11.9	3.5	
Public Safety						\$38.7
State Corrections	29.9	0.0	0.0	0.0	0.0	
State Police	8.8	0.0	0.0	0.0	0.0	
Education						\$308.3
Education – Other	19.1	0.0	0.0	0.0	0.0	
School Construction	289.2	0.0	0.0	0.0	0.0	
Higher Education						\$406.5
Community Colleges	65.4	0.0	0.0	0.0	0.0	
Higher Education – Other	1.0	0.0	0.0	0.0	0.0	
Morgan State University	16.2	0.0	0.0	0.0	0.0	
Private Colleges/Universities	24.0	0.0	0.0	0.0	0.0	
St. Mary's College of Maryland	17.9	0.0	0.0	0.0	0.0	
University System	250.0	32.0	0.0	0.0	0.0	
Housing/Community						\$125.0
Housing	65.3	0.0	0.0	31.0	16.9	
Housing – Other	1.5	0.0	10.0	0.2	0.0	
Local Projects						\$61.1
Administration	41.1	0.0	1.1	0.0	0.0	
Legislative Initiatives	18.9	0.0	0.0	0.0	0.0	
De-authorizations						-\$20.5
De-authorizations – Introduced	-6.1	0.0	0.0	0.0	0.0	
De-authorizations – Additional	-14.5	0.0	0.0	0.0	0.0	
Total	\$1,164.6	\$32.0	\$12.5	\$256.0	\$66.7	\$1,531.8
Fiscal 2014 Deficiencies	\$0.0	\$0.0	\$0.0	\$0.4	\$0.5	\$0.9
Transportation CTP	\$0.0	\$740.0	\$0.0	\$832.2	\$849.2	\$2,421.4
Grand Total	\$1,164.6	\$772.0	\$12.5	\$1,088.6	\$916.4	\$3,954.1

CTP: Consolidated Transportation Program

GO: general obligation

PAYGO: pay-as-you-go

Exhibit A-2.2
Capital Program for the 2014 Session

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		<u>General Obligation</u>	<u>Revenue</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	
	State Facilities						
D55P04A	DVA: Eastern Shore Veterans Cemetery Burial Expansion	\$0	\$0	\$0	\$0	\$2,980,000	\$2,980,000
D55P04B	DVA: Rocky Gap Veterans Cemetery Burial Expansion	0	0	400,000	0	0	400,000
DA0201A	MDOD: Accessibility Modifications	1,600,000	0	0	0	0	1,600,000
DE02011A	BPW: Catonsville District Court	2,150,000	0	0	0	0	2,150,000
DE02011B	BPW: Courts of Appeals Building Lobby and Americans with Disabilities Improvements	3,700,000	0	0	0	0	3,700,000
DE0201A	BPW: Facilities Renewal Fund	15,000,000	0	0	0	0	15,000,000
DE0201B	BPW: Fuel Storage Tank Replacement Program	1,000,000	0	0	0	0	1,000,000
DE0201C	BPW: State House Complex Security Upgrades	250,000	0	0	0	0	250,000
DH0104A	MD: Hagerstown Readiness Center Parachute Rigging Facility	120,000	0	0	0	1,950,000	2,070,000
FB04A	DoIT: Public Safety Communication System	26,100,000	0	0	0	0	26,100,000
RP0005A	MPBC: Broadcasting Transmission Equipment Replacement	400,000	0	0	0	0	400,000
	Subject Category Subtotal	\$50,320,000	\$0	\$400,000	\$0	\$4,930,000	\$55,650,000

<u>Budget Code</u>	<u>Project Title</u>	Bonds		Current Funds (PAYGO)			<u>Total Funds</u>
		<u>General Obligation</u>	<u>Revenue</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	
	Health/Social						
MA01A	DHMH: Community Health Facilities Grant Program	\$5,183,000	\$0	\$0	\$0	\$0	\$5,183,000
MA01B	DHMH: Federally Qualified Health Centers Grant Program	2,276,000	0	0	0	0	2,276,000
RQ00A	UMMS: R Adams Cowley Shock Trauma Center – Phase II	3,000,000	0	0	0	0	3,000,000
RQ00B	UMMS: New Ambulatory Care Pavilion and NICU and Labor and Delivery Units	10,000,000	0	0	0	0	10,000,000
VE01A	DJS: Cheltenham Youth Facility – New Detention Center	31,521,000	0	0	0	0	31,521,000
VE01B	DJS: New Thomas J. S. Waxter Children’s Center	830,000	0	0	0	0	830,000
VE01C	DJS: Lower Shore Treatment Center	1,600,000	0	0	0	0	1,600,000
ZA00AD	MISC: Prince George’s Hospital System	15,000,000	0	0	0	0	15,000,000
ZA00AF	MISC: Sinai Hospital of Baltimore and Levendale Hebrew Geriatric Center and Hospital	1,500,000	0	0	0	0	1,500,000
ZA00P	MISC: Kennedy Krieger Institute	1,500,000	0	0	0	0	1,500,000
ZA01A	MISC: Anne Arundel Medical Center	500,000	0	0	0	0	500,000
ZA01B	MISC: Holy Cross Hospital	500,000	0	0	0	0	500,000
ZA01C	MISC: MedStar Good Samaritan Hospital	375,000	0	0	0	0	375,000
ZA01D	MISC: Washington Adventist Hospital	480,000	0	0	0	0	480,000
ZA01E	MISC: Meritus Medical Center	500,000	0	0	0	0	500,000
ZA01F	MISC: Shady Grove Adventist Hospital	500,000	0	0	0	0	500,000
ZA01G	MISC: Adventist Rehabilitation Hospital of Maryland	200,000	0	0	0	0	200,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
ZA01H	MISC: Doctors Hospital	88,000	0	0	0	0	88,000
ZA01I	MISC: MedStar Montgomery Medical Center	300,000	0	0	0	0	300,000
ZA01J	MISC: Sinai Hospital of Baltimore	1,000,000	0	0	0	0	1,000,000
ZA01K	MISC: University of Maryland St. Joseph's Medical Center	750,000	0	0	0	0	750,000
	Subject Category Subtotal	\$77,603,000	\$0	\$0	\$0	\$0	\$77,603,000
	Environment						
DA131302	MEA: Jane E. Lawton Loan Program	\$0	\$0	\$0	\$1,750,000	\$0	\$1,750,000
DA131303	MEA: State Agency Loan Program	0	0	0	1,200,000	0	1,200,000
JB0101A	MDOT: Chesapeake Bay Restoration Plan State Highway Administration TMDL Project	45,000,000	0	0	0	0	45,000,000
KA0510A	DNR: Critical Maintenance Program	0	0	0	4,588,000	0	4,588,000
KA05A	DNR: Community Parks and Playgrounds	2,500,000	0	0	0	0	2,500,000
KA05B	DNR: Natural Resources Development Fund	408,000	0	0	0	0	408,000
KA05C1	DNR: Program Open Space Stateside	18,872,000	0	0	1,500,000	2,500,000	22,872,000
KA05C2	DNR: Program Open Space Local	22,763,000	0	0	0	0	22,763,000
KA05D	DNR: Rural Legacy Program	15,231,000	0	0	803,000	0	16,034,000
KA0906	DNR: Ocean City Beach Maintenance	0	0	0	1,000,000	0	1,000,000
KA1102A	DNR: Waterway Improvement Program	0	0	0	4,000,000	1,000,000	5,000,000
KA1402A	DNR: Chesapeake Bay 2010 Trust Fund	25,000,000	0	0	0	0	25,000,000
KA1701A	DNR: Oyster Restoration Program	7,600,000	0	0	0	0	7,600,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
LA11A	MDA: Maryland Agricultural Land Preservation Program	15,188,000	0	0	9,596,966	0	24,784,966
LA12A	MDA: Tobacco Transition Program	0	0	0	2,716,000	0	2,716,000
LA15A	MDA: Maryland Agricultural Cost-Share Program	6,190,000	0	0	0	0	6,190,000
UA0104	MDE: Hazardous Substance Cleanup Program	0	0	1,000,000	0	0	1,000,000
UA0111	MDE: Enhanced Nutrient Removal Program	0	0	0	81,000,000	0	81,000,000
UA0112	MDE: Septic System Upgrade Program	0	0	0	15,000,000	0	15,000,000
UA01A	MDE: Maryland Water Quality Revolving Loan Program	6,459,000	0	0	91,250,000	32,291,000	130,000,000
UA01B	MDE: Maryland Drinking Water Revolving Loan Program	2,614,000	0	0	10,370,000	9,016,000	22,000,000
UA01C1	MDE: Biological Nutrient Removal Program	21,200,000	0	0	0	0	21,200,000
UA01C2	MDE: Supplemental Assistance Program	5,864,000	0	0	0	0	5,864,000
UA01D	MDE: Water Supply Financial Assistance Program	4,357,000	0	0	0	0	4,357,000
UA01E	MDE: Mining Remediation Program	500,000	0	0	0	0	500,000
UB00A1	MES: Rocky Gap State Park – Wastewater Treatment Plant Improvements	712,000	0	0	0	0	712,000
UB00A2	MES: Charlotte Hall Veterans Home – Wastewater Collection System	1,190,000	0	0	0	0	1,190,000
UB00A3	MES: Southern Maryland Pre-Release Unit – New Water Treatment Plant	1,500,000	0	0	0	0	1,500,000
UB00A4	MES: Freedom District – Wastewater Treatment Plant Improvements	2,155,000	0	0	0	0	2,155,000

		Bonds		Current Funds (PAYGO)			
Budget Code	Project Title	General Obligation	Revenue	General	Special	Federal	Total Funds
UB00A5	MES: Cunningham Falls State Park – Wastewater Collection System	575,000	0	0	0	0	575,000
UB00A6	MES: MCI – Hagerstown – Wastewater Treatment Plant Improvements	2,000,000	0	0	0	0	2,000,000
UB00A7	MES: Cheltenham Youth Center Wastewater Treatment Plant	600,000	0	0	0	0	600,000
UB00A8	MES: Camp Fretterd – Wastewater Treatment Plant Upgrades	197,000	0	0	0	0	197,000
UB00A9	MES: Western Correctional Institution – Wastewater Pump Station Improvements	150,000	0	0	0	0	150,000
	Subject Category Subtotal	\$208,825,000	\$0	\$1,000,000	\$224,773,966	\$44,807,000	\$479,405,966
	Public Safety						
QP00A	DPSCS: New Youth Detention Center	\$9,506,000	\$0	\$0	\$0	\$0	\$9,506,000
QR0202A	DPSCS: Housing Unit Windows and Heating Systems Replacement	5,085,000	0	0	0	0	5,085,000
QS0209	DPSCS: 560-bed Minimum Security Compound	15,314,000	0	0	0	0	15,314,000
WA01A	DSP: Helicopter Replacement and New Flight Training Facility	7,775,000	0	0	0	0	7,775,000
WA01B	DSP: Tactical Services Garage	1,053,000	0	0	0	0	1,053,000
	Subject Category Subtotal	\$38,733,000	\$0	\$0	\$0	\$0	\$38,733,000
	Education						
DE0202A	BPW: Public School Construction Program	\$275,000,000	\$0	\$0	\$0	\$0	\$275,000,000
DE0202B	BPW: Aging Schools Program	6,109,000	0	0	0	0	6,109,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			
		<u>General Obligation</u>	<u>Revenue</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Total Funds</u>
DE0202C	BPW: Nonpublic Aging Schools Program	3,500,000	0	0	0	0	3,500,000
DE0202QZ	BPW: Qualified Zone Academy Bond Program	4,625,000	0	0	0	0	4,625,000
RA01A	MSDE: Public Library Capital Grant Program	5,000,000	0	0	0	0	5,000,000
RA01B	MSDE: State Library Resource Center	12,095,000	0	0	0	0	12,095,000
RE01A	MSD: New Fire Alarm and Emergency Notification System – Frederick Campus	1,705,000	0	0	0	0	1,705,000
RE01B	MSD: Water Main Replacement Project – Frederick Campus	300,000	0	0	0	0	300,000
	<i>Subject Category Subtotal</i>	<i>\$308,334,000</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$308,334,000</i>
	Higher Education						
RB21A	UMB: Health Sciences Research Facility III	\$49,000,000	\$0	\$0	\$0	\$0	\$49,000,000
RB22A	UMCP: Campuswide Building System and Infrastructure Improvements	5,000,000	5,000,000	0	0	0	10,000,000
RB22C	UMCP: Edward St. John Learning and Teaching Center	18,260,000	0	0	0	0	18,260,000
RB22D	UMCP: H. J. Patterson Hall – Wing I Renovation	1,686,000	10,000,000	0	0	0	11,686,000
RB22E	UMCP: New Bioengineering Building	2,500,000	0	0	0	0	2,500,000
RB23A	BSU: New Natural Sciences Center	23,342,000	0	0	0	0	23,342,000
RB23B	BSU: Track and Field Improvements	500,000	0	0	0	0	500,000
RB24A	TU: Softball Facility	1,500,000	0	0	0	0	1,500,000

		Bonds		Current Funds (PAYGO)			
Budget Code	Project Title	General Obligation	Revenue	General	Special	Federal	Total Funds
RB25A	UMES: New Engineering and Aviation Science Building	60,755,000	0	0	0	0	60,755,000
RB26A	FSU: Public Safety Facility	400,000	0	0	0	0	400,000
RB27A	CSU: New Science and Technology Center	10,300,000	0	0	0	0	10,300,000
RB28A	UB: Langsdale Library	2,775,000	0	0	0	0	2,775,000
RB29A	SU: New Academic Commons	45,000,000	0	0	0	0	45,000,000
RB31A	UMBC: Campus Traffic Safety and Circulation Improvements	10,006,000	0	0	0	0	10,006,000
RB31B	UMBC: Interdisciplinary Life Sciences Building	4,100,000	0	0	0	0	4,100,000
RB34A	UMCES: New Environmental Sustainability Research Laboratory	10,604,000	0	0	0	0	10,604,000
RB36A	USMO: Shady Grove Educational Center – Biomedical Sciences and Engineering Education Building	4,300,000	0	0	0	0	4,300,000
RB36B	USMO: Southern Maryland Regional Higher Education Facility	1,000,000	0	0	0	0	1,000,000
RB36RB	USMO: Capital Facilities Renewal	0	17,000,000	0	0	0	17,000,000
RD00A	SMCM: Anne Arundel Hall Reconstruction	17,850,000	0	0	0	0	17,850,000
RI00A*	MHEC: Community College Facilities Grant Program	65,405,000	0	0	0	0	65,405,000
RM00A	MSU: New School of Business Complex and Connecting Bridge	3,000,000	0	0	0	0	3,000,000
RM00C	MSU: Campuswide Utilities Upgrade	6,070,000	0	0	0	0	6,070,000
RM00D	MSU: Athletic Facilities Renovation	1,000,000	0	0	0	0	1,000,000
RM00E	MSU: New Behavioral and Social Sciences Center	4,500,000	0	0	0	0	4,500,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
RM00F	MSU: New Student Services Support Building	1,600,000	0	0	0	0	1,600,000
ZA00K	MISC: High Performance Computing Data Center	15,000,000	0	0	0	0	15,000,000
ZA00R	MICUA: Loyola University of Maryland Capital Projects	1,800,000	0	0	0	0	1,800,000
ZA00S	MICUA: Stevenson University Academic Building	3,600,000	0	0	0	0	3,600,000
ZA00T	MICUA: Washington College Academic Building	3,600,000	0	0	0	0	3,600,000
	Subject Category Subtotal	\$374,453,000	\$32,000,000	\$0	\$0	\$0	\$406,453,000
	Housing/Community Development						
DW0108A	MDOP: Jefferson Patterson Park and Museum	\$350,000	\$0	\$0	\$0	\$0	\$350,000
DW0110A	MDOP: African American Heritage Preservation Grant Program	1,000,000	0	0	0	0	1,000,000
DW0110B	MDOP: Maryland Historical Trust Capital Loan Fund	150,000	0	0	200,000	0	350,000
DW0112	MDOP: Sustainable Communities Tax Credit	0	0	10,000,000	0	0	10,000,000
SA2402A	DHCD: Community Development Block Grant Program	0	0	0	0	10,000,000	10,000,000
SA24A	DHCD: Community Legacy Program	6,000,000	0	0	0	0	6,000,000
SA24B	DHCD: Neighborhood Business Development Program	2,300,000	0	0	1,950,000	0	4,250,000
SA24C	DHCD: Strategic Demolition and Smart Growth Impact Project Fund	7,500,000	0	0	0	0	7,500,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			
		General Obligation	Revenue	General	Special	Federal	Total Funds
SA24D	DHCD: Baltimore Regional Neighborhoods Demonstration Initiative	1,680,000	0	0	0	0	1,680,000
SA2514	DHCD: Maryland BRAC Preservation Loan Fund	0	0	0	3,000,000	0	3,000,000
SA25A	DHCD: Partnership Rental Housing Program	6,000,000	0	0	0	0	6,000,000
SA25B	DHCD: Homeownership Programs	9,500,000	0	0	1,000,000	700,000	11,200,000
SA25C	DHCD: Shelter and Transitional Housing Facilities Grant Program	1,500,000	0	0	0	0	1,500,000
SA25D	DHCD: Special Loan Programs	6,100,000	0	0	800,000	3,000,000	9,900,000
SA25E	DHCD: Rental Housing Programs	24,730,000	0	0	24,275,000	3,225,000	52,230,000
	Subject Category Subtotal	\$66,810,000	\$0	\$10,000,000	\$31,225,000	\$16,925,000	\$124,960,000
	Local Projects						
D06E021	MISC: Eastern Family Resource Center	\$0	\$0	\$1,000,000	\$0	\$0	\$1,000,000
D06E022	MISC: Chesapeake Shakespeare Company's Downtown Theatre	0	0	100,000	0	0	100,000
ZA00A	MISC: Alice Ferguson Foundation – Potomac Watershed Study Center	2,400,000	0	0	0	0	2,400,000
ZA00B	MISC: Allegany Museum	250,000	0	0	0	0	250,000
ZA00C	MISC: Annapolis High School Athletic Facilities	2,200,000	0	0	0	0	2,200,000
ZA00D	MISC: Baltimore Food Hub	750,000	0	0	0	0	750,000
ZA00E	MISC: Center Stage	1,000,000	0	0	0	0	1,000,000
ZA00F	MISC: Central Baltimore Partnership	1,500,000	0	0	0	0	1,500,000
ZA00G	MISC: Creative Alliance	600,000	0	0	0	0	600,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			Total Funds
		General Obligation	Revenue	General	Special	Federal	
ZA00H	MISC: East Baltimore Biotechnology Park	5,000,000	0	0	0	0	5,000,000
ZA00I	MISC: Eastern Shore Food Hub	500,000	0	0	0	0	500,000
ZA00J	MISC: Green Branch Athletic Complex	3,000,000	0	0	0	0	3,000,000
ZA00M	MISC: Hospice of the Chesapeake	1,000,000	0	0	0	0	1,000,000
ZA00N	MISC: Inner Harbor Infrastructure	2,000,000	0	0	0	0	2,000,000
ZA00O	MISC: Jewish Community Center of Greater Washington	1,000,000	0	0	0	0	1,000,000
ZA00Q	MISC: Maryland Hall for the Creative Arts	1,000,000	0	0	0	0	1,000,000
ZA00U	MISC: Maryland Science Center	417,000	0	0	0	0	417,000
ZA00V	MISC: Maryland Zoo in Baltimore	5,000,000	0	0	0	0	5,000,000
ZA00W	MISC: Mount Auburn Cemetery	100,000	0	0	0	0	100,000
ZA00X	MISC: Mount Vernon Place Restoration	1,000,000	0	0	0	0	1,000,000
ZA00Y	MISC: National Aquarium in Baltimore	2,120,000	0	0	0	0	2,120,000
ZA00Z	MISC: National Cryptologic Museum	1,000,000	0	0	0	0	1,000,000
ZA00AA	MISC: National Cyber Security Center of Excellence	2,000,000	0	0	0	0	2,000,000
ZA00AB	MISC: National Sailing Hall of Fame	250,000	0	0	0	0	250,000
ZA00AC	MISC: The Patricia and Arthur Modell Performing Arts Center at the Lyric	500,000	0	0	0	0	500,000
ZA00AE	MISC: Sailwinds Park Wharf Replacement	1,000,000	0	0	0	0	1,000,000
ZA00AG	MISC: South River High School Athletic Facilities	1,300,000	0	0	0	0	1,300,000
ZA00AH	MISC: Sports Legends Museum Renovations	500,000	0	0	0	0	500,000
ZA00AI	MISC: Sultana New Education Center	500,000	0	0	0	0	500,000

Budget Code	Project Title	Bonds		Current Funds (PAYGO)			
		General Obligation	Revenue	General	Special	Federal	Total Funds
ZA00AJ	MISC: USS Constellation	1,250,000	0	0	0	0	1,250,000
ZA00AK	MISC: Wye River Upper School	1,000,000	0	0	0	0	1,000,000
ZA00AL	MISC: YWCA of Annapolis and Anne Arundel County Domestic Violence Shelter	1,000,000	0	0	0	0	1,000,000
ZA00AN	MISC: Rich Hill Farm House	750,000	0	0	0	0	750,000
ZA00AO	MISC: Second District Volunteer Fire Department Storage Facility	75,000	0	0	0	0	75,000
ZA00AP	MISC: Wicomico Youth and Civic Center	1,000,000	0	0	0	0	1,000,000
ZA00AQ	MISC: Henry Parker Athletic Complex	1,000,000	0	0	0	0	1,000,000
ZA00AR	MISC: Suitland Redevelopment	500,000	0	0	0	0	500,000
ZA00AS	MISC: Bay District Volunteer Fire Department Training Tower	100,000	0	0	0	0	100,000
ZA00AT	MISC: The Writer's Center	200,000	0	0	0	0	200,000
ZA00AU	MISC: Kingsville Volunteer Fire Department	100,000	0	0	0	0	100,000
ZA00AV	MISC: Governor Thomas Johnson High School Stadium	50,000	0	0	0	0	50,000
ZA00AW	MISC: Havre de Grace Opera House	50,000	0	0	0	0	50,000
ZA00AX	MISC: Havre de Grace Maritime Museum	50,000	0	0	0	0	50,000
ZA00AY	MISC: Historical Society of Harford County Facility Restoration	50,000	0	0	0	0	50,000
ZA02	Local Senate Initiatives	7,500,000	0	0	0	0	7,500,000
ZA03	Local House Initiatives	7,500,000	0	0	0	0	7,500,000
	Subject Category Subtotal	\$60,062,000	\$0	\$1,100,000	\$0	\$0	\$61,162,000

<u>Budget Code</u>	<u>Project Title</u>	Bonds		Current Funds (PAYGO)			
		<u>General Obligation</u>	<u>Revenue</u>	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Total Funds</u>
	De-authorizations						
ZF00	De-authorizations as Introduced	-\$6,065,377	\$0	\$0	\$0	\$0	-\$6,065,377
ZF00A	Additional De-authorizations	-14,450,000	0	0	0	0	-14,450,000
	<i>Subject Category Subtotal</i>	<i>-\$20,515,377</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>-\$20,515,377</i>
	Current Year Total	\$1,164,624,623	\$32,000,000	\$12,500,000	\$255,998,966	\$66,662,000	\$1,531,785,589
	Fiscal 2014 Deficiencies						
SA25E	DHCD: Rental Housing Programs	\$0	\$0	\$0	\$350,000	\$0	\$350,000
SA25B	DHCD: Homeownership Programs	0	0	0	0	500,000	500,000
	<i>Deficiencies Subtotal</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$350,000</i>	<i>\$500,000</i>	<i>\$850,000</i>
	Entire Budget Total	\$1,164,624,623	\$32,000,000	\$12,500,000	\$256,348,966	\$67,162,000	\$1,532,635,589
	Transportation CTP	\$0	\$740,000,000	\$0	\$832,214,000	\$849,234,000	\$2,421,448,000
	Grand Total	\$1,164,624,623	\$772,000,000	\$12,500,000	\$1,088,569,966	\$916,396,000	\$3,954,083,589

BPW: Board of Public Works
 BRAC: Base realignment and closure
 BSU: Bowie State University
 CSU: Coppin State University
 CTP: *Consolidated Transportation Program*
 DHCD: Department of Housing and Community Development
 DHMH: Department of Health and Mental Hygiene
 DJS: Department of Juvenile Services
 DNR: Department of Natural Resources
 DPSCS: Department of Public Safety and Correctional Services
 DoIT: Department of Information Technology
 DSP: Department of State Police
 DVA: Department of Veteran Affairs
 FSU: Frostburg State University
 MCI: Maryland Correctional Institution
 MD: Military Department
 MDA: Maryland Department of Agriculture
 MDE: Maryland Department of the Environment
 MDOD: Maryland Department of Disabilities
 MDOP: Maryland Department of Planning
 MDOT: Maryland Department of Transportation
 MEA: Maryland Energy Administration

MES: Maryland Environmental Service
 MHEC: Maryland Higher Education Commission
 MICUA: Maryland Independent College and University Association
 MISC: Miscellaneous
 MPBC: Maryland Public Broadcasting Commission
 MSD: Maryland School for the Deaf
 MSDE: Maryland State Department of Education
 MSU: Morgan State University
 NICU: neonatal intensive care unit
 PAYGO: pay as you go
 SMCM: St. Mary's College of Maryland
 SU: Salisbury University
 TMDL: Total Maximum Daily Load
 TU: Towson University
 UB: University of Baltimore
 UMB: University of Maryland, Baltimore
 UMBC: University of Maryland Baltimore County
 UMCES: University of Maryland Center for Environmental Science
 UMCP: University of Maryland, College Park
 UMES: University of Maryland Eastern Shore
 UMMS: University of Maryland Medical System
 USMO: University System of Maryland Office

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

Exhibit A-2.3
Legislative Projects – 2014 Session
(Project Count: 156)

<u>Project Title</u>	<u>Senate Initiative</u>	<u>House Initiative</u>	<u>Other</u>	<u>Total Funding</u>	<u>Match/ Requirements</u>
Statewide					
Baltimore Museum of Industry Capital Improvements	\$250,000	\$250,000		\$500,000	Soft (1)
Benedictine School	125,000	125,000		250,000	Soft (3)
Camp Whippoorwill Living Shoreline Project	125,000	125,000		250,000	Soft (all)
Maryland Food Bank Creating Capacity While Serving Communities Project	250,000	250,000		500,000	Hard
Prince Hall Grand Lodge	250,000	50,000		300,000	Grant
<i>Subtotal</i>				<i>\$1,800,000</i>	
Allegany					
Allegany County Animal Shelter Adoption and Care Center	\$50,000	\$50,000		\$100,000	Soft (3)
Friends Aware Facility	50,000	50,000		100,000	Soft (all)
<i>Subtotal</i>				<i>\$200,000</i>	
Anne Arundel					
1 Martin Street Renovation	\$150,000	\$100,000		\$250,000	Hard
206 West Social Enterprise Project	150,000	100,000		250,000	Hard
Annapolis Police Department Firing Range		200,000		200,000	Hard

<u>Project Title</u>	<u>Senate Initiative</u>	<u>House Initiative</u>	<u>Other</u>	<u>Total Funding</u>	<u>Match/ Requirements</u>
Bestgate Park		150,000		150,000	Grant
Calvary Food Bank	75,000			75,000	Soft (1)
Captain Avery Museum Window Repair and Restoration		40,000		40,000	Soft (2)
Chesapeake Arts Center	75,000	75,000		150,000	Grant
Southern Middle School and Southern High School Improvements		50,000		50,000	Hard
Subtotal				\$1,165,000	
Baltimore City					
4500 Harford Road Development Project		\$250,000		\$250,000	Soft (U, 2, 3)
Arena Players Project	\$125,000			125,000	Soft (1)
Baltimore Design School	100,000			100,000	Hard
BARCO North Avenue Arts Building		100,000		100,000	Soft (all)
Chesapeake Shakespeare Company's Downtown Theatre	25,000	100,000	\$100,000	225,000	Hard
Coppin Heights Urban Revitalization Project – Phase I		100,000		100,000	Hard
Creative Alliance Project	50,000			50,000	Soft (1)
DHF Tech Center	15,000			15,000	Soft (2)
East Baltimore Historical Library	50,000	50,000		100,000	Grant
Epiphany House & Micah House Projects	53,000			53,000	Soft (2, 3)
Everyman Theatre	25,000			25,000	Soft (3)
Garrett-Jacobs Mansion	25,000			25,000	Soft (2, 3)

<u>Project Title</u>	<u>Senate Initiative</u>	<u>House Initiative</u>	<u>Other</u>	<u>Total Funding</u>	<u>Match/ Requirements</u>
Gaudenzia's Park Heights Facility Renovation	150,000	50,000		200,000	Hard
Greenmount Construction Jobs Training Center	50,000			50,000	Soft (1, 2)
Habitat for Humanity of the Chesapeake		250,000		250,000	Hard
Kappa Alpha Psi Youth and Community Center	175,000	25,000		200,000	Soft (all)
Leadenhall Community Outreach Center	45,000			45,000	Soft (all)
Orianda Mansion Preservation		150,000		150,000	Soft (2)
Rita R. Church Foundation & Teach Educate Assist Mentor Office	42,000			42,000	Soft (1, 2)
Skatepark of Baltimore at Roosevelt Park	75,000	50,000		125,000	Soft (1, 2)
SS Philip and James Church Hall Renovation and Repair	30,000			30,000	Hard
Upton Planning Committee Project		50,000		50,000	Soft (U, 2)
Winchester Street Potter's House		75,000		75,000	Soft (all)
<i>Subtotal</i>				<i>\$2,385,000</i>	
Baltimore					
Arbutus Recreation Center Project	\$30,000			\$30,000	Hard
Chesapeake High Stadium	40,000	\$40,000		80,000	Hard
Dundalk Renaissance Office and Incubator Project	100,000	75,000		175,000	Soft (1, 3)
Greenspring Montessori School		100,000		100,000	Hard
Jewish Community Services Alternative Living Units	50,000			50,000	Hard
Kingsville Volunteer Fire Company	150,000		\$100,000	250,000	Soft (3)
Leadership Through Athletics	65,000			65,000	Soft (1)

<u>Project Title</u>	<u>Senate Initiative</u>	<u>House Initiative</u>	<u>Other</u>	<u>Total Funding</u>	<u>Match/ Requirements</u>
Lutherville Volunteer Fire Company Station Expansion	70,000			70,000	Hard
Towson High School Stadium	55,000			55,000	Hard
Youth in Transition School	150,000	200,000		350,000	Hard
<i>Subtotal</i>				<i>\$1, 225,000</i>	
Calvert					
Bayfront Park and Sculptural Garden	\$100,000			\$100,000	Soft (all)
End Hunger Warehouse	25,000			25,000	Soft (all)
<i>Subtotal</i>				<i>\$125,000</i>	
Carroll					
The Arc of Carroll County Building Renovation	\$175,000			\$175,000	Soft (2)
<i>Subtotal</i>				<i>\$175,000</i>	
Cecil					
Department of Parks and Recreation Project		\$125,000		\$125,000	Soft (2)
Historic Tome School		100,000		100,000	Soft (all)
<i>Subtotal</i>				<i>\$225,000</i>	
Charles					
Lifestyles Homeless Services Center	\$100,000			\$100,000	Soft (2, 3)
Lions Camp Merrick	50,000	\$100,000		150,000	Soft (1)
Piscataway Indian Museum		100,000		100,000	Soft (all)

<u>Project Title</u>	<u>Senate Initiative</u>	<u>House Initiative</u>	<u>Other</u>	<u>Total Funding</u>	<u>Match/ Requirements</u>
Rich Hill Farm House			\$750,000	750,000	Soft (all)
<i>Subtotal</i>				<i>\$1,100,000</i>	
Dorchester					
Chesapeake Grove Senior Housing and Intergenerational Center	\$50,000	\$50,000		\$100,000	Soft (1)
Choptank River Lighthouse Museum Artifact Acquisition Project	25,000	25,000		50,000	Soft (3)
<i>Subtotal</i>				<i>\$150,000</i>	
Frederick					
15sq Arts Center	\$125,000			\$125,000	Soft (1, 3)
Barbara Hauer Fritchie Foundation Facility	50,000			50,000	Hard
Culler Lake Stormwater Management Project		\$125,000		125,000	Soft (2)
Forgeman's House Renovation	100,000			100,000	Soft (all)
Governor Thomas Johnson High School Stadium			\$50,000	50,000	Grant
Unified Community Connections Adult Day Habilitation Facility		127,000		127,000	Soft (1)
<i>Subtotal</i>				<i>\$577,000</i>	

<u>Project Title</u>	<u>Senate Initiative</u>	<u>House Initiative</u>	<u>Other</u>	<u>Total Funding</u>	<u>Match/ Requirements</u>
Garrett					
Christian Crossing Thrift Shop	\$50,000	\$50,000		\$100,000	Soft (all)
HART Animal Center	50,000	50,000		100,000	Hard
<i>Subtotal</i>				<i>\$200,000</i>	
Harford					
Edgewood Community Support Center Facility Completion		\$50,000		\$50,000	Grant
Havre de Grace Maritime Museum			\$50,000	50,000	Hard
Havre de Grace Opera House Renovation			50,000	50,000	Soft (3)
Historical Society of Harford County Facility Restoration			50,000	50,000	Soft (2, 3)
Ladew Topiary Gardens	\$110,000			110,000	Hard
<i>Subtotal</i>				<i>\$310,000</i>	
Howard					
Community Action Council Food Bank Facility	\$165,000	\$85,000		\$250,000	Hard
Day Resource Center	100,000	150,000		250,000	Hard
Head Start Program Retrofitting		200,000		200,000	Hard
Historic Belmont Property and Historic Garden Restoration	65,000			65,000	Hard
<i>Subtotal</i>				<i>\$765,000</i>	

<u>Project Title</u>	<u>Senate Initiative</u>	<u>House Initiative</u>	<u>Other</u>	<u>Total Funding</u>	<u>Match/ Requirements</u>
Montgomery					
Ann L. Bronfman Center	\$120,000			\$120,000	Hard
Black Box Theater	100,000			100,000	Grant
Casey Community Center	50,000	\$80,000		130,000	Hard
Homecrest House		60,000		60,000	Soft (2, 3)
Imagination Stage HVAC System	45,000			45,000	Hard
Inter-Generational Center Expansion		200,000		200,000	Hard
Jewish Social Service Agency Montrose Office Renovation	45,000	85,000		130,000	Hard
MdBio STEM Education Equipment Project	200,000			200,000	Grant
Melvin J. Berman Hebrew Academy	55,000			55,000	Soft (all)
Muslim Community Center	50,000	25,000		75,000	Soft (all)
Olney Theatre Center		100,000		100,000	Soft (1, 3)
Potomac Community Recreation Center	25,000	75,000		100,000	Hard
Potomac Community Resources Home	50,000	125,000		175,000	Soft (1)
Rockville Science Center	75,000			75,000	Soft (2)
Sandy Spring Museum		75,000		75,000	Soft (2, 3)
Sandy Spring VFD Station 40 Expansion	75,000	75,000		150,000	Hard
Seneca Store Restoration	50,000			50,000	Soft (1)
Silver Spring Learning Center Expansion	60,000			60,000	Hard
Silver Spring Volunteer Fire Department Station #16		100,000		100,000	Hard
The Writer's Center	100,000		\$200,000	300,000	Hard
University Gardens Senior Apartments	40,000	100,000		140,000	Hard

<u>Project Title</u>	<u>Senate Initiative</u>	<u>House Initiative</u>	<u>Other</u>	<u>Total Funding</u>	<u>Match/ Requirements</u>
Warner Manor	100,000			100,000	Soft (1)
<i>Subtotal</i>				<i>\$2,540,000</i>	
Prince George's					
Art Works Now Project		\$50,000		\$50,000	Hard
Bowie Boys and Girls Club Pole Barn Structure		100,000		100,000	Hard
Bowie Gymnasium Roof Replacement	\$65,000	65,000		130,000	Hard
Brentwood Town Center Project	100,000	50,000		150,000	Hard
Capitol Heights Public Works Facility	50,000			50,000	Hard
Dinosaur Park Improvements	25,000			25,000	Soft (all)
District Heights Family and Youth Services Bureau Facility Project	100,000	150,000		250,000	Soft (1, 2)
Educare Resource Center	75,000	100,000		175,000	Soft (1, 2)
Elizabeth Seton High School Sports Facilities Renovation	25,000	75,000		100,000	Hard
Experience Salubria Project	37,000	43,000		80,000	Hard
Fairmount Heights Municipal Center	100,000			100,000	Soft (1)
Forest Heights Town Hall Renovation		50,000		50,000	Soft (all)
Knights of St. John Hall	60,000			60,000	Soft (all)
Laurel Armory-Anderson & Murphy Community Center	75,000	75,000		150,000	Hard
Laurel Park Path System Improvements	75,000	75,000		150,000	Hard
New Carrollton Playground and Open Space Project	100,000			100,000	Soft (1, 2)

<u>Project Title</u>	<u>Senate Initiative</u>	<u>House Initiative</u>	<u>Other</u>	<u>Total Funding</u>	<u>Match/ Requirements</u>
Olde Mill Community and Teaching Center		150,000		150,000	Soft (all)
Redevelopment of 4510 41st Avenue and 4516 41st Avenue	25,000	100,000		125,000	Soft (1, 2)
Riverdale Welcome Center	50,000	100,000		150,000	Hard
Southern Friendship Health and Wellness Campus	113,000			113,000	Soft (1, 2)
<i>Subtotal</i>				<i>\$2,258,000</i>	
St. Mary's					
Cedar Lane Senior Living Community Project – Phase 4		\$100,000		\$100,000	Soft (2,3)
Firemen's Heritage Museum	\$105,000			105,000	Soft (1, 2)
St. Peter Claver Museum of St. Inigoes, Maryland	45,000			45,000	Grant
<i>Subtotal</i>				<i>\$250,000</i>	
Talbot					
Easton Head Start Center	\$25,000	\$50,000		\$75,000	Soft (3)
Oyster House Project	100,000			100,000	Hard
<i>Subtotal</i>				<i>\$175,000</i>	
Washington					
Doey's House Initiative	\$125,000	\$125,000		\$250,000	Soft (2)
The Maryland Theatre		125,000		125,000	Hard
<i>Subtotal</i>				<i>\$375,000</i>	

<u>Project Title</u>	<u>Senate Initiative</u>	<u>House Initiative</u>	<u>Other</u>	<u>Total Funding</u>	<u>Match/ Requirements</u>
Wicomico					
Willards Lions Club	\$50,000			\$50,000	Grant
YMCA of the Chesapeake	100,000	\$200,000		300,000	Hard
<i>Subtotal</i>				<i>\$350,000</i>	
Total Senate and House Initiatives	\$7,500,000	\$7,500,000	\$1,350,000	\$16,350,000	

Match Key: 1 = Real Property; 2 = In Kind Contribution; 3 = Prior Expended Funds; U = Unequal Match

Operating Budget Relief and Fund Transfers

As shown in **Exhibit A-2.4**, the GO bond program was used to reduce operating budget appropriations and to replace funds transferred from various capital accounts to the general fund. The fiscal situation continues to limit the use of PAYGO funds to support the capital program and has resulted in the shift of \$70.4 million of funding for certain grant and loan programs to the bond program. In addition, the 2014 capital program authorizes \$45.0 million of GO bonds to assist the State Highway Administration (SHA) with Watershed Implementation Plan (WIP) compliance projects as set forth in the Transportation Infrastructure Investment Acts of 2013, which requires \$395.0 million from fiscal 2015 through 2019 as follows: \$45.0 million in fiscal 2015, \$65.0 million in fiscal 2016, \$85.0 million in fiscal 2017, and \$100.0 million in both fiscal 2018 and 2019. The 2014 capital program also includes \$67.1 million of GO bond authorizations provided as part of a multi-year replacement for revenue and fund balance transfers all of which reflects GO bond replacement for transfers made in prior year budgets and Budget Reconciliation and Financing Acts (BRFA). **Exhibit A-2.5** illustrates the transfers and multi-year replacement as they overlap and planned out-year GO bond replacement pre-authorized in the MCCBL of 2014.

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

	<u>Fiscal</u> <u>2015</u>
<p>Special Fund Revenue and Fund Balance Replacement: The budgets and the Budget Reconciliation and Financing Acts (BRFA) of 2010, 2011, 2012, and 2013 provided for the transfer of \$1,397.8 million of unexpended fund balance and estimated fiscal 2011 through 2014 revenue from multiple capital program accounts. Through fiscal 2015, a total of \$1,003.0 million of general obligation (GO) bond funds have been used to replace the transfers with out-year authorizations scheduled to replace most of the remaining transfers, which includes \$67.1 of fiscal 2015 authorizations. The BRFA of 2014 included an additional \$69.1 million diversion of estimated transfer tax revenues to the general fund. The Maryland Capital Consolidated Bond Loan of 2014 includes GO bond replacement of \$494.9 million scheduled over a multi-year period through fiscal 2020.</p>	\$67.1
<p>State Highway Administration: The Transportation Infrastructure Investment Acts of 2013 requires the Governor to budget funds for the State Highway Administration to use in complying with the Watershed Implementation Plan. The Act requires \$395.0 million from fiscal 2015 through 2019 as follows: \$45.0 million in fiscal 2015, \$65.0 million in fiscal 2016, \$85.0 million in fiscal 2017, and \$100.0 million in both fiscal 2018 and 2019.</p>	45.0
<p>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 the use of bonds to fund the Aging Schools Program.</p>	70.4
Total	\$182.5

Exhibit 2.5
Fund Transfers and Multi-year General Obligation Bond Replacement Plan
(\$ in Millions)

<u>Program</u>	<u>Transfers</u>					<u>Fund Replacement</u>				
	<u>Special Fund Balances</u>	<u>Revenues FY 2010-14</u>	<u>Special Funds FY 2015</u>	<u>Revenues FY 2016-18</u>	<u>Total Transfers</u>	<u>Replaced FY 2010-14</u>	<u>Replaced FY 2015</u>	<u>Replaced FY 2016-20</u>	<u>Total Amount of Fund Transfers to Be Replaced</u>	<u>Not Replaced</u>
Waterway Improvement Program	\$12.5	\$5.0		\$0.0	\$17.5	\$17.5	\$0.0	\$0.0	\$17.5	\$0.0
Program Open Space (POS) – Stateside	172.3	78.6	\$41.8	70.3	363.0	216.0	18.9	123.1	358.0	4.9 ³
POS – Local	103.1	73.7	43.5	68.1	288.4	142.2	22.8	123.4	288.4	0.0
Rural Legacy	10.6	50.3	17.0	27.5	105.4	35.2	10.2	49.9	95.3	10.2 ³
Ocean City Beach Replenishment – POS	2.1	2.0	0.5	1.5	6.1	4.1		2.0	6.1	0.0
Ocean City Beach Replenishment – Local	3.4	0.0	0.0	0.0	3.4	3.4		0.0	3.4	0.0
Natural Resources Development Fund	17.7	19.0	6.3	21.4	64.4	27.0		27.6	54.6	9.7 ¹
Critical Maintenance Program	3.2	15.7	2.0	6.0	26.9	17.8		8.0	25.8	1.0 ¹
Dam Rehabilitation Program	0.7	0.5		0.0	1.2	1.2		0.0	1.2	0.0
House Assessment Program	0.9	0.0		0.0	0.9	0.8		0.0	0.8	0.2 ¹
Hurricane Isabel Funds	0.2	0.0		0.0	0.2	0.0		0.0	0.0	0.2 ¹
Neighborhood Business Development	3.6	3.2		0.0	6.8	6.7		0.0	6.7	0.1 ²
Community Legacy Program	0.4	0.0		0.0	0.4	0.4		0.0	0.4	0.0
Homeownership Programs	0.0	4.5		0.0	4.5	4.5		0.0	4.5	0.0
Special Loan Programs	2.1	4.7		0.0	6.8	6.9		0.0	6.9	0.0
Tobacco Transition Program	0.0	7.3		0.0	7.3	7.3		0.0	7.3	0.0
Agricultural Land Preservation Program	10.0	67.2	33.1	51.8	162.1	41.2	15.2	93.8	150.2	11.8 ³
Bay Restoration Fund	205.0	85.0		0.0	290.0	290.0		0.0	290.0	0.0
Helicopter Replacement Fund	113.7	0.0		0.0	113.7	113.7		0.0	113.7	0.0 ⁴
Total	\$661.5	\$416.7	\$144.2	\$246.6	\$1,469.0	\$935.9	\$67.1	\$427.8	\$1,430.8	\$38.1

¹Indicates amount not to be replaced based on other budget priorities or funds not needed to complete projects.

²The Budget Reconciliation and Financing Act of 2011 included the transfer of \$2.1 million of special funds from the Neighborhood Business Development Program that was replaced with \$2.1 million in general obligation (GO) bonds. The 2012 capital budget bill deletes the bonds replaced in recognition that the program received \$2.1 million of special fund appropriation through budget amendment, thereby making the replacement unnecessary.

³In the 2010 session, the General Assembly also reduced the fiscal 2011 GO bond amount for the Maryland Agricultural Land Preservation Foundation (MALPF) by \$4.0 million to reflect the availability of special funds available from funds not used by the Maryland Agricultural and Resource-Based Industry Development Corporation. In the 2011 session, the General Assembly reduced the fiscal 2012 GO bond amount for Rural Legacy by \$4.6 million, which is not being replaced. In the 2012 session, the General Assembly reduced the fiscal 2013 GO bond replacement funding for Stateside POS by \$4.908 million, Rural Legacy by \$4.267 million, and MALPF by \$5.418 million and made no provision to replace these funds in future years choosing instead to redirect the funds to provide additional funding for shovel-ready environmental and natural resources projects. In the 2013 session, the General Assembly reduced the fiscal 2014 bond replacement funding for the Rural Legacy Program by \$1.3 million and the Agricultural Land Preservation Program by \$2.4 million and made no provision to replace these funds in future years.

⁴Helicopter Replacement Fund transfers include both fund balance transfers and revenue diversions – the amount needed to complete the new fleet purchase will exceed the amount transferred; therefore, the amount shown as replacement only reflects replacement of the transfers and diversions.

Source: Department of Budget and Management

Debt Affordability

The Transportation Infrastructure Investment Act of 2013 (Chapter 429 of 2013) requires the Governor to include general funds or GO bond funds in the budget to comply with the SHA portion of the Chesapeake WIP funding requirement. Citing the need to accommodate these expenses, the Capital Debt Affordability Committee (CDAC) voted to increase the amount of GO bond authorizations through the five-year planning period. The CDAC recommendation increased annual new GO bond authorizations by \$75 million annually for the 2014 through 2018 sessions for a total increase of \$375 million over what the committee recommended prior to the 2013 session. As shown in **Exhibit A-2.6**, the long range plan adopted by CDAC in December 2013 provides for a total of \$6.1 billion in debt authorizations from 2014 to 2018. The increased level of authorizations is within affordability ratios, which limit State debt outstanding to 4% of State personal income and limit State debt service cost to no more than 8% of revenues supporting State debt. The Spending Affordability Committee only approved a \$75 million increase for the 2014 session and deferred consideration of additional out-year increases requested by the Administration and adopted by CDAC. The Governor's 2014 session five-year *Capital Improvement Program* (CIP) reflects the use of general funds to satisfy the SHA WIP requirement, and the use of general funds is included in the Administration's general fund forecast. Committee narrative adopted by the budget committees requests that the Governor use GO bond funds to satisfy the SHA WIP requirement.

Exhibit A-2.6
Capital Debt Affordability Committee Recommended Levels of
General Obligation Bond Authorizations
2014-2018 Legislative Sessions
(\$ in Millions)

<u>Session</u>	<u>2012 Report Recommended Authorizations</u>	<u>2013 Report Recommended Authorizations</u>	<u>Authorization Change</u>
2014	\$1,085	\$1,160	\$75
2015	1,095	1,170	75
2016	1,105	1,180	75
2017	1,200	1,275	75
2018	1,240	1,315	75
/Total	\$5,725	\$6,100	\$375

Source: *Report of the Capital Debt Affordability Committee on Recommended Debt Authorizations*, November 2012 and November 2013

The MCCBL of 2014, passed by the General Assembly, is consistent with the \$1.160 billion level of new GO debt authorizations recommended by CDAC. An additional \$4.5 million in QZABs, which are not counted in the debt limit, and an additional \$20.6 million in GO bonds from prior years is de-authorized in the 2014 capital budget, thereby increasing the amount of new GO debt included in the capital program to \$1.185 billion. Included in the \$1.185 billion of new debt is \$213.4 million authorized in the MCCBL of 2014 to complete the funding for various projects that were split-funded over fiscal 2012 through 2014 as a mechanism to allow the projects to be bid and construction to commence without having to authorize the full amount of construction funding needed to complete a project.

The State's capital program for fiscal 2014 also includes other actions that affect debt affordability, debt issuance, and future capital budgets.

- The MCCBL of 2014 includes amendments to prior authorizations that, among other changes, extend matching fund deadlines, extend deadlines for expending or encumbering funds, alter the purposes for which funds may be used, modify certification requirements, rename grant recipients, or alter project locations. Prior to the 2008 session, individual prior authorization bills were passed by the General Assembly, and since 2008, they were rolled into one omnibus prior authorization bill. However, for the 2014 session, all amendments to prior authorizations are included in the capital bill since all the changes amend authorizations made in prior capital budget bills.
- The MCCBL of 2014 includes \$538.3 million of GO bond authorizations that will not take effect until fiscal 2016. Of this amount, \$433.5 million is needed to either continue the funding for existing construction contracts or to allow projects expected to be contracted during fiscal 2015 through 2017 to proceed without the full amount of the construction authorization provided in the fiscal 2015 budget. Another \$93.4 million provides pre-authorizations for GO bonds to replace special fund transfers. The remaining \$11.4 million provides earmarks for future projects either accelerated or added to the five-year capital program. The MCCBL of 2014 also provides another \$280.7 million that will not take effect until fiscal 2017, \$119.1 million that will not take effect until fiscal 2018, \$74.5 million that will not take effect until fiscal 2019, and \$37.9 million that will not take effect until fiscal 2020. Much of the pre-authorizations scheduled for fiscal 2016 through 2020 (\$390.3 million) reflect GO bond replacement tied to the replacement of diverted transfer tax revenues included in the BRFA of 2104. **Exhibit 2.7** shows the pre-authorizations for the 2015 through 2020 sessions.

Exhibit 2.7
Pre-authorizations Included in the Maryland Consolidated Capital Bond Loan
2015-2019 Sessions

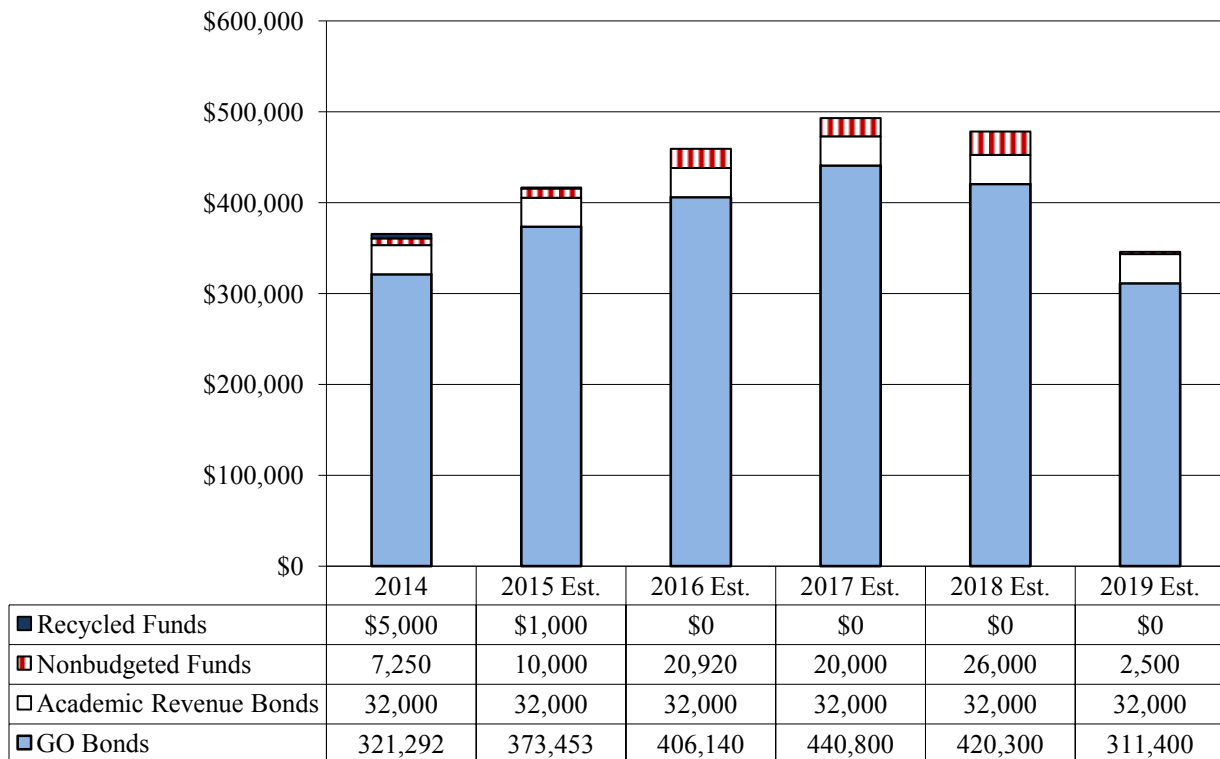
<u>Project/Program Title</u>	<u>2015 Session</u>	<u>2016 Session</u>	<u>2017 Session</u>	<u>2018 Session</u>	<u>2019 Session</u>	<u>Total</u>
Military Department – Havre de Grace Readiness Center	\$225,000	\$0	\$0	\$0	\$0	\$225,000
Department of Natural Resources (DNR) – Program Open Space	58,225,000	57,066,000	59,434,000	47,505,000	24,252,000	246,482,000
DNR – Rural Legacy Program	12,494,000	11,561,000	11,793,000	9,268,000	4,683,000	49,799,000
Department of Agriculture – Maryland Agricultural Land Preservation Program	22,726,000	21,851,000	22,635,000	17,726,000	9,030,000	93,968,000
Department of Public Safety and Correctional Services (DPSCS) – New Youth Detention Center	18,350,000	3,880,000	0	0	0	22,230,000
DPSCS – Maryland Correctional Training Center	3,900,000	0	0	0	0	3,900,000
DPSCS – Dorsey Run Correctional Facility	3,575,000	0	0	0	0	3,575,000
Maryland State Department of Education – State Library Resource Center	25,850,000	23,200,000	23,200,000	0	0	72,250,000
University of Maryland, Baltimore – Health Sciences III	81,550,000	70,500,000	2,000,000	0	0	154,050,000
University of Maryland, College Park (UMCP) – Edward St. John Learning and Teaching Center	65,650,000	5,100,000	0	0	0	70,750,000
UMCP: Bioengineering Building	42,200,000	41,400,000	0	0	0	83,600,000
University of Maryland (USM) Sports Performance and Academic Research Building	5,000,000	0	0	0	0	5,000,000

<u>Project/Program Title</u>	<u>2015 Session</u>	<u>2016 Session</u>	<u>2017 Session</u>	<u>2018 Session</u>	<u>2019 Session</u>	<u>Total</u>
Bowie State University New Natural Sciences Center	48,300,000	7,500,000	0	0	0	55,800,000
University of Maryland Eastern Shore – New Engineering and Aviation Sciences Building	1,500,000	0	0	0	0	1,500,000
Coppin State University – Percy Julian Building	1,200,000	0	0	0	0	1,200,000
University of Baltimore – Langsdale Library	11,600,000	0	0	0	0	11,600,000
Salisbury University – New Academic Commons	47,550,000	0	0	0	0	47,550,000
University of Maryland Center for Environmental Science – New Environmental Sustainability Research Laboratory	758,000	0	0	0	0	758,000
USM – Southern Maryland Higher Education Facility	5,000,000	0	0	0	0	5,000,000
St. Mary’s College of Maryland – Anne Arundel Hall Reconstruction	8,700,000	0	0	0	0	8,700,000
Maryland Higher Education Commission – Community College Facilities Grant Program	32,033,000	13,052,000	0	0	0	45,085,000
Morgan State University (MSU) – Campuswide Utilities Upgrade	3,700,000	0	0	0	0	3,700,000
MSU: New Behavioral and Social Sciences Complex	32,250,000	25,550,000	0	0	0	57,800,000
Maryland Environmental Service	6,012,000	0	0	0	0	6,012,000
Total	\$538,348,000	\$280,660,000	\$119,062,000	\$74,499,000	\$37,965,000	\$1,050,534,000

Higher Education

The State funded portion of the fiscal 2015 capital program for all segments of higher education is \$406.5 million, including GO bonds, ARBs, and recycled funds. Of the total funding, four-year public institutions receive \$317.1 million, and independent colleges receive \$24.0 million. Community colleges receive \$65.4 million in fiscal 2015. The CIP, after legislative changes to the fiscal 2015 capital budget, shows \$2.193 billion in State capital spending for higher education projects from fiscal 2015 through 2019 all funds. **Exhibit A-2.8** shows the fiscal 2014 and 2015 legislative appropriation for higher education capital projects and the funds anticipated in the CIP for fiscal 2016 through 2019. **Exhibit A-2.9** shows the fiscal 2015 capital funding by institution.

Exhibit 2.8
Higher Education Authorized and Planned Out-year Capital Funding
Fiscal 2014-2019 Est.
(\$ in Thousands)



GO: general obligation

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

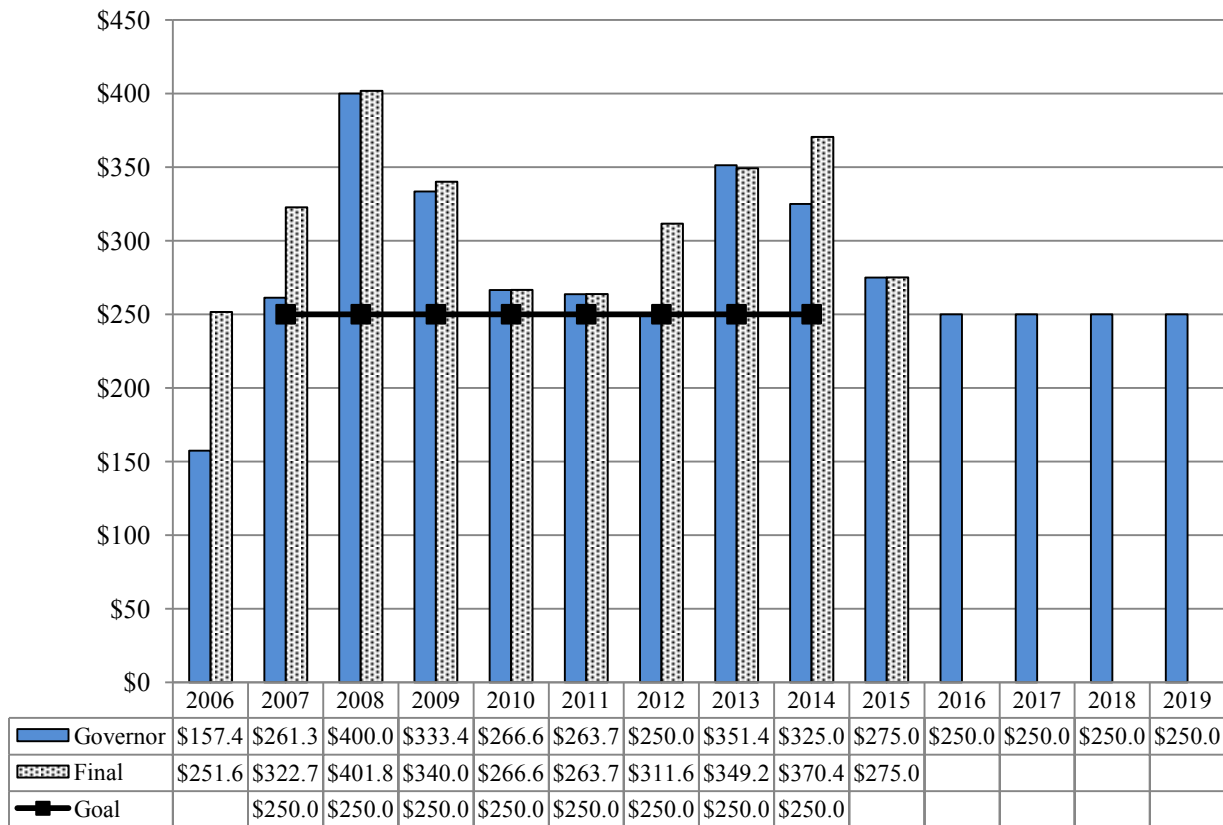
<u>Institution</u>	<u>Capital Funding</u>
University of Maryland, Baltimore	\$49,000
University of Maryland, College Park	42,446
Bowie State University	23,842
Towson University	1,500
University of Maryland Eastern Shore	60,755
Frostburg State University	400
Coppin State University	10,300
University of Baltimore	2,775
Salisbury University	45,000
University of Maryland Baltimore County	14,106
University of Maryland Center for Environmental Science	10,604
University System of Maryland – Facility Renewal	17,000
University System of Maryland – Regional Higher Education Centers	5,300
Morgan State University	16,170
Independent Colleges	24,000
Community Colleges	65,405
St. Mary's College of Maryland	17,850
Total	\$406,453

Note: Excludes nonbudgeted funds

School Construction

The fiscal 2015 capital budget, *Senate Bill 171*, includes \$275.0 million in GO bonds for public school construction. An additional \$23.7 million in unexpended funds from prior years is available from the Statewide Contingency Fund, of which \$12.8 million is reserved for specific local school systems. As shown in **Exhibit A-2.10**, the Public School Facilities Act of 2004 established a State goal to provide \$2.0 billion in State funding over eight years to address deficiencies, or \$250.0 million per year through fiscal 2013. The \$2.0 billion goal was met in fiscal 2012, one year early. Between fiscal 2006 and 2015, the State has invested \$3.084 billion for school construction projects throughout the State.

Exhibit A-2.10
Public School Construction Funding
Fiscal 2006-2019
(\$ in Millions)



Aging Schools and Qualified Zone Academy Bond Programs

The Aging Schools Program is funded with GO bond funds in fiscal 2015. The capital budget, as passed by the General Assembly, includes \$6.1 million in GO bonds allocated as grants to county boards of education as specified in § 5-206 of the Education Article.

The fiscal 2015 capital budget also provides \$3.5 million for nonpublic schools to receive grants for school construction projects that are eligible under the Aging Schools Program, including school security improvements. Only nonpublic schools currently meeting the eligibility requirements for Aid to Non-Public Schools for textbooks and computer hardware and software may receive these Aging Schools grants, which will be distributed on a per-school basis up to \$100,000, contingent on certain criteria being met. If sufficient funds are not

available to fully fund the grants, the Maryland State Department of Education shall prorate the grants except that \$250,000 shall be made available to fund grants to schools that qualify for \$5,000 grants.

Public school construction funding is further supplemented with \$6.4 million of QZABs authorized in *Senate Bill 218*. QZABs may be used in schools located in federal Enterprise or Empowerment Zones or in schools in which 35% of the student population qualifies for free or reduced price meals. QZAB funds are distributed to local school systems through competitive grants including grants to the Breakthrough Center and public charter schools.

Transfer Tax

The property transfer tax is the primary funding source for State land conservation programs. In order to reduce the State's structural deficit, as part of the BRFA of 2014, the Governor proposed the transfer of \$410.7 million of transfer tax revenue to the general fund over five years, beginning with fiscal 2014. For fiscal 2014, 67% of the capital-eligible transfer tax allocations for land preservation programs and 100% of the capital-eligible transfer tax allocation for capital development programs were proposed to be transferred to the general fund with bond replacement for land preservation programs scheduled in fiscal 2015 and 2016. For fiscal 2015 through 2018, the Governor proposed to transfer amounts estimated to be 50% of the capital-eligible transfer tax allocation to the general fund and replace the funds with GO bonds in the following two fiscal years.

As part of the BRFA of 2014, the Governor modified the fiscal 2015 transfer tax transfer in order to transfer an additional \$69.1 million. This additional \$69.1 million is to be replaced over three fiscal years, fiscal 2016 through 2018. The General Assembly concurred with the modified transfer and replacement plan. The \$69.1 million in additional fiscal 2015 revenues are attributable to \$51.9 million in the Department of Natural Resources including POS – State share (\$20.8 million), POS – Local share (\$22.7 million), and Rural Legacy Program (\$8.3 million); and \$17.3 million in Maryland Agricultural Land Preservation Program funding. The multi-year replacement plan includes the use of GO bond funds to replace the majority of proposed transfers via fiscal 2015 funding and pre-authorizations that span five years.

Exhibit A-2.11 shows the fiscal 2015 allocation of funding for programs traditionally funded with transfer tax revenue. Relative to the Governor's allowance, the General Assembly increased the GO bond authorization for the Natural Resources Development Fund by \$0.3 million for the St. Clement's Island Shore Erosion Control project. **Exhibit 2.12** shows the overall transfer tax diversion, replacement schedule, and the particular program level aspects, respectively.

Exhibit A-2.11
Programs Traditionally Funded with Transfer Tax Revenue

	<u>Transfer Tax Special Funds</u>	<u>Other Special Funds</u>	<u>Federal</u>	<u>GO Bonds</u>	<u>Total</u>
Department of Natural Resources					
Program Open Space					
State ¹	\$1,500,000	\$0	\$2,500,000	\$18,872,000	\$22,872,000
Local ²	0	0	0	22,763,000	22,763,000
Capital Development ³	9,623,821	0	0	408,000	10,031,821
Rural Legacy Program ⁴	803,975	0	0	15,231,000	16,034,975
Heritage Conservation Fund	0	0	0	0	0
Department of Agriculture					
Agricultural Land Preservation ⁵	0	9,596,966	0	15,188,000	24,784,966
Total	\$11,927,796	\$9,596,966	\$2,500,000	\$72,462,000	\$96,486,762

GO: general obligation

¹ The Program Open Space (POS) – State funding reflects \$1.5 million in special funds for the Baltimore City Direct Grant. The \$2.5 million in federal funding reflects estimated revenue appropriations. The \$18.9 million in GO bond authorization reflects replacement of transfer tax transferred to the general fund comprised of funding transferred in fiscal 2011 (\$3.0 million), fiscal 2013 (\$4.9 million), and fiscal 2014 (\$11.0 million). Of the \$18.9 million in GO bond authorization, \$6.0 million is restricted for Baltimore City to construct capital improvements to the Gwynns Falls/Leakin Park Urban Children in Nature Campus project, and \$300,000 is restricted to the Board of Directors of the Royal Theater and Community Heritage Corporation. There is \$123.1 million in GO debt pre-authorized for fiscal 2016 through 2020 to replace 2014 through 2018 transfers.

² The POS – Local funding reflects \$22.8 million in GO bond authorization for the purchase of conservation easements, acquisition of land, and development of recreational facilities. The GO bond authorization reflects the replacement of transfer tax transferred to the general fund comprised of funding transferred in years prior to fiscal 2011 (\$4.1 million), fiscal 2013 (\$6.8 million), and fiscal 2014 (\$11.9 million). There is \$123.4 million in GO debt pre-authorized for fiscal 2016 through 2020 to replace fiscal 2014 through 2018 transfers.

³ The Capital Development funding of \$9.6 million in transfer tax special funds reflects \$4.5 million for the Natural Resources Development Fund and \$5.1 million for the Critical Maintenance Program. The \$0.4 million in GO bond authorization reflects \$0.3 million for the St. Clement's Island Shore Erosion Control project added by the General Assembly, and \$0.1 million for the Sassafras Natural Resources Management Area (Phase II), both in the Natural Resources Development Fund. The Administration has planned on, but not actually pre-authorized, \$27.6 million in GO bonds for the Natural Resources Development Fund and \$8.0 million in GO bonds for the Critical Maintenance Program in fiscal 2016 through 2020 to replace fiscal 2016 through 2018 transfers.

⁴ The Rural Legacy Program funding reflects \$0.8 million in transfer tax special funds, which provides for easement costs which are not eligible for GO bonds, and \$15.2 million in GO bond authorization. The \$15.2 million GO bond authorization reflects the \$5.0 million mandated in statute and the replacement of transfer tax transferred to the general fund comprised of funding transferred in fiscal 2011 (\$0.6 million), fiscal 2013 (\$4.3 million), and fiscal

2014 (\$5.4 million). There is \$49.8 million in GO debt pre-authorized for fiscal 2016 through fiscal 2020 to replace fiscal 2014 through 2018 transfers.

⁵ The Agricultural Land Preservation funding reflects \$9.6 million in other special funds, primarily from county funds. The GO bond authorization of \$15.2 million reflects the replacement of transfer tax transferred to the general fund comprised of funding transferred in fiscal 2011 (\$0.7 million), fiscal 2013 (\$5.4 million), and fiscal 2014 (\$9.1 million). There is \$94.0 million in GO debt pre-authorized for fiscal 2016 through fiscal 2020 to replace fiscal 2014 through 2018 transfers.

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

Exhibit A-2.12
Special Fund Transfers and General Obligation Bond Replacement Plan for
Transfer Tax Funded Programs
Fiscal 2014-2020
(\$ in Millions)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Total Transferred Bond Replacement								
<i>Transfer</i>								
BRFA of 2013	\$89.20	\$75.06	\$77.66	\$82.78	\$86.03	\$0.00	\$0.00	\$410.73
BRFA of 2014	0.00	69.13	0.00	0.00	0.00	0.00	0.00	69.13
Total	\$89.20	\$144.19	\$77.66	\$82.78	\$86.03	\$0.00	\$0.00	\$479.86
<i>Replacement</i>								
Fiscal 2014								
Capital Budget	\$9.03	\$37.25	\$74.79	\$76.36	\$80.22	\$84.40	\$43.01	\$405.06
Fiscal 2015								
Capital Budget	0.00	0.00	23.04	23.04	23.04	0.00	0.00	69.12
Total	\$9.03	\$37.25	\$97.83	\$99.40	\$103.26	\$84.40	\$43.01	\$474.18
Department of Natural Resources								
<i>Transfer</i>								
BRFA of 2013	\$71.09	\$59.23	\$61.30	\$65.38	\$67.97	\$0.00	\$0.00	\$324.97
BRFA of 2014	0.00	51.85	0.00	0.00	0.00	0.00	0.00	51.85
Total	\$71.09	\$111.08	\$61.30	\$65.38	\$67.97	\$0.00	\$0.00	\$376.82
<i>Replacement</i>								
Fiscal 2014								
Capital Budget	\$9.03	\$28.20	\$57.82	\$60.27	\$63.34	\$66.67	\$33.98	\$319.31
Fiscal 2015								
Capital Budget	0.00	0.00	17.28	17.28	17.28	0.00	0.00	51.84
Total	\$9.03	\$28.20	\$75.10	\$77.55	\$80.62	\$66.67	\$33.98	\$371.15
Maryland Department of Agriculture								
<i>Transfer</i>								
BRFA of 2013	\$18.11	\$15.83	\$16.36	\$17.40	\$18.06	\$0.00	\$0.00	\$85.76
BRFA of 2014	0.00	17.28	0.00	0.00	0.00	0.00	0.00	17.28
Total	\$18.11	\$33.11	\$16.36	\$17.40	\$18.06	\$0.00	\$0.00	\$103.04
<i>Replacement</i>								
Fiscal 2014								
Capital Budget	\$0.00	\$9.05	\$16.97	\$16.09	\$16.88	\$17.73	\$9.03	\$85.75
Fiscal 2015								
Capital Budget	0.00	0.00	5.76	5.76	5.76	0.00	0.00	17.28
Total	\$0.00	\$9.05	\$22.73	\$21.85	\$22.64	\$17.73	\$9.03	\$103.03

BRFA: Budget Reconciliation and Financing Act

State Aid to Local Governments

Overview

State aid to local governments will total \$7.0 billion in fiscal 2015, representing a \$178.3 million, or 2.6%, increase from the prior year. Direct aid will increase by \$164.9 million, and State funding for retirement payments will increase by \$13.4 million, reflecting the decision to phase in supplemental payments to reduce unfunded pension liabilities. Local school systems, as in prior years, will receive the largest increase in State funding. Between fiscal 2012 and 2015, State aid to local school systems has increased by \$469.3 million, while funding to county and municipal governments has increased by \$167.2 million. **Exhibit A-3.1** compares State aid by governmental entity in fiscal 2014 and 2015. **Exhibit A-3.2** shows the annual change in State aid for fiscal 2012 through 2015.

Legislative Actions

The General Assembly approved several measures during the 2014 session that affect State funding for local governments. As shown in **Exhibit A-3.3**, State aid to local governments decreases by \$128.7 million from either statutorily mandated amounts or current discretionary funding levels. Direct aid to public schools, community colleges, and county and municipal governments is affected along with State funding for Program Open Space. The overall decrease is driven by a total reduction of \$131.9 million in retirement State aid. These changes are shown for each county in **Exhibit A-3.4**.

Exhibit A-3.1
State Aid to Local Governments
Fiscal 2014 and 2015
(\$ in Millions)

	<u>2014</u>	<u>2015</u>	<u>Difference</u>	<u>% Difference</u>
Public Schools	\$5,206.5	\$5,334.4	\$127.8	2.5%
Libraries	50.2	50.8	0.6	1.1%
Community Colleges	243.3	257.0	13.8	5.7%
Health	41.7	46.9	5.1	12.3%
County/Municipal	530.2	547.8	17.6	3.3%
<i>Subtotal – Direct Aid</i>	<i>\$6,072.0</i>	<i>\$6,236.9</i>	<i>\$164.9</i>	<i>2.7%</i>
Retirement Payments	784.5	797.9	13.4	1.7%
Total	\$6,856.4	\$7,034.7	\$178.3	2.6%

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	65.9	78.4	17.6	167.2
<i>Subtotal – Direct Aid</i>	<i>\$92.9</i>	<i>\$210.6</i>	<i>\$212.5</i>	<i>\$164.9</i>	<i>\$680.8</i>
Retirement Payments	-18.1	-72.5	-24.8	13.4	-101.9
Total	\$74.8	\$138.1	\$187.7	\$178.3	\$578.9

Source: Department of Legislative Services

Exhibit A-3.3
State Aid Enhancements and Reductions
Fiscal 2015
(\$ in Millions)

Enhanced Public School Funding

Prekindergarten Expansion Program	\$4.3
School Breakfast Pilot Program	1.7
Foundation Special Grants	0.6
<i>Subtotal</i>	<i>\$6.6</i>

Enhanced County/Municipal Government Funding

Municipal Transportation Grants (<i>Continuation of One-time Grants</i>)	\$16.0
Program Open Space – Baltimore City	5.3
State’s Attorney’s Grant – Prince George’s County	0.7
<i>Subtotal</i>	<i>\$22.0</i>

Total Enhanced State Funding	\$28.6
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Reductions

Retirement Payments	-\$131.9
Early College Innovation	-0.6
Community College Cade Formula	-2.2
Program Open Space*	-22.7
Total Reductions	-\$157.3

Net Effect on State Funding to Local Governments	-\$128.7
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* Under the Administration’s budget plan, the reduction is replaced with general obligation bonds in subsequent years.

Exhibit A-3.4
State Aid Enhancements and Reductions
Fiscal 2015

County	PreK Expansion	School Breakfast	Municipal Transportation	Special Grants	Retirement Payments	Community College Aid	Program Open Space	Total
Allegany	\$0	\$0	\$809,832	\$0	-\$1,545,751	-\$46,960	-\$250,538	-\$1,033,417
Anne Arundel	0	0	698,158	0	-11,181,462	-279,502	-2,666,348	-13,429,154
Baltimore City	0	0	0	5,300,000	-12,106,225	0	-2,391,045	-9,197,270
Baltimore	0	0	0	0	-15,701,020	-375,799	-3,016,287	-19,093,106
Calvert	0	0	198,831	0	-2,555,818	-22,910	-264,225	-2,644,123
Caroline	0	0	286,110	0	-774,271	-13,474	-117,299	-618,935
Carroll	0	0	925,146	0	-3,828,641	-72,179	-598,810	-3,574,485
Cecil	0	0	463,297	0	-2,331,854	-50,290	-308,694	-2,227,542
Charles	0	0	264,130	0	-3,883,931	-77,779	-543,293	-4,240,873
Dorchester	0	0	329,211	0	-645,191	-10,088	-100,095	-426,163
Frederick	0	0	1,764,578	0	-5,801,343	-86,849	-619,332	-4,742,947
Garrett	0	0	262,429	464,103	-621,012	-25,017	-123,348	-42,845
Harford	0	0	775,904	0	-5,406,356	-105,192	-887,199	-5,622,843
Howard	0	0	0	0	-9,942,449	-147,468	-1,572,850	-11,662,767
Kent	0	0	170,016	130,982	-340,999	-4,848	-74,620	-119,468
Montgomery	0	0	2,546,645	0	-26,913,535	-389,411	-3,961,611	-28,717,912
Prince George's	0	0	3,276,302	650,000	-17,306,605	-247,919	-3,408,643	-17,036,865
Queen Anne's	0	0	109,824	0	-1,020,434	-15,639	-159,424	-1,085,672
St. Mary's	0	0	70,845	0	-2,349,673	-25,752	-300,485	-2,605,066
Somerset	0	0	122,127	0	-453,732	-6,402	-72,151	-410,158
Talbot	0	0	437,810	0	-640,953	-14,549	-167,200	-384,893
Washington	0	0	1,051,976	0	-3,147,943	-75,065	-471,790	-2,642,822
Wicomico	0	0	892,293	0	-2,142,687	-43,940	-315,175	-1,609,508
Worcester	0	0	544,537	0	-1,215,828	-18,247	-297,476	-987,015
Unallocated	4,300,000	1,720,000	0	-595,085	0	0	0	5,424,915
Total	\$4,300,000	\$1,720,000	\$16,000,000	\$5,950,000	-\$131,857,712	-\$2,155,280	-\$22,687,940	-\$128,730,932

Note: Special Grants include \$5.3 million under Program Open Space for Baltimore City, \$650,000 under the State's Attorney's grant for Prince George's County, \$595,085 for Foundation Special Grants, and an offsetting \$595,085 reduction to the Early College Innovation Program.

Reduction in Retirement Supplemental Contribution

The Budget Reconciliation and Financing Act (BRFA) of 2014, *Senate Bill 172 (passed)*, 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. The BRFA of 2014 also requires the State Retirement and Pension System Board of Trustees to perform a study of various aspects of the system's funding and report its results to specified committees of the General Assembly by January 1, 2015. 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. For a more detailed discussion of this issue, see the subpart "Pensions and Retirement" within Part C — State Government of this *90 Day Report*.

Prekindergarten Expansion Grant Program

Senate Bill 332 (Ch. 2), the Prekindergarten Expansion Act of 2014, 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. For a more detailed discussion of this program, see the subpart Education – Primary and Secondary within Part L — Education of this *90 Day Report*.

Changes by Program

Of the 24 counties in Maryland, 21 will receive increased State aid in fiscal 2015. **Exhibit A-3.5** summarizes the distribution of direct aid by governmental unit and shows the estimated State retirement payments for local government employees. **Exhibit A-3.6** shows total State aid in fiscal 2014 and 2015 by program.

Exhibit A-3.5
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 FY 2014	Percent Change
			Public Schools	Libraries	Health	Subtotal				
Allegany	\$13,422	\$6,235	\$76,561	\$744	\$1,175	\$98,136	\$9,504	\$107,640	\$563	0.5%
Anne Arundel	31,187	31,597	330,265	2,101	3,939	399,089	67,586	466,675	5,434	1.2%
Baltimore City	261,873	0	913,427	6,053	8,365	1,189,717	72,437	1,262,154	25,506	2.1%
Baltimore	21,822	42,224	593,702	5,327	5,413	668,488	95,543	764,031	17,957	2.4%
Calvert	3,405	2,587	81,902	385	479	88,758	15,114	103,872	71	0.1%
Caroline	4,483	1,629	48,790	270	668	55,839	4,685	60,524	2,067	3.5%
Carroll	5,076	8,364	133,782	902	1,537	149,660	23,042	172,702	-2,089	-1.2%
Cecil	7,282	6,035	100,798	719	1,008	115,843	13,998	129,841	5,057	4.1%
Charles	3,768	8,782	161,746	920	1,244	176,460	23,567	200,027	3,300	1.7%
Dorchester	4,139	1,220	37,502	252	545	43,658	3,910	47,568	2,201	4.9%
Frederick	7,921	10,005	231,966	1,334	1,889	253,115	35,184	288,300	3,688	1.3%
Garrett	4,139	3,864	20,632	114	553	29,302	3,711	33,014	-564	-1.7%
Harford	6,861	11,556	202,901	1,450	2,171	224,939	32,745	257,684	1,978	0.8%
Howard	7,944	17,103	222,484	838	1,528	249,897	60,772	310,669	4,730	1.5%
Kent	1,110	586	9,628	81	427	11,832	2,037	13,869	-256	-1.8%
Montgomery	29,008	47,428	624,368	2,813	3,825	707,442	165,932	873,374	22,505	2.6%
Prince George's	71,032	27,666	1,001,170	6,759	6,297	1,112,925	101,741	1,214,665	65,033	5.7%
Queen Anne's	1,622	1,891	33,909	138	521	38,080	6,077	44,158	505	1.2%
St. Mary's	2,592	2,907	97,259	612	1,009	104,380	14,091	118,471	3,258	2.8%
Somerset	6,519	739	28,575	268	535	36,636	2,721	39,357	518	1.3%
Talbot	1,971	1,759	13,093	107	409	17,339	3,926	21,264	751	3.7%
Washington	6,896	9,005	165,081	1,172	1,720	183,874	19,259	203,133	6,296	3.2%
Wicomico	13,680	5,070	128,271	943	1,179	149,142	12,997	162,139	6,292	4.0%
Worcester	5,658	2,105	19,591	144	442	27,940	7,318	35,257	543	1.6%
Unallocated	24,399	6,679	56,960	16,323	0	104,360	0	104,360	2,961	2.9%
Total	\$547,809	\$257,033	\$5,334,361	\$50,769	\$46,879	\$6,236,851	\$797,896	\$7,034,747	\$178,307	2.6%

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

Exhibit A-3.5 (Cont.)
State Aid to Local Governments
Fiscal 2014 Working Appropriation
(\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	\$13,797	\$6,039	\$75,827	\$753	\$1,051	\$97,468	\$9,609	\$107,077
Anne Arundel	34,773	30,516	323,421	2,126	3,507	394,343	66,898	461,240
Baltimore City	243,343	0	907,323	6,035	7,449	1,164,150	72,498	1,236,648
Baltimore	22,958	39,982	578,462	5,250	4,812	651,464	94,609	746,074
Calvert	3,660	2,369	81,318	379	426	88,151	15,650	103,801
Caroline	4,633	1,637	46,708	268	597	53,843	4,614	58,457
Carroll	5,453	7,996	135,995	924	1,371	151,739	23,052	174,790
Cecil	6,732	5,705	96,872	713	899	110,921	13,862	124,784
Charles	4,061	8,050	159,309	895	1,109	173,423	23,304	196,727
Dorchester	4,336	1,345	35,096	249	488	41,514	3,853	45,367
Frederick	8,329	9,822	229,356	1,327	1,685	250,520	34,092	284,612
Garrett	4,390	3,552	21,094	119	495	29,650	3,928	33,578
Harford	7,269	10,763	201,966	1,454	1,936	223,388	32,318	255,706
Howard	8,301	15,837	221,297	821	1,359	247,615	58,324	305,939
Kent	1,296	586	9,752	82	383	12,099	2,026	14,125
Montgomery	29,849	44,178	612,445	2,771	3,388	692,631	158,237	850,869
Prince George's	65,120	25,992	943,608	6,524	5,599	1,046,843	102,789	1,149,632
Queen Anne's	1,819	1,827	33,291	135	465	37,537	6,115	43,652
St. Mary's	2,827	2,673	94,465	601	900	101,465	13,747	115,212
Somerset	6,627	717	27,978	270	479	36,072	2,767	38,839
Talbot	2,079	1,621	12,617	106	365	16,789	3,724	20,513
Washington	6,780	8,431	160,113	1,155	1,536	178,014	18,823	196,837
Wicomico	12,287	4,966	124,285	911	1,053	143,502	12,345	155,846
Worcester	5,432	1,981	19,499	144	393	27,450	7,265	34,715
Unallocated	24,093	6,665	54,444	16,197	0	101,399	0	101,399
Total	\$530,243	\$243,250	\$5,206,542	\$50,211	\$41,743	\$6,071,989	\$784,451	\$6,856,440

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

Exhibit A-3.5 (Cont.)
State Aid to Local Governments
Dollar Difference Between Fiscal 2015 Legislative Appropriation and Fiscal 2014 Working Appropriation
(\$ in Thousands)

County	<i>Direct State Aid</i>						Retirement	Total
	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal		
Allegany	-\$376	\$196	\$734	-\$10	\$125	\$669	-\$105	\$563
Anne Arundel	-3,586	1,082	6,844	-25	432	4,747	688	5,434
Baltimore City	18,530	0	6,104	18	916	25,567	-61	25,506
Baltimore	-1,136	2,242	15,240	76	601	17,023	934	17,957
Calvert	-255	217	584	6	54	607	-536	71
Caroline	-151	-8	2,082	2	70	1,996	71	2,067
Carroll	-377	367	-2,213	-22	166	-2,079	-10	-2,089
Cecil	550	330	3,927	6	109	4,921	135	5,057
Charles	-292	731	2,437	26	135	3,037	263	3,300
Dorchester	-197	-125	2,405	3	58	2,144	57	2,201
Frederick	-409	183	2,610	6	205	2,596	1,092	3,688
Garrett	-251	312	-462	-5	58	-347	-217	-564
Harford	-407	793	934	-4	235	1,551	427	1,978
Howard	-357	1,265	1,187	18	170	2,282	2,448	4,730
Kent	-187	0	-124	-2	45	-268	11	-256
Montgomery	-840	3,250	11,923	42	436	14,810	7,694	22,505
Prince George's	5,912	1,674	57,562	235	698	66,081	-1,048	65,033
Queen Anne's	-197	63	618	3	56	543	-38	505
St. Mary's	-235	235	2,794	12	108	2,915	344	3,258
Somerset	-107	21	597	-3	56	565	-46	518
Talbot	-107	138	476	0	44	550	201	751
Washington	117	574	4,968	18	184	5,860	436	6,296
Wicomico	1,393	104	3,986	32	126	5,640	652	6,292
Worcester	226	124	92	0	48	490	53	543
Unallocated	306	14	2,515	126	0	2,961	0	2,961
Total	\$17,566	\$13,783	\$127,818	\$559	\$5,135	\$164,862	\$13,445	\$178,307

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

Exhibit A-3.5 (Cont.)
State Aid to Local Governments
Percent Change: Fiscal 2015 Legislative Appropriation and Fiscal 2014 Working Appropriation
(\$ in Thousands)

<i>Direct State Aid</i>								
County	County - Municipal	Community Colleges	Public Schools	Libraries	Health	Subtotal	Retirement	Total
Allegany	-2.7%	3.2%	1.0%	-1.3%	11.8%	0.7%	-1.1%	0.5%
Anne Arundel	-10.3%	3.5%	2.1%	-1.2%	12.3%	1.2%	1.0%	1.2%
Baltimore City	7.6%	n/a	0.7%	0.3%	12.3%	2.2%	-0.1%	2.1%
Baltimore	-4.9%	5.6%	2.6%	1.4%	12.5%	2.6%	1.0%	2.4%
Calvert	-7.0%	9.2%	0.7%	1.7%	12.7%	0.7%	-3.4%	0.1%
Caroline	-3.2%	-0.5%	4.5%	0.9%	11.8%	3.7%	1.5%	3.5%
Carroll	-6.9%	4.6%	-1.6%	-2.4%	12.1%	-1.4%	0.0%	-1.2%
Cecil	8.2%	5.8%	4.1%	0.8%	12.1%	4.4%	1.0%	4.1%
Charles	-7.2%	9.1%	1.5%	2.9%	12.2%	1.8%	1.1%	1.7%
Dorchester	-4.6%	-9.3%	6.9%	1.4%	11.9%	5.2%	1.5%	4.9%
Frederick	-4.9%	1.9%	1.1%	0.5%	12.1%	1.0%	3.2%	1.3%
Garrett	-5.7%	8.8%	-2.2%	-4.0%	11.8%	-1.2%	-5.5%	-1.7%
Harford	-5.6%	7.4%	0.5%	-0.3%	12.1%	0.7%	1.3%	0.8%
Howard	-4.3%	8.0%	0.5%	2.1%	12.5%	0.9%	4.2%	1.5%
Kent	-14.4%	0.0%	-1.3%	-2.0%	11.7%	-2.2%	0.6%	-1.8%
Montgomery	-2.8%	7.4%	1.9%	1.5%	12.9%	2.1%	4.9%	2.6%
Prince George's	9.1%	6.4%	6.1%	3.6%	12.5%	6.3%	-1.0%	5.7%
Queen Anne's	-10.8%	3.5%	1.9%	2.0%	12.0%	1.4%	-0.6%	1.2%
St. Mary's	-8.3%	8.8%	3.0%	1.9%	12.1%	2.9%	2.5%	2.8%
Somerset	-1.6%	3.0%	2.1%	-1.0%	11.8%	1.6%	-1.7%	1.3%
Talbot	-5.2%	8.5%	3.8%	0.2%	12.0%	3.3%	5.4%	3.7%
Washington	1.7%	6.8%	3.1%	1.5%	12.0%	3.3%	2.3%	3.2%
Wicomico	11.3%	2.1%	3.2%	3.5%	12.0%	3.9%	5.3%	4.0%
Worcester	4.2%	6.3%	0.5%	0.1%	12.3%	1.8%	0.7%	1.6%
Unallocated	1.3%	0.2%	4.6%	0.8%	n/a	2.9%	n/a	2.9%
Total	3.3%	5.7%	2.5%	1.1%	12.3%	2.7%	1.7%	2.6%

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

Exhibit A-3.6
Total State Aid to Local Governments
Fiscal 2014-2015

<u>Program</u>	<u>2014</u>	<u>2015</u>	<u>Difference</u>
Foundation Aid	\$2,850,478,884	\$2,882,444,199	\$31,965,315
Supplemental Program	46,496,416	46,620,083	123,667
Geographic Cost of Education Index	130,789,740	132,684,798	1,895,058
Net Taxable Income Education Grant	8,325,400	26,860,206	18,534,806
Foundation – Special Grants	0	595,085	595,085
Compensatory Education	1,195,984,922	1,251,675,638	55,690,716
Student Transportation – Regular	229,811,492	234,187,692	4,376,200
Student Transportation – Special Education	24,717,000	24,192,000	-525,000
Special Education – Formula	269,309,239	271,702,888	2,393,649
Special Education – Nonpublic Placements	109,819,450	110,917,897	1,098,447
Special Education – Infants and Toddlers	10,389,104	10,389,104	0
Limited English Proficiency Grants	193,427,735	197,658,807	4,231,072
Guaranteed Tax Base	52,317,464	59,390,154	7,072,690
Aging Schools	8,108,990	6,108,986	-2,000,004
Teacher Development Grants	11,604,000	12,904,000	1,300,000
Adult Education	8,833,620	8,433,620	-400,000
Food Service	9,516,664	11,236,664	1,720,000
Out-of-county Foster Placements	3,843,426	3,881,000	37,574
Head Start	5,900,000	1,800,000	-4,100,000
Prekindergarten Expansion Program	0	4,300,000	4,300,000
SEED School	10,100,000	10,146,460	46,460
Judy Hoyer Centers	10,575,000	10,575,000	0
Other Education Aid	16,193,503	15,656,247	-537,256
Total Primary and Secondary Education	\$5,206,542,049	\$5,334,360,528	\$127,818,479
Library Formula	\$34,014,134	\$34,446,211	\$432,077
Library Network	16,196,779	16,323,271	126,492
Total Libraries	\$50,210,913	\$50,769,482	\$558,569
Community College Formula	\$212,967,179	\$226,110,315	\$13,143,136
Grants for ESOL Programs	5,278,022	5,516,744	238,722
Optional Retirement	14,260,987	14,301,000	40,013
Small College Grants	4,079,435	4,426,335	346,900
Other Community College Aid	6,664,544	6,678,830	14,286
Total Community Colleges	\$243,250,167	\$257,033,224	\$13,783,057

<u>Program</u>	<u>2014</u>	<u>2015</u>	<u>Difference</u>
Highway User Revenue	\$163,896,192	\$169,686,146	\$5,789,954
Elderly and Handicapped Transportation	4,305,938	4,305,938	0
Paratransit Grants	2,926,702	2,926,702	0
Municipal Transportation Grants	15,379,979	16,000,001	620,022
County Pothole Repair Grants	10,000,000	0	-10,000,000
Total Transportation	\$196,508,811	\$192,918,787	-\$3,590,024
Police Aid	\$67,318,326	\$67,876,377	\$558,051
Fire and Rescue Aid	10,000,000	11,700,001	1,700,001
Vehicle Theft Prevention	1,869,160	1,860,000	-9,160
9-1-1 Grants	14,400,000	14,400,000	0
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	50,000	50,000	0
Stop Gun Violence Grants	928,478	928,478	0
Violent Crime Grants	4,750,714	4,750,714	0
State's Attorney Grants	3,309,195	3,959,195	650,000
Domestic Violence Grants	196,354	196,354	0
War Room/Sex Offender Grants	1,445,313	1,445,313	0
Safe Streets Program	2,830,158	2,830,352	194
School Vehicle Safety Grant	550,000	550,000	0
Body Armor	49,088	49,088	0
Total Public Safety	\$113,898,996	\$116,798,082	\$2,899,086
Program Open Space	\$28,092,000	\$30,563,002	\$2,471,002
Critical Area Grants	243,900	243,900	0
Total Recreation/Environment	\$28,335,900	\$30,806,902	\$2,471,002
Local Health Formula	\$41,743,209	\$46,878,532	\$5,135,323
Disparity Grant	\$127,808,075	\$135,797,163	\$7,989,088
Horse Racing Impact Aid	\$73,000	\$73,000	\$0
Payment in Lieu of Taxes	1,123,928	1,123,928	0
Video Lottery Terminal Impact Aid	31,510,627	39,051,403	7,540,776
Instant Bingo	1,078,206	1,019,846	-58,360
Senior Citizens Activities Center	500,000	500,000	0
Statewide Voting Systems	1,746,935	2,061,485	314,550
Teacher Retirement Supplemental Grant	27,658,661	27,658,661	0
Total Other Direct Aid	\$63,691,357	\$71,488,323	\$7,796,966
Total Direct Aid	\$6,071,989,477	\$6,236,851,023	\$164,861,546

<u>Program</u>	<u>2014</u>	<u>2015</u>	<u>Difference</u>
Retirement – Teachers	\$728,115,712	\$738,575,043	\$10,459,331
Retirement – Libraries	18,273,642	19,028,258	754,616
Retirement – Community Colleges	38,061,149	40,292,675	2,231,526
Total Payments-in-behalf	\$784,450,503	\$797,895,976	\$13,445,473
Total State Aid	\$6,856,439,980	\$7,034,746,999	\$178,307,019

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 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 of 2011, 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 student enrollment count. The State provides funding for roughly 50.0% of the program's cost. Less affluent local school systems, as measured by the property tax base and net taxable income, receive relatively more aid per pupil than wealthier school systems. State aid under the foundation program will total \$2.9 billion in fiscal 2015, a \$32.0 million, or 1.1%, increase from the prior year.

In addition, \$46.6 million in supplemental grants will be provided to nine local school systems. The supplemental grants were established during the 2007 special session to guarantee increases of at least 1% in State education aid for all local school systems during the two years, fiscal 2009 and 2010, that inflationary increases for the per pupil foundation amount were eliminated. Supplemental grants continued at fiscal 2010 levels in fiscal 2011, less a \$4.7 million reduction that recaptured overpayments to eight local school systems due to a miscalculation in school system wealth bases in fiscal 2009.

Net Taxable Income and Special Grants: Pursuant to Chapter 4 of 2013, State education aid formulas that include a local wealth component are to be calculated twice, once using a net taxable income (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.

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.

Senate Bill 534/House Bill 814 (both passed) 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 full-time equivalent 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 \$595,085 in fiscal 2015, including \$464,103 for Garrett County and \$130,982 for Kent County. The State budget restricts \$595,085 of the appropriation for the Early College Innovation Fund for the grants contingent on the enactment of ***Senate Bill 534/House Bill 814***.

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 geographic cost of education index (GCEI) formula was first provided in fiscal 2009. Under ***House Bill 114*** and ***Senate Bill 726 (both failed)*** funding through the program would have become mandatory rather than discretionary. Thirteen local school systems receive a total of \$132.7 million in fiscal 2015 from the GCEI formula.

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% of the annual per pupil amount used in the foundation program and the number of students eligible for free and reduced price meals (FRPM). The State share of the formula cost is 50%, with the State paying no less than 40% of formula funding for each local school system. State aid under the compensatory education program will total \$1.3 billion in fiscal 2015, representing a \$55.7 million, or 4.7%, increase over the prior year due to a 4.0% increase in the student enrollment count and a 0.5% increase in per pupil funding. The student enrollment count used for the program totals 360,420.

Senate Bill 128 (failed) would have altered the enrollment count used to calculate compensatory aid in fiscal 2016 and 2017 for local boards of education that participate in the U.S. Department of Agriculture Community Eligibility Provision, thus mitigating the potential reduction in the FRPM count and, therefore, compensatory aid for participating counties.

Special Education: State aid for special education recognizes the additional costs associated with providing programs for students with disabilities. Most special education students receive services in the public schools; however, if an appropriate program is not available in the public schools, students may be placed in a private school offering more

specialized services. The State and local school systems share the costs of these nonpublic placements.

The special education formula is calculated based on 74.0% 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 50.0% statewide with a floor of 40.0% for each local school system. The student enrollment count used for the program totals 102,882. State formula funding for public special education programs will total \$271.7 million in fiscal 2015, representing a \$2.4 million, or a 0.9% increase over fiscal 2014. Funding for nonpublic placements totals \$110.9 million in fiscal 2015, an increase of \$1.1 million. 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 30.0% of any expense above that sum. The State pays 70.0% of the costs above the base local funding.

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 fiscal 2015 State budget includes \$234.2 million for regular transportation services and \$24.2 million for special transportation services. This represents a \$3.9 million, or 1.5%, increase from the prior year.

Limited English Proficiency: The State provides grants based on non- and limited-English proficient (LEP) students using a definition consistent with federal guidelines. The LEP formula is based on 99.0% 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, representing a \$4.2 million, or 2.2%, increase over the prior year. The number of LEP students totals 56,047 for the 2013-2014 school year.

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. Nine local school systems will qualify for grants totaling \$59.4 million in fiscal 2015.

Aging Schools Program: The Aging Schools Program provides State funding to local school systems for improvements, repairs, and deferred maintenance of public school buildings. These repairs are generally not covered by the capital school construction program and are necessary to maintain older public schools. The BRFA of 2011 authorized mandated funding to be provided in the operating or capital budget. State funding for the Aging Schools Program will total \$6.1 million in fiscal 2015. An additional \$42,100 is targeted for school wiring in fiscal 2015.

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, \$3.0 million for school readiness and program accreditation, and \$1.8 million for Head Start programs.

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.

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 includes \$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.

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. **House Bill 428 (passed)** expands eligibility for the program by allowing a child to participate in the program until the beginning of the school year following a child’s fourth birthday. The bill codifies current practice and is therefore not estimated to have an effect on State finances. State funding for infants and toddlers programs will total \$10.4 million in fiscal 2015, the same annual amount that has been provided since fiscal 2009.

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.

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 level funding since fiscal 2012.

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 remains level at \$4.6 million.

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 \$100,000.

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.

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. The Maryland State Department of Education 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, reflecting a \$595,100 reduction to offset funding of foundation special grants for Garrett and Kent counties, as discussed above.

Lacrosse Opportunities Program: The Lacrosse Opportunities Program provides increased opportunities for minority students to participate in lacrosse in their communities. The fiscal 2015 State budget includes \$40,000 for the program.

Prekindergarten Expansion Program: As discussed above, this initiative is funded at \$4.3 million in fiscal 2015 and must receive at least as much funding in subsequent years.

Teachers' Retirement Payments: The BRFA of 2011 reduced costs for teachers' retirement in fiscal 2012 through the restructuring of the State's pension system. It also required local boards of education to pay a share of the administrative costs for the State Retirement Agency. The BRFA of 2012 (Chapter 1 of the first special session of 2012) phased in school board payments of the annual normal cost over four years (with increased county maintenance of effort (MOE) requirements equal to the required payments). After fiscal 2016, each school board is responsible for paying the actual normal costs associated with its employees. As discussed above, the BRFA of 2014, [*Senate Bill 172*](#) reduces the mandated State retirement supplemental contribution and, therefore, State retirement aid on behalf of local government employees,

including teachers. Fiscal 2014 funding totals \$728.1 million, a decrease of \$27.3 million compared to fiscal 2013; fiscal 2015 funding totals \$738.6 million, an increase of \$10.5 million over fiscal 2014.

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. The per-resident amount was set at \$14 for fiscal 2012 through 2016, phasing up to \$15 by fiscal 2019 and in subsequent years. Under *Senate Bill 430 (passed)*, 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.

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. The BRFA of 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. The BRFA of 2011 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 *Senate Bill 430* 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.

Retirement Payments: As discussed above, the BRFA of 2014, *Senate Bill 172* reduces the mandated State retirement supplemental contribution and therefore State retirement aid on behalf of local government employees, including local library employees. Fiscal 2014 funding totals \$18.3 million, an increase of \$1.6 million compared to fiscal 2013. Fiscal 2015 funding totals \$19.0 million, an increase of \$754,600 over fiscal 2014.

Community Colleges

Senator John A. Cade Formula Funding: The Cade funding formula aid is based on a percentage of the current year's State aid to selected four-year public higher education institutions and the total number of full-time equivalent 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 percentage point increase in the formula over five years, ending in fiscal 2013. State fiscal difficulties have delayed the formula enhancement, and full funding is currently expected in fiscal 2023. The BRFA of 2014, *Senate Bill 172* 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 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.

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.

Retirement Payments: The State helps to fund the retirement plans of community college faculty. The State pays for the employee benefits while, effective in fiscal 2102 community colleges pay for the administrative costs of the State Retirement Agency. As discussed above, the BRFA of 2014, [*Senate Bill 172*](#) reduces the mandated State retirement supplemental contribution and therefore State retirement aid on behalf of local government employees, including community college employees. Fiscal 2014 funding totals \$38.1 million, an increase of \$889,100 compared to fiscal 2013; fiscal 2015 funding totals \$40.3 million, an increase of \$2.2 million over fiscal 2014. In addition, State funding for the optional retirement program will total \$14.3 million in fiscal 2015.

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. The BRFA of 2010 maintained the base appropriation for the targeted local health formula for fiscal 2011 and 2012 at \$37.3 million and provided for increases to the program in fiscal 2013. The formula adjustment combines an inflation factor with a population growth factor. The BRFA of 2014, [*Senate Bill 172*](#), 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, or \$5.1 million above the prior year amount.

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. In fiscal 2015, \$136.1 million (7.7%) is distributed to Baltimore City; \$26.5 million (1.5%) is distributed to counties; and \$7.1 million (0.4%) is distributed to municipalities, for a total of \$169.7 million. This represents an increase of \$5.8 million, or 3.5%, from the prior year. Allocations to counties and municipalities are based on the percentage of road miles and vehicle registrations within each local jurisdiction.

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 at \$16.0 million. State funding for elderly/disabled transportation grants will total \$4.3 million in fiscal 2015, while State funding for paratransit grants will total \$2.9 million. The supplemental budget includes \$10.0 million in grant funding to counties in fiscal 2014 only for the purpose of pothole repairs; 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.

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.

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.

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. The legislation specifies that the annual appropriation to the fund will be \$11.7 million in fiscal 2015, \$13.3 million in fiscal 2016, and \$15.0 million in fiscal 2017. *Senate Bill 254/House Bill 365*

(both passed) alter the distribution of, and permissible uses of, Amoss funds, alters 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. Counties may only use the trust fund money to supplement their spending, not to supplant it. State funding to local 9-1-1 emergency systems will total \$14.4 million in fiscal 2015.

Program Open Space: Program Open Space (POS) was established in 1969 to expedite the acquisition of outdoor recreation and open space, before property cost and development made it impossible, and to accelerate the development of outdoor recreation facilities. In fiscal 2015, a total of \$22.7 million is transferred from the POS local share. Under the Administration's budget plan, all of these local funds will be replaced with general obligation bonds in subsequent years. In addition, 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.

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 the past few years, revenues have been insufficient to fulfill the expected allocation to each jurisdiction and to the other mandated uses. The BRFA of 2013 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.

Video Lottery Terminal Local Impact Grants: From the proceeds generated by video lottery terminals (VLT) 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, 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 the BRFA of 2014, [*Senate Bill 172*](#), for fiscal 2015 through 2019, \$500,000 of the 18.0% dedication is distributed to communities within three miles of Laurel Race Course, resulting 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 \$7.5 million, or 23.9%.

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. The BRFA of 2009 included a provision, beginning in fiscal 2011, that capped each county's funding under the program at the fiscal 2010 level. The BRFA of 2013 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.

Teacher Retirement Supplemental Grants: The BRFA of 2012 established this grant program, beginning in fiscal 2013. Grants totaling \$27.7 million are distributed annually (including fiscal 2015) to nine counties (including Baltimore City) to help offset the impact of sharing teachers' retirement costs with the counties.

State Aid

County Level Detail

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

Direct Aid and Retirement Payments

Direct Aid: The State distributes aid or shares revenue with the counties, municipalities, and Baltimore City through over 40 different programs. The fiscal 2015 State budget includes \$7 billion to fund these programs. Part A, section 1 of each county's statistical tables compares aid distributed to the county in fiscal 2014 and 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. These payments total \$797.9 million in fiscal 2015. Although these funds are not paid to the local governments, each county's allocation is estimated from salary information collected by the State retirement systems. These estimates are presented in Part A, section 2 of each county.

Estimated State Spending on Health and Social Services

The State funds the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Part B of each county shows fiscal 2015 allocation estimates of general and special fund appropriations for health services, social services, and senior citizen services.

Health Services: The Department of Health and Mental Hygiene, through its various administrations, funds in whole or part community health programs that are provided in the local subdivisions. These programs are described below. General fund spending totals \$1.1 billion statewide for these programs in fiscal 2015. In addition, \$71.9 million in special funds, primarily from the Cigarette Restitution Fund, will also be spent on these programs in fiscal 2015. 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. The fiscal 2015 budget includes \$527.8 million in general funds and \$26.9 million in special funds for these programs. In addition, the budget includes \$509.2 million in federal funds for behavioral health 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, prenatal and perinatal care, etc.) and infant and child health (disease prevention, child health clinics, specialty services, etc.). The Administration is also responsible for chronic and hereditary disease prevention (cancer, heart disease, 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. Fiscal 2015 funding for these programs totals \$39.4 million in general funds and \$183.6 million in federal funds. In addition, the budget includes \$45.0 million from the Cigarette Restitution Fund for tobacco use prevention and cessation and for cancer prevention and screening at the local level.
- **Medical Care Services:** The Medical Care Programs Administration provides support for the local health departments and funding for community-based programs that serve senior citizens. The geriatric services include operating grants to adult day care centers and an evaluation program administered by the local health departments to assess the physical and mental health needs of elderly individuals. This category also includes grants to local health departments related to eligibility determination for the Medicaid and Children's Health programs, transportation services for Medicaid recipients in non-emergency situations, and coordination and outreach services for Medicaid and

special needs populations in the HealthChoice program. The fiscal 2015 funding for these programs totals \$32.4 million in general funds and \$36.8 million in federal funds.

- **Developmental Disabilities:** The Developmental Disabilities Administration's community-based programs include residential services, day programs, transportation services, summer recreation for children, individual and family support services, including respite care, individual family care, behavioral support services, and community supported living arrangements. The fiscal 2015 budget includes \$526.2 million in general funds and \$412.7 million in federal funds for these programs.

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 2015 estimates of funding for those programs that are available by subdivision. Note that fiscal 2015 funding for both 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. The fiscal 2015 budget includes \$3.8 million in general funds for these 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. Total fiscal 2015 funding for these programs equals \$4.9 million in general funds.
- **Adult Services:** The State social services departments in each of the subdivisions provide a variety of services to disabled, elderly, neglected, and exploited adults. Services include information and referral, crisis intervention, case management, protective services, in-home aid, and respite care for families. The fiscal 2015 budget includes \$10.1 million in general funds and \$34.0 million in federal funds for adult services.
- **Child Welfare Services:** The State social services departments in each of the subdivisions offer programs to support the healthy development of families, assist families & children in need, and protect abused and neglected children. Services include adoptive services, foster care programs, family preservation programs, and child protective services. The fiscal 2015 budget includes \$141.6 million in general funds and \$79.6 million in federal funds.

Senior Citizen Services: The Department of Aging funds a variety of services for senior citizens mostly through local area agencies on aging. In Part B of each county, these programs have been combined into two broad categories: long-term care and community services. The total fiscal 2015 funding is \$13.4 million in general funds and \$23.8 million in federal funds. In

this report the fiscal 2015 general funds are 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. The total fiscal 2015 funding is \$9.6 million in general funds.
- **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. Fiscal 2015 funding for these programs totals \$3.8 million in general funds.

Capital Grants and Capital Projects for State Facilities

Selected State Grants for Capital Projects: The State provides capital grants for public schools, community colleges, local jails, community health facilities, water quality projects, waterway improvements, homeless shelters, and other cultural, historical, and economic development projects. Projects are funded from either bond sales or current revenues. Part C lists projects in the counties authorized by the fiscal 2015 State operating and capital budgets. Projects at regional community colleges are shown for each county that the college serves. Similarly, projects at wastewater treatment plants that serve more than one county are shown for each county served. The projects listed for the various loan programs are those currently anticipated for fiscal 2015. The actual projects funded and/or the amount of funding for specific projects could change depending on which projects are ready to move forward and final costs.

The fiscal 2015 budget includes \$275.0 million in funding for local school construction. As of the publication of this report, \$187.5 million of the total fiscal 2015 funding has been allocated to specific projects. These projects are listed in part C for each county.

Capital Projects for State Facilities Located in the County: Part D for each county shows capital projects, authorized by the fiscal 2015 operating and capital budgets, at State facilities and public colleges and universities by the county in which the facility is located. If a facility is located in more than one county, such as a State park, the total amount of the capital project is shown for all relevant counties. For each capital project, the total authorized amount is given regardless of funding source although federally funded projects are generally shown separately. For the universities, projects funded from both academic and auxiliary revenue bonds are included. The projects funded with auxiliary revenue bonds are those anticipated for fiscal 2015 but the actual projects funded could be different. This report does not include transportation projects.

Allegany County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$40,050	\$40,198	\$148	0.4
Compensatory Education	20,307	20,724	417	2.1
Student Transportation	4,488	4,495	6	0.1
Special Education	6,295	6,518	223	3.5
Limited English Proficiency Grants	131	85	-46	-34.8
Guaranteed Tax Base	3,491	3,477	-15	-0.4
Adult Education	183	183	0	0.0
Aging Schools	98	98	0	0.0
Other Education Aid	783	783	0	0.0
Primary & Secondary Education	\$75,827	\$76,561	\$734	1.0
Libraries	753	744	-10	-1.3
Community Colleges	6,039	6,235	196	3.2
Health Formula Grant	1,051	1,175	125	11.8
* Transportation	2,009	1,841	-169	-8.4
* Police and Public Safety	874	868	-5	-0.6
* Fire and Rescue Aid	226	264	38	17.0
Recreation and Natural Resources	284	253	-31	-11.0
Disparity Grant	7,299	7,299	0	0.0
Teachers Retirement Supplemental Grant	1,632	1,632	0	0.0
Video Lottery Terminal Impact Aid	1,474	1,265	-208	-14.1
Total Direct Aid	\$97,468	\$98,136	\$669	0.7
Aid Per Capita (\$)	1,326	1,335	9	0.7
Property Tax Equivalent (\$)	2.49	2.53	0.04	1.6

* 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 2015 State payments for Allegany County for teachers, librarians, and community college faculty are estimated to be \$9,504,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$721,000
Family Health and Chronic Disease	644,000
Developmental Disabilities	7,782,000
Behavioral Health Services	11,298,000

Social Services

Homeless Services	69,000
Women's Services	183,000
Adult Services	203,000
Child Welfare Services	3,083,000

Senior Citizen Services

Long-term Care	183,000
Community Services	148,000

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

Allegany High School – construction	\$700,000
Washington Middle School – renovations (roof)	900,000

Public Libraries

South Cumberland Library – renovation	157,000
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Community Health Facilities Grant Program

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

Baker Park	10,000
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Chesapeake Bay Water Quality Projects

Bedford Road – sanitary sewer rehabilitation	875,000
Frostburg Combined Sewer – overflow improvements	1,439,000
La Vale – sanitary sewer improvements	875,000
La Vale Sewage Pump Station – improvements	625,000

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

Other Projects

Allegany County Animal Shelter	100,000
Allegany Museum	250,000
Friends Aware, Inc.	100,000

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

C&O Canal National Park – boat ramp improvements	\$99,000
Rocky Gap State Park – parking lot improvements	195,000

Maryland Environmental Service

Rocky Gap State Park – wastewater treatment plant improvements	712,000
Western Correctional Institution – wastewater pump station improvements	150,000

Maryland Department of Veterans Affairs

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

Frostburg State – Public Safety Facility	400,000
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Anne Arundel County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$198,993	\$199,978	\$984	0.5
Compensatory Education	58,734	63,083	4,349	7.4
Student Transportation	21,683	22,026	343	1.6
Special Education	23,813	23,958	145	0.6
Limited English Proficiency Grants	8,782	9,669	887	10.1
Geographic Cost of Education Index	9,274	9,407	133	1.4
Adult Education	339	339	0	0.0
Aging Schools	506	506	0	0.0
Other Education Aid	1,297	1,300	3	0.2
Primary & Secondary Education	\$323,421	\$330,265	\$6,844	2.1
Libraries	2,126	2,101	-25	-1.2
Community Colleges	30,516	31,597	1,082	3.5
Health Formula Grant	3,507	3,939	432	12.3
* Transportation	5,134	4,508	-626	-12.2
* Police and Public Safety	6,850	6,895	45	0.7
* Fire and Rescue Aid	812	951	138	17.0
Recreation and Natural Resources	3,084	2,742	-342	-11.1
Video Lottery Terminal Impact Aid	18,797	15,996	-2,801	-14.9
* Other Direct Aid	95	95	0	0.0
Total Direct Aid	\$394,343	\$399,089	\$4,747	1.2
Aid Per Capita (\$)	710	718	9	1.2
Property Tax Equivalent (\$)	0.52	0.52	0.00	0.0

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2015 State payments for Anne Arundel County for teachers, librarians, and community college faculty are estimated to be \$67,586,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$1,877,000
Family Health and Chronic Disease	1,387,000
Developmental Disabilities	36,236,000
Behavioral Health Services	32,190,000

Social Services

Homeless Services	158,000
Women's Services	322,000
Adult Services	190,000
Child Welfare Services	6,782,000

Senior Citizen Services

Long-term Care	629,000
Community Services	150,000

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

Benfield Elementary School – construction	\$500,000
Jacobsville Elementary School – kindergarten/pre-k addition	880,000
Jones Elementary School – kindergarten addition	464,000
Magothy River Middle School – construction	1,758,000
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
Mills–Parole Elementary School – construction	115,952
Nantucket Elementary School – kindergarten/pre-k addition	892,000
North Glen Elementary School – renovations (HVAC/windows/ceiling)	2,256,000
Park Elementary School – renovations (electrical)	77,000
Rolling Knolls Elementary School – construction	3,423,048

Public Libraries

Annapolis Regional Library – construction	250,000
West County Area Library – renovation	36,000

Community Parks and Playgrounds

Bywater Park	202,000
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Waterway Improvement

Annapolis – citywide harbor improvements	50,000
Pocahontas Creek – dredging	75,000
Rockhold Creek – engineering and dredging	275,250

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
Wilson Farmstead	50,000

Other Projects

Annapolis High School – stadium and athletic fields	2,200,000
Annapolis Police Department	200,000
Anne Arundel Medical Center	500,000
Bestgate Park	150,000
Calvary Food Bank	75,000
Captain Avery Museum	40,000
Chesapeake Arts Center	150,000
Girl Scouts of Central Maryland – Camp Whippoorwill	250,000
Historic Annapolis, Inc. – 1 Martin Street renovation	250,000
Hospice of the Chesapeake	1,000,000
Maryland Hall for the Creative Arts	1,000,000
National Cryptologic Museum	1,000,000
National Sailing Hall of Fame	250,000
South River High School – athletic facilities	1,300,000
Southern Middle School and Southern High School	50,000
The Light House, Inc. – 206 West Social Enterprise project	250,000
YWCA Counseling and Community Service Building	1,000,000

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

Courts of Appeal Building – lobby and ADA improvements	\$3,700,000
State House – security upgrades	250,000

Department of Public Safety and Correctional Services

Dorsey Run Correctional Facility – construction	15,314,000
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Baltimore City

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$404,031	\$406,108	\$2,077	0.5
Compensatory Education	323,375	327,714	4,339	1.3
Student Transportation	19,486	19,168	-319	-1.6
Special Education	74,571	73,578	-993	-1.3
Limited English Proficiency	17,814	17,323	-491	-2.8
Grants				
Guaranteed Tax Base	38,064	39,427	1,362	3.6
Geographic Cost of Education	22,735	22,863	127	0.6
Index				
Adult Education	1,736	1,736	0	0.0
Aging Schools	1,388	1,388	0	0.0
Other Education Aid	4,122	4,122	0	0.0
Primary & Secondary Education	\$907,323	\$913,427	\$6,104	0.7
Libraries	6,035	6,053	18	0.3
Health Formula Grant	7,449	8,365	916	12.3
Transportation	132,656	136,482	3,826	2.9
Police and Public Safety	10,368	10,368	0	0.0
Fire and Rescue Aid	915	1,070	156	17.0
Recreation and Natural Resources	4,549	9,615	5,066	111.4
Disparity Grant	79,052	79,052	0	0.0
Teachers Retirement Supplemental	10,048	10,048	0	0.0
Grant				
Video Lottery Terminal Impact	4,672	14,155	9,483	203.0
Aid				
Other Direct Aid	1,084	1,084	0	0.0
Total Direct Aid	\$1,164,150	\$1,189,717	\$25,567	2.2
Aid Per Capita (\$)	1,871	1,912	41	2.2
Property Tax Equivalent (\$)	3.37	3.43	0.06	1.8

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 2015 State payments for Baltimore City for teachers, librarians, and community college faculty are estimated to be \$72,437,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$8,562,000
Family Health and Chronic Disease	8,395,000
Developmental Disabilities	71,784,000
Behavioral Health Services	182,985,000

Social Services

Homeless Services	1,606,000
Women's Services	433,000
Adult Services	1,562,000
Child Welfare Services	52,237,000

Senior Citizen Services

Long-term Care	1,930,000
Community Services	940,000

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

Barclay Elementary/Middle School #54 – renovations (elevator)	\$320,000
Collington Square Elementary/Middle School #97 – renovations (fire safety)	260,000
Dallas F. Nicholas, Sr. Elementary School #39 – renovations (HVAC)	1,336,000
Dr. Roland N. Patterson, Sr. Building #82 – renovations (elevator/roof)	2,260,000
Edgewood Elementary School #67 – renovations (fire safety)	280,000
Federal Hill Preparatory School #45 – renovations (HVAC)	800,000
Franklin Square Elementary/Middle School #95 – renovations (fire safety)	280,000
Harlem Park Elementary/Middle School #35 – renovations (elevator/fire safety)	560,000
Highlandtown Elementary/Middle School #215 – renovations (elevator)	320,000
James McHenry Elementary/Middle School #10 – renovations (HVAC)	2,480,000
Matthew A. Henson Elementary School #29 – renovations (fire safety)	280,000
Moravia Park Elementary School #105A – renovations (fire safety/boilers)	1,180,000
Roland Park Elementary/Middle School #233 – renovations (elevators)	540,000
Rosemont Elementary/Middle School #63 – renovations (elevators)	320,000
Samuel Coleridge-Taylor Elementary School #122 – renovations (roof)	1,600,000
Sinclair Lane Elementary School #248 – renovations (HVAC)	4,120,000
Waverly Elementary/Middle School #51 – construction	149,000

Public Libraries

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

Baltimore Crisis Response, Inc.	1,108,000
Family Recovery Program, Inc.	1,600,000
Gaudenzia Foundation, Inc.	750,000
Main Street Housing, Inc.	340,000
Mosaic Community Services, Inc.	882,000
People Encouraging People, Inc.	150,000
Tuerk House, Inc.	137,000

Federally Qualified Health Centers Grant Program

Total Health Care, Inc.	1,500,000
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Partnership Rental Housing Program

CHA Bailey	675,000
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Program Open Space

Gwynn Falls/Leakin Park Urban Children in Nature Campus	6,000,000
Royal Theater and Community Heritage Corporation	300,000

Community Parks and Playgrounds

Citywide – playground surfacing improvements	112,000
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Chesapeake Bay Water Quality Projects

Back River WWTP – nutrient removal	21,200,000
High Level Interceptor – cleaning	1,500,000

Chesapeake Bay Restoration Fund

Back River WWTP – enhanced nutrient removal	80,000,000
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Waterway Improvement

Canton Waterfront Park – parking lot improvements	99,000
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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

Prince Hall Grand Lodge	95,000
The Church of St. Katherine of Alexandria	92,000
Union Baptist Church of Baltimore	95,000

Other Projects

Arena Players, Inc.	125,000
Baltimore Design School	100,000
Baltimore Food Hub	750,000
Baltimore Museum of Industry	500,000
Baltimore Zoo – infrastructure improvements	5,000,000
BARCO North Avenue Arts Building	100,000
Center Stage	1,000,000

*Aid to Local Government – Baltimore City***A-105**

Central Baltimore Partnership – Central Baltimore Revitalization Plan	1,500,000
Chesapeake Shakespeare Company	225,000
Coppin Heights – urban revitalization project	100,000
Creative Alliance	650,000
Digital Harbor Foundation Tech Center	15,000
East Baltimore Biotechnology Park	5,000,000
East Baltimore Historical Library	100,000
Epiphany House and Micah House	53,000
Everyman Theatre	25,000
Garrett-Jacobs Mansion	25,000
Gaudenzia’s Park Heights	200,000
Greenmount Construction Jobs Training Center	50,000
Habitat for Humanity of the Chesapeake	250,000
Hamilton-Lauraville Main Street, Inc. – 4500 Harford Road development project	250,000
Inner Harbor – infrastructure improvements	2,000,000
Johns Hopkins University – High Performance Computing Data Center	15,000,000
Kappa Alpha Psi Youth and Community Center	200,000
Kennedy Krieger Institute	1,500,000
Leadenhall Community Outreach Center	45,000
Loyola University – renovations	1,800,000
Maryland School for the Blind – construction	10,994,500
Maryland Science Center	417,000
MedStar Good Samaritan Hospital	375,000
Mount Auburn Cemetery	100,000
Mount Vernon Place	1,000,000
National Aquarium in Baltimore	2,120,000
Orianda Mansion	150,000
Patricia and Arthur Modell Performing Arts Center at the Lyric	500,000
Prince Hall Grand Lodge	300,000
Rita R. Church Foundation and Teach Educate Assist Mentor Office	42,000
Roosevelt Park – Skatepark of Baltimore	125,000
Saints Philip and James Roman Catholic Church Hall	30,000
Sinai Hospital	2,500,000
Sports Legends Museum	500,000
Upton Planning Committee	50,000
USS Constellation	1,250,000
Winchester Street Potter’s House	75,000

D. Capital Projects for State Facilities in the City**Department of Public Safety and Correctional Services**

Youth Detention Center	\$9,506,000
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Department of Education

State Library Resource Center – renovation	12,095,000
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Morgan State University

Campuswide – utility upgrades	6,070,000
Hill Field House – athletic facility renovations	1,000,000
Jenkins Behavioral and Social Sciences Center	4,500,000
School of Business and Management – new complex	3,000,000
Student Services Support Building	1,600,000

University System of Maryland

Baltimore – Health Sciences Research Facility	49,000,000
Coppin State – Science and Technology Center	10,300,000
University of Baltimore – Langsdale Library renovation	2,775,000

Other

University of Maryland Medical System – ambulatory care pavilion	10,000,000
University of Maryland Medical System – shock trauma center	3,000,000

Baltimore County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$348,782	\$357,702	\$8,920	2.6
Compensatory Education	128,745	135,833	7,087	5.5
Student Transportation	28,455	29,035	580	2.0
Special Education	45,292	46,120	829	1.8
Limited English Proficiency Grants	13,657	13,358	-299	-2.2
Geographic Cost of Education Index	5,628	5,727	99	1.8
Adult Education	574	574	0	0.0
Aging Schools	2,874	874	-2,000	-69.6
Other Education Aid	4,455	4,478	24	0.5
Primary & Secondary Education	\$578,462	\$593,702	\$15,240	2.6
Libraries	5,250	5,327	76	1.4
Community Colleges	39,982	42,224	2,242	5.6
Health Formula Grant	4,812	5,413	601	12.5
Transportation	5,414	4,400	-1,014	-18.7
Police and Public Safety	9,929	9,978	49	0.5
Fire and Rescue Aid	1,152	1,348	196	17.0
Recreation and Natural Resources	3,459	3,092	-367	-10.6
Teachers Retirement Supplemental Grant	3,000	3,000	0	0.0
Other Direct Aid	3	3	0	0.0
Total Direct Aid	\$651,464	\$668,488	\$17,023	2.6
Aid Per Capita (\$)	792	812	21	2.6
Property Tax Equivalent (\$)	0.83	0.86	0.03	3.1

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 2015 State payments for Baltimore County for teachers, librarians, and community college faculty are estimated to be \$95,543,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$4,212,000
Family Health and Chronic Disease	2,377,000
Developmental Disabilities	77,967,000
Behavioral Health Services	68,022,000

Social Services

Homeless Services	181,000
Women's Services	947,000
Adult Services	768,000
Child Welfare Services	9,505,000

Senior Citizen Services

Long-term Care	1,395,000
Community Services	232,000

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

Chesapeake Terrace Elementary School – renovations (roof)	\$627,000
Deer Park Elementary School – renovations (roof)	663,000
Glenmar Elementary School – renovations (roof)	790,000
Hereford High School – construction	8,341,070
Oliver Beach Elementary School – renovations (roof)	660,000
Orems Elementary School – renovations (roof)	538,000
Pikesville High School – construction	4,600,000
Riverview Elementary School – renovations (roof)	653,000
Scotts Branch Elementary School – renovations (roof)	740,000
Sparks Elementary School – construction	1,518,000
Westchester Elementary School – construction	700,000

Public Libraries

Towson Library – roof replacement	590,000
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Baltimore Community College

Catonsville – F Building renovation and expansion	15,022,000
Essex – N Building renovation and expansion	900,000

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	21,200,000
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Chesapeake Bay Restoration Fund

Back River WWTP – enhanced nutrient removal	80,000,000
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African American Heritage Preservation Grant Program

St. Luke's Methodist Church Fellowship Hall	95,000
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Other Projects

Arbutus Recreation Center	30,000
Chesapeake High School Stadium	80,000
Dundalk Renaissance Office and Incubator	175,000
Eastern Family Resource Center	1,000,000
Greenspring Montessori School	100,000
Jewish Community Services	50,000
Kingsville Volunteer Fire Company	250,000
Leadership Through Athletics, Inc.	65,000
Lutherville Volunteer Fire Company	70,000
Stevenson University – School of the Sciences	3,600,000
Towson High School Stadium	55,000
University of Maryland St. Joseph Medical Center	750,000
Youth in Transition School	350,000

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

Catonsville District Court	\$2,150,000
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Maryland Environmental Service

Camp Fretterd – water/wastewater/distribution systems upgrades	197,000
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University System of Maryland

Baltimore County – campus traffic safety and circulation improvements	10,006,000
Baltimore County – Event Center	3,000,000
Baltimore County – Interdisciplinary Life Sciences Building	4,100,000
Baltimore County – residence hall renovations	13,400,000
Towson University – Burdick Hall recreation building addition	36,200,000
Towson University – Newell Dining Hall renovation	10,420,000
Towson University – softball facility improvements	1,500,000
Towson University – West Village Housing	42,000,000

Calvert County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$57,129	\$57,306	\$178	0.3
Compensatory Education	10,202	10,771	569	5.6
Student Transportation	5,527	5,589	62	1.1
Special Education	4,513	4,409	-104	-2.3
Limited English Proficiency Grants	555	434	-122	-22.0
Geographic Cost of Education Index	2,278	2,279	1	0.1
Adult Education	236	236	0	0.0
Aging Schools	38	38	0	0.0
Other Education Aid	839	839	0	0.0
Primary & Secondary Education	\$81,318	\$81,902	\$584	0.7
Libraries	379	385	6	1.7
Community Colleges	2,369	2,587	217	9.2
Health Formula Grant	426	479	54	12.7
* Transportation	1,301	1,103	-198	-15.2
* Police and Public Safety	775	775	0	0.0
* Fire and Rescue Aid	200	234	34	17.0
Recreation and Natural Resources	306	273	-33	-10.7
* Other Direct Aid	1,078	1,020	-58	-5.4
Total Direct Aid	\$88,151	\$88,758	\$607	0.7
Aid Per Capita (\$)	974	981	7	0.7
Property Tax Equivalent (\$)	0.72	0.73	0.01	1.3

* 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 2015 State payments for Calvert County for teachers, librarians, and community college faculty are estimated to be \$15,114,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$401,000
Family Health and Chronic Disease	482,000
Developmental Disabilities	7,192,000
Behavioral Health Services	4,281,000

Social Services

Homeless Services	26,000
Women's Services	105,000
Adult Services	90,000
Child Welfare Services	1,295,000

Senior Citizen Services

Long-term Care	124,000
Community Services	19,000

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

Mutual Elementary School – construction	\$355,497
Sunderland Elementary School – renovations (roof)	258,000

College of Southern Maryland

Campuswide – technology infrastructure upgrades	1,465,000
Hughesville – Center for Regional Programs	4,417,000

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

African American Heritage Preservation Grant Program

Kings Landing Park/Camp Mohawk	15,000
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Other Projects

End Hunger, Inc.	25,000
North Beach – Bayfront Park and Sculptural Garden	100,000

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

Jefferson Patterson Park and Museum – Patterson Center	\$350,000
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University System of Maryland

Center for Environmental Science – Environmental Sustainability Research Lab	10,604,000
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Caroline County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$25,657	\$26,527	\$870	3.4
Compensatory Education	13,158	13,702	544	4.1
Student Transportation	2,525	2,555	31	1.2
Special Education	2,509	2,620	110	4.4
Limited English Proficiency Grants	1,299	1,544	245	18.9
Guaranteed Tax Base	585	866	281	48.1
Adult Education	204	204	0	0.0
Aging Schools	50	50	0	0.0
Other Education Aid	721	721	0	0.0
Primary & Secondary Education	\$46,708	\$48,790	\$2,082	4.5
Libraries	268	270	2	0.9
Community Colleges	1,637	1,629	-8	-0.5
Health Formula Grant	597	668	70	11.8
* Transportation	1,134	957	-176	-15.5
* Police and Public Safety	337	346	9	2.5
* Fire and Rescue Aid	207	242	35	17.0
Recreation and Natural Resources	138	120	-18	-13.1
Disparity Grant	2,132	2,132	0	0.0
Teachers Retirement Supplemental Grant	685	685	0	0.0
Total Direct Aid	\$53,843	\$55,839	\$1,996	3.7
Aid Per Capita (\$)	1,647	1,708	61	3.7
Property Tax Equivalent (\$)	2.03	2.16	0.13	6.2

* 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 2015 State payments for Caroline County for teachers, librarians, and community college faculty are estimated to be \$4,685,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$388,000
Family Health and Chronic Disease	537,000
Developmental Disabilities	6,724,000
Behavioral Health Services	4,020,000

Social Services

Homeless Services	36,000
Women's Services	20,000
Adult Services	98,000
Child Welfare Services	1,195,000

Senior Citizen Services

Long-term Care	353,000
Community Services	117,000

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

C. Selected State Grants for Capital Projects**Chesapeake College**

Center for Allied Health and Athletics	\$19,918,000
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Community Parks and Playgrounds

Marina Park	56,000
Martin Sutton Park	18,000

Chesapeake Bay Water Quality Projects

Federalsburg – Railroad Ave. remove combined sewer overflow/replace water main	550,000
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Waterway Improvement

Federalsburg – engineering for downtown channel dredging project	15,000
Public boating facilities – improvements	50,000

Other Projects

The Benedictine School	250,000
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Carroll County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$98,118	\$95,863	-\$2,255	-2.3
Compensatory Education	13,892	14,225	333	2.4
Student Transportation	9,382	9,468	86	0.9
Special Education	10,326	10,018	-308	-3.0
Limited English Proficiency Grants	757	712	-45	-6.0
Geographic Cost of Education Index	2,516	2,492	-24	-1.0
Adult Education	160	160	0	0.0
Aging Schools	137	137	0	0.0
Other Education Aid	707	707	0	0.0
Primary & Secondary Education	\$135,995	\$133,782	-\$2,213	-1.6
Libraries	924	902	-22	-2.4
Community Colleges	7,996	8,364	367	4.6
Health Formula Grant	1,371	1,537	166	12.1
* Transportation	2,908	2,573	-335	-11.5
* Police and Public Safety	1,599	1,588	-11	-0.7
* Fire and Rescue Aid	258	302	44	17.0
Recreation and Natural Resources	689	614	-75	-10.8
Total Direct Aid	\$151,739	\$149,660	-\$2,079	-1.4
Aid Per Capita (\$)	906	893	-12	-1.4
Property Tax Equivalent (\$)	0.82	0.81	-0.01	-0.8

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2015 State payments for Carroll County for teachers, librarians, and community college faculty are estimated to be \$23,042,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$583,000
Family Health and Chronic Disease	726,000
Developmental Disabilities	14,395,000
Behavioral Health Services	9,183,000

Social Services

Homeless Services	61,000
Women's Services	159,000
Adult Services	77,000
Child Welfare Services	2,338,000

Senior Citizen Services

Long-term Care	257,000
Community Services	54,000

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

Manchester Elementary School – renovations (HVAC/roof)	\$2,982,000
Mechanicsville Elementary School – renovations (roof)	742,000
Sykesville Middle School – renovations (windows)	191,000

Community Parks and Playgrounds

Charles Street Tot Lot	188,000
Christmas Tree Park	45,000
Union Bridge Wetlands Park	20,000

Other Projects

The Arc of Carroll County	175,000
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D. Capital Projects for State Facilities in the County**Department of Juvenile Services**

Female Detention Center – construction	\$830,000
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Maryland Environmental Service

Freedom District WWTP – upgrade	2,155,000
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Cecil County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$62,054	\$64,147	\$2,092	3.4
Compensatory Education	20,915	21,835	920	4.4
Student Transportation	4,958	4,996	38	0.8
Special Education	7,215	7,607	392	5.4
Limited English Proficiency Grants	624	612	-13	-2.0
Guaranteed Tax Base	71	569	498	689.0
Adult Education	104	104	0	0.0
Aging Schools	96	96	0	0.0
Other Education Aid	833	833	0	0.0
Primary & Secondary Education	\$96,872	\$100,798	\$3,927	4.1
Libraries	713	719	6	0.8
Community Colleges	5,705	6,035	330	5.8
Health Formula Grant	899	1,008	109	12.1
* Transportation	1,643	1,431	-212	-12.9
* Police and Public Safety	997	1,013	16	1.6
* Fire and Rescue Aid	206	241	35	17.0
Recreation and Natural Resources	358	317	-41	-11.5
Disparity Grant	299	530	231	77.1
Video Lottery Terminal Impact Aid	3,229	3,750	521	16.1
Total Direct Aid	\$110,921	\$115,843	\$4,921	4.4
Aid Per Capita (\$)	1,088	1,137	48	4.4
Property Tax Equivalent (\$)	1.15	1.20	0.05	4.8

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2015 State payments for Cecil County for teachers, librarians, and community college faculty are estimated to be \$13,998,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$579,000
Family Health and Chronic Disease	580,000
Developmental Disabilities	7,092,000
Behavioral Health Services	8,835,000

Social Services

Homeless Services	32,000
Women's Services	93,000
Adult Services	119,000
Child Welfare Services	2,619,000

Senior Citizen Services

Long-term Care	132,000
Community Services	39,000

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

Perryville Elementary School – construction	\$2,325,000
Rising Sun Elementary School – renovations (roof)	559,000

Community Parks and Playgrounds

Chesapeake City Community Park	108,000
Lower Ferry Park	60,000

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

Cecil County Department of Parks and Recreation	125,000
Historic Tome School	100,000

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

Elk Neck State Park – improvements	\$99,000
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Charles County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$106,492	\$107,314	\$822	0.8
Compensatory Education	27,535	28,929	1,394	5.1
Student Transportation	10,130	10,261	130	1.3
Special Education	8,456	8,666	210	2.5
Limited English Proficiency Grants	929	1,126	197	21.2
Guaranteed Tax Base	306	0	-306	-100.0
Geographic Cost of Education Index	3,512	3,502	-11	-0.3
Adult Education	445	445	0	0.0
Aging Schools	50	50	0	0.0
Other Education Aid	1,454	1,454	0	0.0
Primary & Secondary Education	\$159,309	\$161,746	\$2,437	1.5
Libraries	895	920	26	2.9
Community Colleges	8,050	8,782	731	9.1
Health Formula Grant	1,109	1,244	135	12.2
* Transportation	1,888	1,612	-276	-14.6
* Police and Public Safety	1,301	1,309	8	0.6
* Fire and Rescue Aid	247	289	42	17.0
Recreation and Natural Resources	625	559	-65	-10.5
Total Direct Aid	\$173,423	\$176,460	\$3,037	1.8
Aid Per Capita (\$)	1,134	1,154	20	1.8
Property Tax Equivalent (\$)	1.06	1.08	0.02	2.3

* 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 2015 State payments for Charles County for teachers, librarians, and community college faculty are estimated to be \$23,567,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$567,000
Family Health and Chronic Disease	862,000
Developmental Disabilities	6,214,000
Behavioral Health Services	6,958,000

Social Services

Homeless Services	62,000
Women's Services	150,000
Adult Services	126,000
Child Welfare Services	3,206,000

Senior Citizen Services

Long-term Care	152,000
Community Services	16,000

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

St. Charles High School – construction	\$6,140,000
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Public Libraries

La Plata Library – construction	100,000
P.D. Brown Library – renovation	20,000

College of Southern Maryland

Campuswide – technology infrastructure upgrades	1,465,000
Hughesville – Center for Regional Programs	4,417,000

Community Parks and Playgrounds

Tilghman Lake Park	47,000
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Other Projects

Lifestyles Homeless Services Center	100,000
Lions Camp Merrick	150,000
Piscataway Indian Museum	100,000
Rich Hill Farm House	750,000

Dorchester County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$19,965	\$20,941	\$976	4.9
Compensatory Education	9,699	10,678	978	10.1
Student Transportation	2,347	2,384	37	1.6
Special Education	1,437	1,515	78	5.4
Limited English Proficiency Grants	426	505	79	18.5
Guaranteed Tax Base	145	402	258	178.2
Adult Education	176	176	0	0.0
Aging Schools	38	38	0	0.0
Other Education Aid	863	863	0	0.0
Primary & Secondary Education	\$35,096	\$37,502	\$2,405	6.9
Libraries	249	252	3	1.4
Community Colleges	1,345	1,220	-125	-9.3
Health Formula Grant	488	545	58	11.9
* Transportation	1,291	1,077	-214	-16.6
* Police and Public Safety	382	383	1	0.3
* Fire and Rescue Aid	208	243	35	17.0
Recreation and Natural Resources	124	104	-20	-16.3
Disparity Grant	2,023	2,023	0	0.0
Teachers Retirement Supplemental Grant	309	309	0	0.0
Total Direct Aid	\$41,514	\$43,658	\$2,144	5.2
Aid Per Capita (\$)	1,271	1,337	66	5.2
Property Tax Equivalent (\$)	1.39	1.50	0.11	7.7

* 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 2015 State payments for Dorchester County for teachers, librarians, and community college faculty are estimated to be \$3,910,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$348,000
Family Health and Chronic Disease	572,000
Developmental Disabilities	2,762,000
Behavioral Health Services	6,782,000

Social Services

Homeless Services	31,000
Women's Services	20,000
Adult Services	141,000
Child Welfare Services	1,403,000

Senior Citizen Services

Long-term Care	530,000
Community Services	297,000

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

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

Hurlock Elementary School – renovations (roof)	\$202,000
South Dorchester Elementary/Middle School – renovations (roof)	366,000

Chesapeake College

Center for Allied Health and Athletics	19,918,000
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Waterway Improvement

Cambridge – Long Wharf bulkhead replacement	300,000
Public boating facilities – improvements	50,000
Secretary – channel dredging	150,000

African American Heritage Preservation Grant Program

Christ Rock Methodist Episcopal Church	95,000
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Other Projects

Chesapeake Grove – Senior Housing and Intergenerational Center	100,000
Choptank River Lighthouse Museum	50,000
Sailwinds Park	1,000,000

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

Eastern Shore Veterans Cemetery – expansion (federal funds)	\$2,980,000
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Frederick County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$156,412	\$157,127	\$715	0.5
Compensatory Education	30,980	32,535	1,555	5.0
Student Transportation	11,725	11,878	153	1.3
Special Education	15,460	15,385	-75	-0.5
Limited English Proficiency Grants	6,530	6,744	214	3.3
Geographic Cost of Education Index	6,450	6,499	48	0.7
Adult Education	509	509	0	0.0
Aging Schools	183	183	0	0.0
Other Education Aid	1,107	1,107	0	0.0
Primary & Secondary Education	\$229,356	\$231,966	\$2,610	1.1
Libraries	1,327	1,334	6	0.5
Community Colleges	9,822	10,005	183	1.9
Health Formula Grant	1,685	1,889	205	12.1
* Transportation	4,886	4,471	-415	-8.5
* Police and Public Safety	2,358	2,376	17	0.7
* Fire and Rescue Aid	365	427	62	17.0
Recreation and Natural Resources	720	647	-73	-10.2
Total Direct Aid	\$250,520	\$253,115	\$2,597	1.0
Aid Per Capita (\$)	1,038	1,048	11	1.0
Property Tax Equivalent (\$)	0.97	0.98	0.00	0.4

* 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 2015 State payments for Frederick County for teachers, librarians, and community college faculty are estimated to be \$35,184,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$821,000
Family Health and Chronic Disease	626,000
Developmental Disabilities	34,374,000
Behavioral Health Services	17,222,000

Social Services

Homeless Services	133,000
Women's Services	263,000
Adult Services	164,000
Child Welfare Services	3,414,000

Senior Citizen Services

Long-term Care	266,000
Community Services	70,000

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

Ballenger Creek Middle School – renovations (roof top unit)	\$240,000
Liberty Elementary School – renovations (roof)	195,000
Linganore High School – construction	4,772,000
Myersville Elementary School – renovations (HVAC)	308,000
New Midway Elementary School – renovations (water storage tank)	194,000
North Frederick Elementary School – construction	4,910,000
Rock Creek School – renovations (HVAC/piping)	324,000
Valley Elementary School – renovations (boiler)	188,000
Yellow Springs Elementary School – renovations (boiler)	180,000

Frederick Community College

Building B – reconfiguration and conversion	4,049,000
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Community Parks and Playgrounds

Countywide – basketball and tennis court improvements	18,000
Wiles Branch Park	36,000
Woodsboro Regional Park	129,000

Other Projects

15sq Arts Center	125,000
Barbara Hauer Fritchie Foundation	50,000
Culler Lake – stormwater management	125,000
Governor Thomas Johnson High School Stadium	50,000
The Catoctin Furnace Historical Society, Inc. – Forgemans House renovation	100,000
Unified Community Connections – adult day habilitation facility	127,000

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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Maryland Environmental Service

Cunningham Falls State Park – wastewater collection/water distribution	575,000
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Other

School for the Deaf – fire alarm and emergency notification system	1,705,000
School for the Deaf – water main replacement project	300,000

Garrett County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$11,062	\$10,825	-\$236	-2.1
Compensatory Education	4,899	4,692	-207	-4.2
Student Transportation	2,867	2,882	15	0.5
Special Education	1,119	1,083	-37	-3.3
Limited English Proficiency Grants	5	8	3	50.7
Adult Education	82	82	0	0.0
Aging Schools	38	38	0	0.0
Other Education Aid	1,022	1,022	0	0.0
Primary & Secondary Education	\$21,094	\$20,632	-\$462	-2.2
Libraries	119	114	-5	-4.0
Community Colleges	3,552	3,864	312	8.8
Health Formula Grant	495	553	58	11.8
* Transportation	1,273	1,012	-261	-20.5
* Police and Public Safety	229	228	-1	-0.5
* Fire and Rescue Aid	200	234	34	17.0
Recreation and Natural Resources	150	127	-22	-15.0
Disparity Grant	2,131	2,131	0	0.0
Teachers Retirement Supplemental Grant	406	406	0	0.0
Total Direct Aid	\$29,650	\$29,302	-\$347	-1.2
Aid Per Capita (\$)	992	980	-12	-1.2
Property Tax Equivalent (\$)	0.62	0.66	0.04	7.1

* 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 2015 State payments for Garrett County for teachers, librarians, and community college faculty are estimated to be \$3,711,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$251,000
Family Health and Chronic Disease	453,000
Developmental Disabilities	2,245,000
Behavioral Health Services	2,767,000

Social Services

Homeless Services	45,000
Women's Services	197,000
Adult Services	37,000
Child Welfare Services	1,238,000

Senior Citizen Services

Long-term Care	124,000
Community Services	73,000

C. Selected State Grants for Capital Projects

Community Parks and Playgrounds

Friendsville Community Park	\$169,000
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Mining Remediation Program

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

Christian Crossing Thrift Shop	100,000
HART Animal Center	100,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Garrett County State Park – trail construction	\$600,000
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Harford County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$137,678	\$137,404	-\$274	-0.2
Compensatory Education	31,139	32,715	1,576	5.1
Student Transportation	12,031	12,174	143	1.2
Special Education	18,638	18,324	-313	-1.7
Limited English Proficiency Grants	1,468	1,270	-197	-13.5
Adult Education	129	129	0	0.0
Aging Schools	217	217	0	0.0
Other Education Aid	666	667	1	0.1
Primary & Secondary Education	\$201,966	\$202,901	\$934	0.5
Libraries	1,454	1,450	-4	-0.3
Community Colleges	10,763	11,556	793	7.4
Health Formula Grant	1,936	2,171	235	12.1
* Transportation	3,043	2,677	-365	-12.0
* Police and Public Safety	2,812	2,826	14	0.5
* Fire and Rescue Aid	379	444	65	17.0
Recreation and Natural Resources	1,035	914	-121	-11.7
Total Direct Aid	\$223,388	\$224,939	\$1,551	0.7
Aid Per Capita (\$)	896	903	6	0.7
Property Tax Equivalent (\$)	0.84	0.87	0.03	3.1

* 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 2015 State payments for Harford County for teachers, librarians, and community college faculty are estimated to be \$32,745,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$902,000
Family Health and Chronic Disease	888,000
Developmental Disabilities	7,786,000
Behavioral Health Services	15,670,000

Social Services

Homeless Services	78,000
Women's Services	340,000
Adult Services	163,000
Child Welfare Services	3,444,000

Senior Citizen Services

Long-term Care	300,000
Community Services	70,000

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

Dublin Elementary School – renovations (HVAC)	\$1,939,000
Fallston High School – renovations (HVAC)	4,817,000
Youth’s Benefit Elementary School – construction	3,350,000

Waterway Improvement

Mariner Point Park – decking replacement and park facility improvements	25,000
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Other Projects

Edgewood Community Support Center	50,000
Havre de Grace Maritime Museum	50,000
Havre de Grace Opera House	50,000
Historical Society of Harford County	50,000
Ladew Topiary Gardens	110,000

Howard County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$154,979	\$153,995	-\$983	-0.6
Compensatory Education	24,029	25,818	1,788	7.4
Student Transportation	15,642	15,928	285	1.8
Special Education	13,016	13,430	414	3.2
Limited English Proficiency Grants	6,551	6,137	-414	-6.3
Geographic Cost of Education Index	5,219	5,313	93	1.8
Adult Education	305	305	0	0.0
Aging Schools	88	88	0	0.0
Other Education Aid	1,468	1,471	4	0.2
Primary & Secondary Education	\$221,297	\$222,484	\$1,187	0.5
Libraries	821	838	18	2.1
Community Colleges	15,837	17,103	1,265	8.0
Health Formula Grant	1,359	1,528	170	12.5
Transportation	2,507	2,124	-383	-15.3
Police and Public Safety	3,567	3,624	57	1.6
Fire and Rescue Aid	401	469	68	17.0
Recreation and Natural Resources	1,821	1,632	-189	-10.4
Video Lottery Terminal Impact Aid	0	89	89	0.0
Other Direct Aid	5	5	0	0.0
Total Direct Aid	\$247,615	\$249,897	\$2,282	0.9
Aid Per Capita (\$)	813	820	7	0.9
Property Tax Equivalent (\$)	0.56	0.56	0.00	0.0

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 2015 State payments for Howard County for teachers, librarians, and community college faculty are estimated to be \$60,772,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$1,029,000
Family Health and Chronic Disease	728,000
Developmental Disabilities	50,626,000
Behavioral Health Services	10,972,000

Social Services

Homeless Services	82,000
Women's Services	266,000
Adult Services	39,000
Child Welfare Services	3,029,000

Senior Citizen Services

Long-term Care	327,000
Community Services	19,000

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

Atholton High School – construction	\$2,299,000
Burleigh Manor Elementary School – renovations (boilers)	308,000
Deep Run Elementary School – construction	1,708,000
Elkridge Elementary School – renovations (boilers)	246,000
Elkridge Landing Middle School – renovations (chillers)	286,000
Fulton Elementary School – renovations (chiller)	126,000
Hollifield Station Elementary School – renovations (chiller)	132,000
Laurel Woods Elementary School – construction	2,546,000
Longfellow Elementary School – construction	3,416,000
Mayfield Woods Middle School – renovations (chillers)	286,000
Mount View Middle School – renovations (roof)	792,000
Pointers Run Elementary School – renovations (chiller)	126,000
River Hill High School – renovations (roof)	1,729,000

Howard Community College

Nursing and Science/Technology Buildings – renovation	766,000
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Partnership Rental Housing Program

Hilltop	2,375,000
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Other Projects

Community Action Council Food Bank	250,000
Historic Belmont Property – restoration	65,000
Howard County Day Resource Center	250,000
Howard County Head Start Program	200,000

D. Capital Projects for State Facilities in the County**Maryland State Police**

Tactical Services Facility – garage	\$1,053,000
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Department of Natural Resources

Bloede Dam – removal	1,000,000
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Kent County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$3,677	\$3,549	-\$128	-3.5
Compensatory Education	2,655	2,648	-7	-0.2
Student Transportation	1,509	1,517	8	0.5
Special Education	732	761	29	3.9
Limited English Proficiency Grants	203	177	-26	-12.9
Geographic Cost of Education Index	137	137	0	0.0
Adult Education	81	81	0	0.0
Aging Schools	38	38	0	0.0
Other Education Aid	719	720	1	0.1
Primary & Secondary Education	\$9,752	\$9,628	-\$124	-1.3
Libraries	82	81	-2	-2.0
Community Colleges	586	586	0	0.0
Health Formula Grant	383	427	45	11.7
* Transportation	687	586	-101	-14.7
* Police and Public Safety	203	207	5	2.3
* Fire and Rescue Aid	205	240	35	17.0
Recreation and Natural Resources	132	76	-56	-42.1
Disparity Grant	70	0	-70	-100.0
Total Direct Aid	\$12,099	\$11,831	-\$268	-2.2
Aid Per Capita (\$)	607	593	-13	-2.2
Property Tax Equivalent (\$)	0.40	0.40	0.00	0.0

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2015 State payments for Kent County for teachers, librarians, and community college faculty are estimated to be \$2,037,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$234,000
Family Health and Chronic Disease	464,000
Developmental Disabilities	1,560,000
Behavioral Health Services	4,821,000

Social Services

Homeless Services	1,000
Women's Services	20,000
Adult Services	61,000
Child Welfare Services	661,000

Senior Citizen Services

Long-term Care	353,000
Community Services	117,000

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

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

Garnett Elementary School – renovations (HVAC/roof)	\$600,000
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Public Libraries

Chestertown Library – renovation	46,000
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Chesapeake College

Center for Allied Health and Athletics	19,918,000
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Community Parks and Playgrounds

Rock Hall Civic Center	167,000
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Waterway Improvement

Chestertown Marina – bulkhead and pier improvements	200,000
Cliffs City Public Landing – pier replacement	49,500
Skinner’s Neck Public Landing – pier replacement	60,000

African American Heritage Preservation Grant Program

Asbury United Methodist Church	95,000
Janes United Methodist Church	95,000

Other Projects

Sultana Education Center	500,000
Washington College – academic building	3,600,000

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 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$305,783	\$310,457	\$4,674	1.5
Compensatory Education	121,839	128,619	6,780	5.6
Student Transportation	36,986	38,091	1,105	3.0
Special Education	51,266	52,045	779	1.5
Limited English Proficiency Grants	57,776	55,599	-2,177	-3.8
Geographic Cost of Education Index	33,637	34,394	758	2.3
Adult Education	993	993	0	0.0
Aging Schools	603	603	0	0.0
Other Education Aid	3,563	3,566	3	0.1
Primary & Secondary Education	\$612,445	\$624,368	\$11,923	1.9
Libraries	2,771	2,813	42	1.5
Community Colleges	44,178	47,428	3,250	7.4
Health Formula Grant	3,388	3,825	436	12.9
* Transportation	8,371	7,638	-733	-8.8
* Police and Public Safety	15,555	15,719	164	1.1
* Fire and Rescue Aid	1,299	1,520	221	17.0
Recreation and Natural Resources	4,623	4,131	-492	-10.6
Total Direct Aid	\$692,631	\$707,442	\$14,810	2.1
Aid Per Capita (\$)	681	696	15	2.1
Property Tax Equivalent (\$)	0.42	0.42	0.00	0.0

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2015 State payments for Montgomery County for teachers, librarians, and community college faculty are estimated to be \$165,932,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$3,322,000
Family Health and Chronic Disease	1,630,000
Developmental Disabilities	64,593,000
Behavioral Health Services	43,027,000

Social Services

Homeless Services	278,000
Women's Services	361,000
Adult Services	796,000
Child Welfare Services	7,618,000

Senior Citizen Services

Long-term Care	1,296,000
Community Services	200,000

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

Beverly Farms Elementary School – construction	\$1,802,482
Glenallen Elementary School – construction	5,491,000
Herbert Hoover Middle School – construction	8,214,000
Paint Branch High School – construction	6,492,518

Public Libraries

Kensington Park Library – renovation	259,000
Twinbrook Library – renovation	128,000

Montgomery College

Rockville – Science Center	14,446,000
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Community Health Facilities Grant Program

Avery Road Treatment Center	310,000
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Partnership Rental Housing Program

Southbridge	1,500,000
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Community Parks and Playgrounds

Elgin Park	155,000
Lincoln Park	56,000

African American Heritage Preservation Grant Program

Sandy Spring Odd Fellows Lodge	50,000
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Other Projects

Adventist Rehabilitation Hospital of Maryland	200,000
Ann L. Bronfman Center	120,000
Black Box Theater	100,000
Casey Community Center	130,000
Easter Seals Inter-Generational Center	200,000
Holy Cross Hospital	500,000
Homecrest House	60,000
Imagination Stage	45,000
Jewish Community Center of Greater Washington	1,000,000
Jewish Social Service Agency	130,000
MdBio Foundation, Inc. – STEM education equipment	200,000
MedStar Montgomery Medical Center	300,000
Melvin J. Berman Hebrew Academy	55,000
Muslim Community Center	75,000
National Cybersecurity Center of Excellence	2,000,000
Olney Theatre	100,000
Potomac Community Recreation Center	100,000
Potomac Community Resources, Inc.	175,000
Rockville Science Center	75,000
Sandy Spring Museum	75,000
Sandy Spring Volunteer Fire Department	150,000
Seneca Store	50,000
Shady Grove Adventist Hospital	500,000
Silver Spring Learning Center	60,000
Silver Spring Volunteer Fire Department	100,000
The Writer's Center	300,000
University Gardens Senior Apartments	140,000
Warner Manor	100,000
Washington Adventist Hospital	480,000

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	4,300,000
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Prince George's County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$499,623	\$525,967	\$26,343	5.3
Compensatory Education	235,526	254,495	18,970	8.1
Student Transportation	36,966	37,707	741	2.0
Special Education	60,046	61,633	1,587	2.6
Limited English Proficiency	68,564	74,469	5,905	8.6
Grants				
Guaranteed Tax Base	0	3,348	3,348	n/a
Geographic Cost of Education	38,610	39,277	666	1.7
Index				
Adult Education	757	757	0	0.0
Aging Schools	1,209	1,209	0	0.0
Other Education Aid	2,306	2,306	1	0.0
Primary & Secondary Education	\$943,608	\$1,001,170	\$57,562	6.1
Libraries	6,524	6,759	235	3.6
Community Colleges	25,992	27,666	1,674	6.4
Health Formula Grant	5,599	6,297	698	12.5
* Transportation	8,826	8,314	-513	-5.8
* Police and Public Safety	18,918	19,699	781	4.1
* Fire and Rescue Aid	1,130	1,322	192	17.0
Recreation and Natural Resources	3,913	3,502	-411	-10.5
Disparity Grant	21,695	27,503	5,809	26.8
Teachers Retirement Supplemental	9,629	9,629	0	0.0
Grant				
Video Lottery Terminal Impact	1,000	1,054	54	5.4
Aid				
* Other Direct Aid	10	10	0	0.0
Total Direct Aid	\$1,046,843	\$1,112,925	\$66,081	6.3
Aid Per Capita (\$)	1,176	1,250	74	6.3
Property Tax Equivalent (\$)	1.37	1.45	0.07	5.4

* 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 2015 State payments for Prince George’s County for teachers, librarians, and community college faculty are estimated to be \$101,741,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county’s share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$3,444,000
Family Health and Chronic Disease	2,760,000
Developmental Disabilities	61,572,000
Behavioral Health Services	45,288,000

Social Services

Homeless Services	585,000
Women’s Services	348,000
Adult Services	646,000
Child Welfare Services	11,121,000

Senior Citizen Services

Long-term Care	1,046,000
Community Services	196,000

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

Benjamin Tasker Middle School – renovations (roof)	\$1,238,000
Bowie High School – construction	158,000
Crossland High School – construction	1,138,000
Forestville High School – construction	1,014,000
Frederick Douglass High School – construction	1,004,000
Friendly High School – construction	446,000
Glenarden Woods Elementary School – construction	6,951,000
Gwynn Park High School – construction	555,000
High Point High School – construction	184,000
Kettering Middle School – renovations (fire safety/ceilings)	1,138,000
Largo High School – construction	407,000
Laurel High School – construction	595,000
Nicholas Orem Middle School – renovations (roof)	982,000
Pointer Ridge Elementary School – renovations (roof)	698,000
Potomac High School – construction	1,470,000
Suitland High School – construction	549,933
Surrattsville High School – construction	838,000
Thomas Johnson Middle School – renovations (fire safety)	462,000

Prince George's Community College

Campuswide – circulation and roadway modifications	1,898,000
Queen Anne Academic Center – renovation and addition	1,612,000

Federally Qualified Health Centers Grant Program

Greater Baden Medical Services – Walker Mill Health Center	436,000
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Community Parks and Playgrounds

60th Avenue Community Park	141,000
Bartlett Park	90,000
Belle Point Neighborhood Park	98,000
Foxmo Tot Lot	28,000
Hyatt Park	120,000
Linear Park	44,000
New Carrollton Community Dog Park	23,000
Seat Pleasant Fit and Fun Park	53,000

African American Heritage Preservation Grant Program

Mount Nebo A.M.E. Church	84,000
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Other Projects

Alice Ferguson Foundation, Inc. – Potomac Watershed Study Center	2,400,000
Art Works Now	50,000
Bowie Boys and Girls Club	100,000
Bowie Gymnasium	130,000
Brentwood Town Center	150,000
Capitol Heights – public works facility	50,000
CASA – Riverdale Welcome Center	150,000
Dinosaur Park	25,000
District Heights – Family and Youth Services Bureau	250,000
Doctors Hospital	88,000
Educare Resource Center	175,000
Elizabeth Seton High School – sports facilities	100,000
Fairmount Heights – Municipal Center	100,000
Forest Heights – Town Hall	50,000
Green Branch Athletic Complex	3,000,000
Knights of St. John Hall	60,000
Laurel – park path system improvements	150,000
Laurel Armory Anderson Murphy Community Center	150,000
New Carrollton – playground and open space improvements	100,000
North Brentwood – 4510 41st Avenue and 4516 41st Avenue redevelopment	125,000
Olde Mill Community and Teaching Center	150,000
Potomac River Heritage Visitors Center – Experience Salubria project	80,000
Prince George’s Hospital System	15,000,000
Southern Friendship Health and Wellness Campus	113,000
Suitland – redevelopment project	500,000

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

Cheltenham Youth Facility – new detention center	\$31,521,000
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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 – Natural Sciences Center	23,342,000
Bowie State – track and field improvements	500,000
College Park – Animal Sciences Consolidated Activities Pavilion	540,000
College Park – Bioengineering Building	2,500,000
College Park – campuswide infrastructure improvements	10,000,000
College Park – Cecil Hall renovation	9,365,000
College Park – Edward St. John Learning and Teaching Center	18,260,000
College Park – H. J. Patterson Hall renovations	11,686,000
College Park – high rise residence hall air conditioning	3,810,000
College Park – Satellite Central Utility Building	500,000

Queen Anne’s County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$20,807	\$21,258	\$451	2.2
Compensatory Education	4,944	5,052	108	2.2
Student Transportation	3,205	3,240	35	1.1
Special Education	2,279	2,270	-10	-0.4
Limited English Proficiency Grants	413	446	34	8.2
Geographic Cost of Education Index	564	564	0	0.0
Adult Education	225	225	0	0.0
Aging Schools	50	50	0	0.0
Other Education Aid	804	804	0	0.0
Primary & Secondary Education	\$33,291	\$33,909	\$618	1.9
Libraries	135	138	3	2.0
Community Colleges	1,827	1,891	63	3.5
Health Formula Grant	465	521	56	12.0
* Transportation	1,006	793	-214	-21.2
* Police and Public Safety	425	429	4	1.0
* Fire and Rescue Aid	200	234	34	17.0
Recreation and Natural Resources	188	166	-22	-11.5
Total Direct Aid	\$37,537	\$38,080	\$543	1.4
Aid Per Capita (\$)	774	785	11	1.4
Property Tax Equivalent (\$)	0.49	0.50	0.01	2.8

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2015 State payments for Queen Anne's County for teachers, librarians, and community college faculty are estimated to be \$6,077,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$290,000
Family Health and Chronic Disease	454,000
Developmental Disabilities	2,275,000
Behavioral Health Services	2,321,000

Social Services

Homeless Services	11,000
Women's Services	20,000
Adult Services	48,000
Child Welfare Services	884,000

Senior Citizen Services

Long-term Care	115,000
Community Services	36,000

C. Selected State Grants for Capital Projects

Public Schools

Centreville Middle School – renovations (roof)	\$1,102,000
Stevensville Middle School – construction	2,605,000

Chesapeake College

Center for Allied Health and Athletics	19,918,000
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Waterway Improvement

Public boating facilities – improvements	50,000
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Other Projects

Wye River Upper School	1,000,000
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D. Capital Projects for State Facilities in the County

Department of Natural Resources

Matapeake Marine Terminal – entrance channel dredging	\$150,000
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St. Mary's County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$65,990	\$67,902	\$1,912	2.9
Compensatory Education	15,563	16,217	654	4.2
Student Transportation	6,555	6,677	122	1.9
Special Education	4,593	4,607	13	0.3
Limited English Proficiency Grants	607	697	90	14.8
Geographic Cost of Education Index	228	232	4	1.7
Adult Education	245	245	0	0.0
Aging Schools	50	50	0	0.0
Other Education Aid	633	633	0	0.0
Primary & Secondary Education	\$94,465	\$97,259	\$2,794	3.0
Libraries	601	612	12	1.9
Community Colleges	2,673	2,907	235	8.8
Health Formula Grant	900	1,009	108	12.1
* Transportation	1,361	1,122	-239	-17.6
* Police and Public Safety	919	925	6	0.7
* Fire and Rescue Aid	200	234	34	17.0
Recreation and Natural Resources	347	311	-36	-10.4
Total Direct Aid	\$101,465	\$104,380	\$2,915	2.9
Aid Per Capita (\$)	925	952	27	2.9
Property Tax Equivalent (\$)	0.84	0.87	0.03	3.7

* 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 2015 State payments for St. Mary's County for teachers, librarians, and community college faculty are estimated to be \$14,091,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$425,000
Family Health and Chronic Disease	517,000
Developmental Disabilities	2,929,000
Behavioral Health Services	7,623,000

Social Services

Homeless Services	54,000
Women's Services	201,000
Adult Services	87,000
Child Welfare Services	1,914,000

Senior Citizen Services

Long-term Care	143,000
Community Services	58,000

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

Captain Walter Francis Duke Elementary School – construction	\$4,503,000
Spring Ridge Middle School – construction	2,242,000
Spring Ridge Middle School – relocatable classrooms	361,000

College of Southern Maryland

Campuswide – technology infrastructure upgrades	1,465,000
Hughesville – Center for Regional Programs	4,417,000

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

Patuxent Woods	1,450,000
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Waterway Improvement

Public boating facilities – improvements	99,000
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Other Projects

Bay District Volunteer Fire Department	100,000
Cedar Lane Senior Living Community	100,000
Firemen’s Heritage Museum	105,000
Second District Volunteer Fire Department	75,000
Southern Maryland Regional Higher Education Center	1,000,000
St. Peter Claver Catholic Church Museum	45,000

D. Capital Projects for State Facilities in the County

Department of Natural Resources

Point Lookout State Park – charge collection station improvements	\$625,000
Point Lookout State Park – water system infrastructure improvements	127,000
St. Clement’s Island – shore erosion control	369,000

Maryland Environmental Service

Charlotte Hall Veterans Home – wastewater treatment plant improvements	1,190,000
Southern Pre-Release Unit – wastewater treatment plant improvements	1,500,000

St. Mary’s College

Anne Arundel Hall – reconstruction	17,850,000
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Somerset County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$13,014	\$13,252	\$238	1.8
Compensatory Education	8,683	8,907	223	2.6
Student Transportation	1,792	1,823	31	1.7
Special Education	2,108	2,149	41	2.0
Limited English Proficiency Grants	500	465	-35	-7.0
Guaranteed Tax Base	1,046	1,144	98	9.4
Adult Education	185	185	0	0.0
Aging Schools	38	38	0	0.0
Other Education Aid	611	611	0	0.0
Primary & Secondary Education	\$27,978	\$28,575	\$597	2.1
Libraries	270	268	-3	-1.0
Community Colleges	717	739	21	3.0
Health Formula Grant	479	535	56	11.8
* Transportation	799	664	-135	-16.9
* Police and Public Safety	244	247	3	1.3
* Fire and Rescue Aid	208	244	35	17.0
Recreation and Natural Resources	85	74	-11	-12.6
Disparity Grant	4,908	4,908	0	0.0
Teachers Retirement Supplemental Grant	382	382	0	0.0
Total Direct Aid	\$36,072	\$36,636	\$566	1.6
Aid Per Capita (\$)	1,373	1,394	21	1.6
Property Tax Equivalent (\$)	2.43	2.57	0.14	5.6

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays a portion of the employer share on behalf of the subdivisions for these local employees. Fiscal 2015 State payments for Somerset County for teachers, librarians, and community college faculty are estimated to be \$2,721,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$253,000
Family Health and Chronic Disease	708,000
Developmental Disabilities	6,774,000
Behavioral Health Services	3,717,000

Social Services

Homeless Services	6,000
Women's Services	92,000
Adult Services	78,000
Child Welfare Services	1,398,000

Senior Citizen Services

Long-term Care	530,000
Community Services	277,000

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

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

Greenwood Elementary School – renovations (HVAC/roof)	\$2,113,000
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Public Libraries

Crisfield Library – construction	1,555,000
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Community Parks and Playgrounds

Beckford Avenue Area Park	150,000
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Waterway Improvement

Public boating facilities – improvements	99,000
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African American Heritage Preservation Grant Program

St. James Methodist Episcopal Church	75,000
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D. Capital Projects for State Facilities in the County**Department of Natural Resources**

Somers Cove Marina – maintenance and upgrades	\$100,000
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Wellington WMA – building renovation	1,820,000
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University System of Maryland

Eastern Shore – Engineering and Aviation Science Building	60,755,000
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Talbot County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$4,381	\$4,423	\$42	1.0
Compensatory Education	4,332	4,663	331	7.6
Student Transportation	1,526	1,549	23	1.5
Special Education	869	883	14	1.6
Limited English Proficiency Grants	660	725	66	9.9
Adult Education	196	196	0	0.0
Aging Schools	38	38	0	0.0
Other Education Aid	615	615	0	0.0
Primary & Secondary Education	\$12,617	\$13,093	\$476	3.8
Libraries	106	107	0	0.2
Community Colleges	1,621	1,759	138	8.5
Health Formula Grant	365	409	44	12.0
* Transportation	1,196	1,069	-127	-10.6
* Police and Public Safety	428	426	-2	-0.5
* Fire and Rescue Aid	257	301	44	17.0
Recreation and Natural Resources	197	175	-22	-11.1
Total Direct Aid	\$16,789	\$17,339	\$550	3.3
Aid Per Capita (\$)	443	457	15	3.3
Property Tax Equivalent (\$)	0.19	0.20	0.01	7.6

* 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 2015 State payments for Talbot County for teachers, librarians, and community college faculty are estimated to be \$3,926,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$267,000
Family Health and Chronic Disease	462,000
Developmental Disabilities	2,410,000
Behavioral Health Services	2,683,000

Social Services

Homeless Services	28,000
Women's Services	20,000
Adult Services	46,000
Child Welfare Services	1,169,000

Senior Citizen Services

Long-term Care	353,000
Community Services	121,000

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

C. Selected State Grants for Capital Projects**Chesapeake College**

Center for Allied Health and Athletics	\$19,918,000
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Community Parks and Playgrounds

Play Ball Dog Park	38,000
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Water Supply Financial Assistance Program

St. Michaels – arsenic removal system	1,357,000
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Waterway Improvement

Oxford – public boating facilities improvements	50,000
Public boating facilities – improvements	50,000
St. Michaels – public boating facilities improvements	50,000

Other Projects

Eastern Shore Food Hub	500,000
Easton Head Start Center	75,000
Oyster House	100,000

Washington County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$96,935	\$99,265	\$2,330	2.4
Compensatory Education	40,281	41,907	1,626	4.0
Student Transportation	6,817	6,933	117	1.7
Special Education	7,772	7,929	157	2.0
Limited English Proficiency Grants	1,674	1,773	99	5.9
Guaranteed Tax Base	4,939	5,579	640	12.9
Adult Education	167	167	0	0.0
Aging Schools	135	135	0	0.0
Other Education Aid	1,393	1,393	0	0.0
Primary & Secondary Education	\$160,113	\$165,081	\$4,968	3.1
Libraries	1,155	1,172	18	1.5
Community Colleges	8,431	9,005	574	6.8
Health Formula Grant	1,536	1,720	184	12.0
* Transportation	2,977	2,702	-275	-9.2
* Police and Public Safety	1,487	1,467	-20	-1.4
* Fire and Rescue Aid	228	267	39	17.0
Recreation and Natural Resources	541	482	-59	-10.9
Disparity Grant	1,546	1,978	432	28.0
Total Direct Aid	\$178,014	\$183,874	\$5,860	3.3
Aid Per Capita (\$)	1,190	1,229	39	3.3
Property Tax Equivalent (\$)	1.43	1.50	0.07	4.7

* 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 2015 State payments for Washington County for teachers, librarians, and community college faculty are estimated to be \$19,259,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$961,000
Family Health and Chronic Disease	642,000
Developmental Disabilities	20,725,000
Behavioral Health Services	14,237,000

Social Services

Homeless Services	165,000
Women's Services	202,000
Adult Services	311,000
Child Welfare Services	4,271,000

Senior Citizen Services

Long-term Care	281,000
Community Services	99,000

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

Bester Elementary School – construction	\$378,000
Washington County Technical High School – renovations (HVAC)	980,000
West City Elementary School – construction	4,560,000

Public Libraries

Hancock Library – construction	200,000
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Hagerstown College

Central Plant – expansion	99,000
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Federally Qualified Health Centers Grant Program

Walnut Street Community Health Center, Inc.	660,000
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Community Parks and Playgrounds

Billy Doub Playground	40,000
Potterfield Pool	30,000

Hazardous Substance Cleanup Program

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

Tolson's Chapel	18,000
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Other Projects

Doey's House	250,000
Meritus Medical Center	500,000
The Maryland Theatre	125,000

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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Department of Public Safety and Correctional Services

Correctional Training Center – replace windows and heating systems	5,085,000
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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

Wicomico County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$67,292	\$68,579	\$1,288	1.9
Compensatory Education	37,323	38,615	1,292	3.5
Student Transportation	5,040	5,084	44	0.9
Special Education	6,869	7,008	139	2.0
Limited English Proficiency Grants	3,093	3,407	314	10.2
Guaranteed Tax Base	3,670	4,579	909	24.8
Aging Schools	107	107	0	0.0
Other Education Aid	891	891	0	0.0
Primary & Secondary Education	\$124,285	\$128,271	\$3,986	3.2
Libraries	911	943	32	3.5
Community Colleges	4,966	5,070	104	2.1
Health Formula Grant	1,053	1,179	126	12.0
* Transportation	2,374	2,145	-229	-9.7
* Police and Public Safety	1,087	1,125	38	3.5
* Fire and Rescue Aid	239	280	41	17.0
Recreation and Natural Resources	366	322	-44	-11.9
Disparity Grant	6,654	8,241	1,587	23.9
Teachers Retirement Supplemental Grant	1,568	1,568	0	0.0
Total Direct Aid	\$143,502	\$149,142	\$5,640	3.9
Aid Per Capita (\$)	1,422	1,478	56	3.9
Property Tax Equivalent (\$)	2.27	2.42	0.15	6.5

* 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 2015 State payments for Wicomico County for teachers, librarians, and community college faculty are estimated to be \$12,997,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$865,000
Family Health and Chronic Disease	909,000
Developmental Disabilities	15,820,000
Behavioral Health Services	11,385,000

Social Services

Homeless Services	26,000
Women's Services	92,000
Adult Services	27,000
Child Welfare Services	2,581,000

Senior Citizen Services

Long-term Care	530,000
Community Services	322,000

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

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

Bennett Middle School – construction	\$7,650,000
Mardela Middle/High School – renovations (roof)	269,000
Pittsville Elementary/Middle School – renovations (windows/doors)	462,000

Public Libraries

Eastside Library/Eastern Shore Regional Library – construction	659,000
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Wor–Wic Tech Community College

Academic and Administrative Building/Maner Technology Center – renovation	1,813,000
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Community Parks and Playgrounds

Mason-Dixon Sport Complex	48,000
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Water Supply Financial Assistance Program

Fruitland – water tower rehabilitation	3,000,000
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Waterway Improvement

Public boating facilities – improvements	99,000
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Hazardous Substance Cleanup Program

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

Other Projects

Henry Parker Athletic Complex	1,000,000
Wicomico Youth and Civic Center	1,000,000
Willards Lions Club	50,000
YMCA of the Chesapeake	300,000

D. Capital Projects for State Facilities in the County

Department of Juvenile Services

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

Salisbury University – Academic Commons/Library	45,000,000
Salisbury University – athletic complex renovations	2,500,000
Salisbury University – stadium project	10,000,000

Worcester County

A. Direct Aid and Retirement Payments

1. Direct Aid

	<u>FY 2014</u>	<u>FY 2015</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
	(\$ in Thousands)			
Foundation Aid	\$6,395	\$6,430	\$35	0.6
Compensatory Education	7,228	7,301	73	1.0
Student Transportation	2,886	2,921	35	1.2
Special Education	1,736	1,721	-15	-0.9
Limited English Proficiency Grants	408	372	-36	-8.8
Adult Education	151	151	0	0.0
Aging Schools	38	38	0	0.0
Other Education Aid	657	657	0	0.0
Primary & Secondary Education	\$19,499	\$19,591	\$92	0.5
Libraries	144	144	0	0.0
Community Colleges	1,981	2,105	124	6.3
Health Formula Grant	393	442	48	12.3
* Transportation	1,825	1,618	-207	-11.3
* Police and Public Safety	653	683	30	4.6
* Fire and Rescue Aid	257	301	44	17.0
Recreation and Natural Resources	358	314	-45	-12.5
Video Lottery Terminal Impact Aid	2,339	2,742	404	17.3
Total Direct Aid	\$27,450	\$27,940	\$490	1.8
Aid Per Capita (\$)	532	541	9	1.8
Property Tax Equivalent (\$)	0.18	0.20	0.01	5.5

* 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 2015 State payments for Worcester County for teachers, librarians, and community college faculty are estimated to be \$7,318,000.

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. What follows are estimates of fiscal 2015 general and special fund allocations for various programs. Note that for many programs the amounts shown for a county are based on the county's share of prior year funding (fiscal 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.

Health Services

Medical Care Services	\$371,000
Family Health and Chronic Disease	653,000
Developmental Disabilities	1,432,000
Behavioral Health Services	5,249,000

Social Services

Homeless Services	26,000
Women's Services	116,000
Adult Services	55,000
Child Welfare Services	1,449,000

Senior Citizen Services

Long-term Care	530,000
Community Services	281,000

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

C. Selected State Grants for Capital Projects**Wor–Wic Tech Community College**

Academic and Administrative Building/Maner Technology Center – renovation	\$1,813,000
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Waterway Improvement

Gum Point Boat Ramp – ADA site improvements	99,000
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D. Capital Projects for State Facilities in the County**Department of Natural Resources**

Ocean City – beach replenishment	\$1,000,000
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Part B

Taxes

Property Tax

Property Tax Administration

Homestead Property Tax Credit

The Homestead Property Tax Credit Program 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.

Senate Bill 572/House Bill 227 (both passed) alter 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.

Renters’ Tax Credit

The Renters’ Tax Credit Program provides relief for elderly or disabled renters from the burden attributable to State and local real property taxes. It is not actually a tax credit, but rather a payment directly to eligible renters to provide relief for the “assumed property tax” that renters indirectly pay as part of their rent.

Senate Bill 354 (passed) requires the State Department of Assessments and Taxation (SDAT) to establish a marketing campaign to promote the Renters’ Tax Credit in high poverty areas throughout the State. *Senate Bill 354* also encourages Prince George’s County to establish a local program to provide additional rent relief to low-income residents.

Property Tax Exemptions

Community Open Space Management Entities

House Bill 863 (passed) authorizes 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 advises that for practical purposes, when a property loses its tax-exempt status, property taxes are not typically paid until the beginning of the next taxable year. **House Bill 950 (passed)** requires that when a tax-exempt property used by a charitable, educational, or religious group or organization is sold and is no longer entitled to the 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

Adaptive Reuse of Commercial Structures

Senate Bill 605 (passed) authorizes county and municipal governments to grant, by law, 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 authorized may not exceed 50% of the amount of 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

Senate Bill 736/House Bill 876 (both passed) alter 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.

Urban Agricultural Property

House Bill 223 (passed) expands eligibility for the local option property tax credit for urban agricultural property by removing the requirement that a property must be used exclusively for urban agricultural purposes in order to receive the credit.

Economic Development

Regional Institution Strategic Enterprise Zone Program

Senate Bill 600/House Bill 742 (both passed) establish 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, 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.

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 a more detailed discussion of ***Senate Bill 600/House Bill 742***, see the subpart “Economic Development” within Part H – Business and Economic Issues of this *90 Day Report*.

Tax Sales

Reimbursement for Attorney's Fees

House Bill 446 (passed) specifies 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.

Nonpayment of Environmental Citations

Senate Bill 141 (passed) authorizes a tax sale in Baltimore City solely for nonpayment of environmental citations issued under Article 1, Subtitle 40 of the Baltimore City Code if the total

amount of unpaid environmental citations is at least \$1,000. The tax sale may only be offered after exhaustion of all administrative and judicial rights of appeal. *Senate Bill 141* also requires Baltimore City to submit a report to the Senate Budget and Taxation Committee and the House Ways and Means Committee on its plans for implementing the legislation, including the types of unpaid environmental citations that would be subject to collection through a tax sale. Baltimore City is prohibited from offering real property at a tax sale solely for nonpayment of environmental citations until after the required report is submitted.

Local Property Taxes

Baltimore City

House Bill 920 (passed) requires Baltimore City to provide a property tax credit for homeowners who had received the Homestead Property Tax Credit for a home in Baltimore City for the previous five years and move into another dwelling in Baltimore City. The amount of the tax credit is equal to a total of \$4,000 to be applied to the homeowner's property tax bill over a five-year period in the following amounts: (1) \$1,000 in the first year; (2) \$900 in the second year; (3) \$800 in the third year; (4) \$700 in the fourth year; and (5) \$600 in the fifth year. The total amount may be increased by up to an additional \$1,000 for a homeowner who purchases a dwelling located within a low- or moderate-income census tract, as designated by the U.S. Department of Housing and Urban Development and in which at least 51% of the persons living in the tract are in households earning 80% or less of the area median income.

Baltimore City may not allocate more than \$3.0 million in each of the years that applications for the tax credit are accepted to pay the total cost of the tax credits for the approved applicants during the year for the entire period during which the applicants will receive the tax credit.

Senate Bill 267/House Bill 314 (both passed) extend the termination date of the existing Baltimore City property tax credit for newly constructed dwellings from June 30, 2014, to June 30, 2019. *Senate Bill 267/House Bill 314* also repeal a one-time amnesty period for owners who failed to meet the application deadline and who were denied the tax credit.

House Bill 833 (passed) requires all organizations that own specified tax-exempt property in Baltimore City to submit an application to SDAT every three years in accordance with the department's three-year assessment cycle, beginning April 1, 2016. The application must certify that the property is being used for its tax-exempt purpose. The bill also requires the organization to notify Baltimore City within 30 days after the property ceases to be used for a tax-exempt purpose.

House Bill 936 (passed) requires the Department of Legislative Services (DLS) to complete a study on the feasibility and effects of increasing Baltimore City's Homestead Property Tax Credit cap on assessment increases and using the increased revenue to offset a reduction in Baltimore City's property tax rate. DLS must submit a report of its findings and any recommendations to the Mayor and City Council of Baltimore City, the Baltimore City House Delegation, and the Baltimore City Senators by December 31, 2014.

Charles County

House Bill 932 (passed) authorizes Charles County to grant a property tax credit for real property owned by senior citizens receiving Social Security benefits. To be eligible for the property tax credit, an individual must be at least 65 years old, receive benefits under the Social Security Act, and own and use the real property as the individual's principal residence.

Frederick County

Senate Bill 616/House Bill 321 (both passed) authorize Frederick County to exempt real property from the county property tax if the real property is owned by an affordable housing land trust and not subject to an affordable housing land trust agreement.

Income Tax

Tax Credit Legislation

New Tax Credits

Regional Institution Strategic Enterprise Zone Program: Senate Bill 600/House Bill 742 (both passed) establish 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, 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 **Senate Bill 600/House Bill 742**, see the subpart "Economic Development" within Part H – Business and Economic Issues of this *90 Day Report*.

Endow Maryland: Senate Bill 486 (passed) creates 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.

Tax Credit Expansions

As passed by the Senate, *Senate Bill 1051 (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 under the film production activity tax credit. 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, *Senate Bill 172 (passed)*, authorizes 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.

Senate Bill 570 (passed) expands the research and development 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.

House Bill 198 (passed) expands the State refundable earned income credit (EIC) program. The value of the refund for qualified individuals increases from 25% to 28% of the federal EIC, minus any pre-credit State income tax liability. The increase is phased in over four years beginning with tax year 2015. It is estimated that the expansion of the credit will decrease State revenues by \$4.3 million in fiscal 2016, \$8.6 million in fiscal 2017, \$17.6 million in fiscal 2018, and \$26.6 million in fiscal 2019.

Tax Credit Extensions

House Bill 510 (passed) extends 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 bill establishes 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. *House Bill 510* also clarifies the authority of MHT to revoke certain expired tax credits and alters other program eligibility requirements and procedures. It is estimated that the extension of the credit will decrease State revenues by \$10.9 million in fiscal 2015, \$12.3 million in fiscal 2016, \$14.6 million in fiscal 2017, \$1.7 million in fiscal 2018, and \$0.3 million in fiscal 2019.

House Bill 668 (passed) expands eligibility for hiring tax credits under the Health Enterprise Zone (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. *House Bill 668* also extends the applicability of the tax credit through tax year 2016 and extends the termination date of the HEZ program by one year until June 30, 2017.

Subtraction Modification Legislation

House Bill 699 (passed) creates 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.

Senate Bill 630/House Bill 264 (both passed) create 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 a subtraction modification for individuals who serve in a volunteer capacity and qualify for active duty service during the tax year. ***Senate Bill 1070/House Bill 228 (both passed)*** expand the value of the existing State income tax subtraction modification from \$3,500 to \$5,000, phased in over six years beginning in tax year 2014.

Senate Bill 596/House Bill 923 (both passed) extend the subtraction modification against the State income tax for qualified mortgage debt relief to tax years 2014 and 2015. 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 maximum amount of the subtraction may not exceed \$200,000 or \$100,000 for individuals.

DBED may establish arts and entertainment districts within a county or municipality. Several tax benefits are available in arts and entertainment districts, including a subtraction modification against State and local income taxes; a property tax credit; and an exemption from the admissions and amusement tax. ***Senate Bill 1054 (passed)*** broadens the definition of “qualifying residing artist” for an arts and entertainment district to mean an individual who (1) owns or rents residential real property in the State; (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.

For a further discussion of ***Senate Bill 1054***, see the subpart “Economic Development” within Part H – Business and Economic Issues of this *90 Day Report*.

Tax Administration

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 applies only to individuals who are residents of Anne Arundel County or have an outstanding warrant from Anne Arundel County.

Senate Bill 469/House Bill 217 (both passed) expand the Anne Arundel County warrant intercept program to Washington County. *Senate Bill 266/House Bill 313 (both passed)* also expand the Anne Arundel County warrant intercept program to Baltimore City. The Washington County and Baltimore City programs terminate on September 30, 2019.

Senate Bill 909/House Bill 1259 (both passed) change the designation of the "Developmental Disabilities Waiting List Equity Fund Contribution" income tax check off to the "Developmental Disabilities Services and Support Fund Contribution."

Senate Bill 604/House Bill 743 (both passed) require 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 Tax

Light-emitting Diode Lights

Under the State sales and use tax law, there are two sales tax-free periods each year. The purchase of certain clothing and footwear is exempt from State sales tax during the seven-day period beginning the second Sunday in August through the following Saturday. Additionally, the purchase of certain Energy Star products or solar water heaters made on the Saturday immediately preceding the third Monday in February through the third Monday in February is exempt from the State sales tax. *House Bill 786 (passed)* adds light-emitting diode (LED) light bulbs to the items that are exempt during the annual sales tax-free period for certain Energy Star products and solar water heaters. The inclusion of LED light bulbs in the list of Energy Star products that are exempt terminates June 30, 2017.

Miscellaneous Taxes

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. Currently, 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. *House Bill 739 (passed)* conforms 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 is equal to (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. The bill also clarifies provisions related to calculation of the estate tax imposed on estates with qualified agricultural property and for when a State estate tax return must be filed, to reflect the increased exemption amounts under the bill. The Department of Legislative Services estimates general fund revenues to decrease by \$21.3 million in fiscal 2016, \$46.3 million in fiscal 2017, \$77.1 million in fiscal 2018, and \$104.7 million in fiscal 2019.

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 has appealed this decision to the U.S. Supreme Court, the Comptroller's Office advises that in the event that the Supreme Court rules against the State or chooses 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 has made an error in the application of taxation. *Senate Bill 172 (passed)*, the Budget Reconciliation and Financing Act (BRFA) of 2014, requires 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.

Recordation and Transfer Taxes

An exemption from recordation and State transfer taxes exists for a transfer of real property between a parent corporation or limited liability company and its subsidiaries or between multiple subsidiaries that are wholly owned by the same parent corporation or limited liability company, if the transfer meets several additional criteria. *Senate Bill 106 (passed)* extends 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. The bill applies to all instruments of writing relating to a transfer of real property that meets these criteria recorded on or after July 1, 2014.

House Bill 595 (passed) provides 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 [*House Bill 595*](#), see the subpart “Real Property” within Part F – Courts and Civil Proceedings of this *90 Day Report*.

Transportation Taxes

[*Senate Bill 908/House Bill 1345*](#) (*both passed*) alter the existing 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 bills extend the termination date of the tax credit program through fiscal 2017. The bills also repeal the electric vehicle recharging equipment income tax credit and replace the credit with a rebate program administered by the Maryland Energy Administration. The administration may award an annual maximum of \$600,000 in rebates in fiscal 2015 through 2017, with funding for these rebates provided by transfers from the Strategic Energy Investment Fund.

Admissions and Amusement Tax

[*Senate Bill 601/House Bill 741*](#) (*both passed*) establish the Maryland E-Innovation Initiative Program. The bills require the Comptroller to distribute certain revenue from the State admissions and amusement tax on electronic bingo and electronic tip jars to the Maryland E-Innovation Initiative Fund for fiscal 2016 through 2021. The Maryland E-Innovation 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 [*Senate Bill 601/House Bill 741*](#), see the subpart “Economic Development” within Part H – Business and Economic Issues of this *90 Day Report*.

Hotel Rental Taxes

Hotel rental taxes are currently authorized in 22 counties and Baltimore City, with rates ranging from 3.0% to 9.5%. Harford County, a charter county, is the only jurisdiction in Maryland that does not impose a hotel rental tax.

[*Senate Bill 172*](#), the BRFA, authorizes all charter counties to impose a hotel rental tax.

[*Senate Bill 613/House Bill 323*](#) (*both passed*) alters the definition of a transient charge to impose the Frederick County hotel rental tax on hotel stays of up to 90 days, instead of a 30-day limit.

Revenue generated in the City of Annapolis from the hotel tax is required to be collected by Anne Arundel County and the county is required to distribute 3% to the Arts Council of Anne Arundel County, Inc., 17% to the Annapolis and Anne Arundel County Conference and Visitors Bureau, and the balance to the city. [*House Bill 1409*](#) (*passed*) enables Anne Arundel County to authorize the City of Annapolis to collect hotel tax revenue generated in the city. If Anne Arundel County does so, the city must distribute the hotel tax revenue in the same manner to the Arts Council of Anne Arundel County, Inc. and the Annapolis and Anne Arundel County Conference and Visitors Bureau and retain the balance.

Part C

State Government

State Agencies, Offices, and Officials

State Agencies

Responsibilities of Agencies

Under [*Senate Bill 818/House Bill 559 \(both passed\)*](#), the Secretary of State is 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. [*Senate Bill 818/House Bill 559*](#) also establish the designation of applicants as participants in the program, cancellation of participation in the program, and procedures for penalties for violations of the program.

To address concerns over the quality of service provided by the Comptroller's call centers, [*Senate Bill 95 \(passed\)*](#) authorizes the Comptroller to monitor and record incoming telephone calls to employees of the Comptroller's call centers to telephones within the offices of the Comptroller for training, quality control, and employee safety purposes. Monitored or recorded telephone calls are restricted to incoming calls to the automated call distribution system and must contain a notice to the telephone caller. The Comptroller may not record or monitor calls to or from direct individual lines. Any information derived from the telephone calls cannot be used in any criminal or civil proceedings, unless a personal and imminent threat against an employee or property of the State is made. Finally, except when the caller makes a personal and

imminent threat or the call is to be used as a positive example for training purposes, recorded telephone calls cannot be retained for more than 60 days.

Commissions, Trusts, Councils, and Boards

Chapters 519 and 520 of 2012 created 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. *Senate Bill 42/House Bill 165 (both passed)* alter the membership of the commission by adding the Secretary of Higher Education, or the Secretary's designee, as a member of the commission. The bills also alter the duties of the commission by requiring the commission to encourage financial education events and activities to highlight April as Financial Education Month.

State agencies are required to work with the Maryland Historical Trust for the preservation and protection of properties of State historical significance. *House Bill 346 (Ch. 98)* makes the Director of the Maryland Historical Trust, instead of the trust itself, the party State units must consult with regarding capital projects that may have an adverse affect on a property listed in or eligible for listing in the Maryland Register of Historic Properties. State units must also cooperate with the trust by giving notice to and consulting with the director, instead of the trust, on application for and prior to the approval of a permit, license, or financial assistance regarding such capital projects.

Senate Bill 644 (Ch. 69) establishes 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.

The Council for the Procurement of Health, Educational, and Social Services was established by Chapters 212 and 213 of 2012 following the recommendations of the Task Force to Study the Procurement of Health, Education, and Social Services by State Agencies. The purpose of the council is to advise the Board of Public Works and monitor the implementation of recommendations made by the task force. *House Bill 149 (passed)* establishes staggered term limits of four years for the four members who are appointed to the council to represent private organizations that provide human services funded by the State. A member may not serve more than two consecutive terms, except for members who were appointed before the bill's effective

date. Finally, the Governor may remove a member for neglect of duty, incompetence, or misconduct.

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. *House Bill 615 (passed)* establishes 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. For a further discussion of *House Bill 615*, see the subpart “Environment” within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

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). *Senate Bill 338/House Bill 308 (both passed)* establish 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. For a further discussion of *Senate Bill 338/House Bill 308*, see the subpart “Public Safety” within Part E – Crimes, Corrections, and Public Safety of this *90 Day Report*.

Public Information Act

The Public Information Act (PIA) grants the public a broad right of access to records that are in the possession of State and local government agencies. The PIA’s basic mandate is to enable people to have access to government records without unnecessary cost or delay. Custodians have a responsibility to provide such access unless the requested records fall within one of the exceptions in the statute. *House Bill 53 (passed)* requires a custodian of a public record to provide to an authorized applicant, on request, a copy, printout, or photograph of a public record or access to the public record to make a copy. This requirement does not apply if the public record is otherwise protected by law. A person or governmental unit that is not provided with a copy, printout, or photograph of a public record as required by the PIA may file a complaint in circuit court. The court may (1) enjoin the State, a political subdivision, or a unit,

official, or employee of the State or of a political subdivision from withholding a copy, printout, or photograph of a public record; and (2) issue an order for a copy, printout, or photograph of the public record that was withheld. The defendant governmental unit is liable for actual damages if the court finds by clear and convincing evidence that any defendant knowingly and willfully failed to provide a copy, printout, or photograph of a record that was requested. *House Bill 658 (Ch. 102)* requires the Joint Committee on Transparency and Open Government to conduct a study on how to improve the administrative process for resolving appeals under the PIA. The study is required to take into consideration (1) appeals from denials and fees charged under PIA; (2) the administrative processes used by other states to resolve appeals; (3) the costs to State government, local government, and the public with resolving appeals; and (4) input from specified entities. The committee must report its findings and any recommended legislation to the Senate Education, Health, and Environmental Affairs Committee and the House Health and Government Operations Committee by January 1, 2015.

Senate Bill 172 (passed), the Budget Reconciliation and Financing Act of 2014 (BRFA), consolidates the Joint Committee on Transparency and Open Government with the Joint Advisory Committee on Legislative Data Systems and renames the committee to be the Joint Committee on Legislative Information Technology and Open Government. The BRFA of 2014 also provides that any Act that applies to the former joint committees applies to the consolidated committee, thus clarifying that *House Bill 658* applies to the new Joint Committee on Legislative Information Technology and Open Government.

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 this commission, see the subpart "General Assembly" within this part of this *90 Day Report*. 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. *Senate Joint 3/House Joint 3 (Joint Resolution 1/Joint Resolution 2)* increase the Governor's salary by \$5,000 for each year of the new four-year term with the salary for the final year of the term being \$180,000. The salary for the Lieutenant Governor is increased by \$4,000 for each 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. *Senate Bill 235 (passed)* raises 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. *Senate Bill 236 (passed)* reflects the commission's recommendations by increasing the salaries of the Comptroller, Treasurer, and Attorney General by \$4,000 for each year and increases the salary of the Secretary of State by \$3,000 for each year. The salary for the Comptroller, Treasurer, and Attorney General for the final year of the new term is \$149,500. The salary for the Secretary of State for the final year of the new term is \$105,500.

The Military and Veterans

To the extent that funds are provided in the State budget, the Military Department may provide assistance equal to 50% of the cost of in-state tuition for any regularly scheduled undergraduate credit course, graduate credit course, professional credit course, vocational-technical course, or trade course for any active member attending an institution who is certified as eligible by the Adjutant General. A member who receives tuition assistance must remain an active member for either two years or four years following the completion of the course. Under *Senate Bill 610 (passed)*, if a member 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.

Certain active members of the U.S. Coast Guard Auxiliary or the Maryland Defense Force who serve as volunteers are allowed a subtraction modification for State income tax purposes. *Senate Bill 1070 (passed)* increases the amount of the modification from \$3,500 to \$5,000 with the increase being implemented in \$250 increments over six years.

State Designations

Commemorative Months

Chapter 486 of 2008 designated the Friday after Thanksgiving Day as American Indian Heritage Day, and added it to the list of State legal and employee holidays. *House Bill 40 (passed)* requires the Governor annually to proclaim November as American Indian Heritage Month in recognition of the contributions that American Indians have made to the State. The bill also requires that the proclamation urge educational and cultural organizations to observe the month properly with appropriate programs, ceremonies, and activities.

Commemorative Days

“Juneteenth” is the oldest holiday in the United States commemorating the end of slavery. It was on June 19, 1865, two and a half years after the signing of the Emancipation Proclamation, that the Union soldiers, led by Major General Gordon Granger, landed at Galveston, Texas with news that the war had ended and that the enslaved were now free. *House Bill 549 (passed)* requires the Governor annually to proclaim June 19 as Juneteenth National Freedom Day.

Elections

Election Administration

Voter Registration List Maintenance

The State Board of Elections currently receives reports of deceased individuals from the Social Security Administration through the Electronic Registration Information Center (ERIC). ERIC is a partnership of seven states and the District of Columbia, formed in 2012 with the assistance of The Pew Charitable Trusts, which “uses advanced technology to compare information on eligible voters from official data submitted by member states, such as voter registration rolls and motor vehicle records, as well as U.S. Postal Service addresses and Social Security death records.” Information identifying voters whose records may no longer be up to date is forwarded to the participating states to process in accordance with the states’ voter registration list maintenance procedures. *Senate Bill 15 (passed)* establishes procedures for local boards of elections to remove from the statewide voter registration list, a voter 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.

Retention of Voting Authority Cards

Voting authority cards must be signed by each voter voting in person at a polling place or early voting center. *House Bill 1406 (passed)* requires those cards to be maintained by local boards of elections for three years, either by physically storing the cards or electronically

scanning and storing the cards. The three-year requirement replaces the prior practice of maintaining the voting authority cards for 22 months pursuant to federal law. According to the State Prosecutor, voting authority cards are necessary evidence in the proof of certain election law violations that have no statute of limitations. The current 22-month maintenance period often makes prosecution impossible in these cases.

Special Elections

Charter counties currently have the authority to conduct a special election to fill a vacancy on the county council under legislation enacted in 1996. Some counties have chosen to exercise this authority, and special elections for county council seats have been held in some counties. *House Bill 1415 (passed)* proposes a constitutional amendment to extend the authority of charter counties to include filling a vacancy in the office of county executive or chief executive officer by special election. A special election for county executive or chief executive officer would be exempt from the constitutional requirement that all elections for State and county officers be held on a specified four-year election cycle. The constitutional amendment will be submitted to the voters of the State for their adoption or rejection at the November 2014 General Election. Contingent on the adoption of the constitutional amendment, *House Bill 1415* alters related statutory provisions in a manner consistent with the proposed amendment. A special election for county executive must be held as provided in the county charter. A charter county also may provide procedures for the conduct of a special election for county executive, which may include conducting the election by mail.

Municipal Elections

Voting Offenses, Penalties, and Enforcement

Municipal corporations have broad authority under State law to regulate the conduct of municipal elections. 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. *Senate Bill 269 (Ch. 50)* applies provisions of the State election law prohibiting certain voter fraud and voter suppression activities to municipal elections. These prohibitions are found in § 16-201 of the Election Law Article and include offenses such as impersonating a voter, voting more than once, and attempting to influence a voter's decision whether to go to the polls to cast a vote through the use of force, fraud, threat, menace, intimidation, bribery, reward, or offer of reward. A person who violates these provisions is guilty of a misdemeanor and subject to a fine of up to \$5,000 or imprisonment for up to five years or both. Certain violations may instead be punishable by a civil penalty of up to \$5,000 if the violator did not know the action was illegal. The Act authorizes 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.

Inclusion of Municipal Elections on the 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. *Senate Bill 438 (passed)* authorizes 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 request is not required if a municipal election has previously appeared on the State ballot unless there has been a significant change in the method a municipality uses to conduct its elections since the municipality's election last appeared on the ballot. A municipality must certify that it has established deadlines and procedures for municipal elections that are consistent with those for State elections. Within 30 days after receipt of a request, the State board, after consultation with the local board of elections in the county where the municipal corporation is located, is required to notify the municipality whether the municipal election will be included on the State ballot. Municipal offices and questions must be arranged in a similar order as other offices and questions are arranged on the ballot. A municipal corporation is required to reimburse the State board and the applicable local board for any additional costs incurred because of including the municipal election on the ballot. The bill further specifies procedures for preparing and certifying municipal questions to be included on the ballot and makes additional conforming and clarifying changes.

Campaign Finance

Campaign Finance Report Deadlines

Campaign finance entities must file campaign finance reports at various times prior to and after primary and general elections in which they participate. *Senate Bill 930 (Ch. 74)* modifies two of those deadlines, which currently fall near the State holidays of Memorial Day and Thanksgiving. The campaign finance report deadline on the fourth Tuesday immediately preceding each primary election (which falls near the Memorial Day holiday) is moved to the fifth Tuesday immediately preceding each primary election. This change takes effect after the 2014 Primary Election. The deadline on the third Tuesday after a general election (which falls near the Thanksgiving holiday) is moved to the second Tuesday after a general election. This change takes effect beginning with the 2014 General Election.

Municipal Campaign Finance Reports

State campaign finance law generally does not apply to municipal elections, but *House Bill 827 (Ch. 103)* requires 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. According to the Maryland Municipal League, a relatively small number of municipalities require candidates to file campaign finance reports.

Local Boards of Elections

In recent years, numerous laws have been enacted to alter the membership of local boards of elections in several counties so that the boards consist of five regular members instead of three regular members and two substitute members. Continuing that trend, pursuant to *Senate Bill 243 (Ch. 47)* and *House Bill 991 (Ch. 105)*, the boards of elections in Cecil, Queen Anne's, and Talbot counties will switch to consisting of five regular members, effective June 1, 2015.

Ethics

Administration of the Public Ethics Law

During the 2014 session, the General Assembly passed a number of bills that alter the administration of the Public Ethics Law.

Senate Bill 109 (Ch. 32) requires public officials and candidates for State office to file required financial disclosure statements electronically with the State Ethics Commission. The Act also requires the State Ethics Commission to develop and implement procedures to grant exemptions to the electronic filing requirement.

Prior to the 2014 session, the General Assembly had not increased the fees that the State Ethics Commission is authorized to impose for the late filing of lobbying reports since the fee was established in 1987. The fee for late-filed financial disclosure statements had not been increased since it was established in 1990. *Senate Bill 129 (Ch. 37)* increases the financial disclosure statement late fee from \$2 to \$5 per day and increases the maximum late fee from \$250 to \$500. The Act also increases the maximum fee per late lobbying report from \$250 to \$1,000.

The Public Ethics Law requires counties and municipal corporations to adopt ethics laws that meet certain standards and school boards to adopt ethics regulations applicable to members of the school board. School boards may also adopt ethics regulations for other officials and employees of the school system that meet certain standards or those individuals will be subject to the ethics law of the county in which the school system is located. *Senate Bill 91 (Ch. 20)* requires 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 authorizes 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.

House Bill 129 (Ch. 85) exempts the trustees and employees of the Chesapeake Bay Trust from the Public Ethics Law and instead requires the Trust's Board of Trustees to adopt provisions governing the public ethics of the trustees and employees of the trust. For a more comprehensive discussion of this issue, see the subpart "Natural Resources" within Part K – Natural Resources, Environment, and Agriculture – of this *90 Day Report*.

Lobbying

Senate Bill 90 (Ch. 19) replaces 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 authorizes 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. **Senate Bill 92 (Ch. 21)** alters 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 authorizes the commission to impose specified penalties on lobbyists who fail to comply with the training requirements.

Legislation enacted in 2012 converted the Injured Workers' Insurance Fund (IWIF) into a private, nonprofit, and nonstock workers' compensation insurer, Chesapeake Employers' Insurance Company, as of October 1, 2013. At the time of the conversion, IWIF employees could choose to remain employees of IWIF or become employees of Chesapeake. IWIF employees may be assigned to perform functions of the company. Prior to the conversion of IWIF into Chesapeake, IWIF employees performing government relations duties were exempt from the requirement to register as lobbyists because they were representing a State agency as part of their State positions. Because Chesapeake is a private entity, this exemption no longer applies, and IWIF government relations employees representing Chesapeake must register as lobbyists. However, the Public Ethics Law prohibits State employees from registering as lobbyists. **Senate Bill 480 (Ch. 62)** addresses this problem by authorizing an IWIF employee to register as a lobbyist on behalf of Chesapeake if the employee is assigned to perform lobbying functions for the company.

Procurement

Small Business Reserve Program

The Small Business Reserve (SBR) program, established in 2004, requires most State procurement units to structure their procurements so that at least 10% of the total dollar value of

their procurements is made directly to small businesses. Initially, the program required a business to meet criteria related to gross sales and number of employees – which vary by type of industry – in order to qualify as a small business. However, Chapter 539 of 2012 allows a business to meet either criteria until September 30, 2014. The SBR program itself is scheduled to terminate on September 30, 2016. *Senate Bill 975 (Ch. 76)* repeals the termination date of Chapter 539, allowing a business to continue to qualify as a small business if it meets criteria related either to its gross sales or number of employees, instead of having to meet both sets of criteria.

Information Technology

In an effort to promote transparency through expanded public access to government data, *Senate Bill 644 (Ch. 69)* establishes the Council on Open Data, which is tasked 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, including through the use of open data portals. Among its responsibilities, the council must make recommendations to ensure that the purchase of new data processing devices, systems, and software by the State includes a review of compliance with the State open data policy and interoperability with current technology used by the State.

As required by law, networkMaryland is the statewide high-speed network for public-sector use. It relies on resource shared fiber optic cable assets throughout the State. *Senate Bill 123 (passed)* requires that all revenues generated by information technology agreements involving resource sharing and from the sale, lease, or exchange of communication sites, facilities, or frequencies be used only to support the operation of the statewide telecommunications and computer network known as networkMaryland, instead of being deposited into the Major Information Technology Development Fund.

Requirements for Bidders and Contractors

Senate Bill 669/House Bill 796 (both passed) expand the reasons for which a person may be debarred from entering into a contract with the State to include (1) convictions for tax fraud or evasion, conspiracy to defraud the federal government, or failure to pay State taxes; (2) failure to pay State prevailing, living, or minimum wages under State law; (3) violating State workplace safety laws; and (4) failing to pay equal wages for equal work under State law.

House Bill 951 (passed) requires the Department of Labor, Licensing, and Regulation to convene a workgroup to (1) analyze the potential effects of specified public works contractor occupational safety and health prequalification requirements; (2) study the effectiveness of similar requirements in other jurisdictions; (3) study the requirements and practices currently used by State agencies to ensure contractor adherence to safety standards; and (4) make recommendations regarding the establishment of such requirements in the State. The workgroup must report its findings and recommendations to the General Assembly by December 31, 2014.

Procurement Advisory Bodies

Three bills made changes to the membership and/or authority of three bodies that advise the Board of Public Works and State agencies on procurement related matters. *House Bill 629 (passed)* expands the authority and composition of the Maryland Green Purchasing Committee, alters reporting requirements related to green purchasing, repeals existing price preferences for recycled paper in State law, and makes additional changes related to the Green Maryland Act of 2010. Specifically, the committee is expanded to include the State Treasurer and the Secretaries of Information Technology and Education, or their designees. The bill also requires each State agency, to the extent practicable, to adopt the environmentally preferable purchasing specifications developed by the committee.

House Bill 102 (Ch. 82) adds the Secretary of Information Technology to the Procurement Advisory Committee. *House Bill 149 (passed)* institutes four-year term limits for members of the Council for Procurement of Health, Educational, and Social Services who are appointed by the Governor.

Personnel

Impact of Budget Actions on State Employees

In the fiscal 2015 budget there is funding for a 2% cost-of-living adjustment for State employees effective January 1, 2015, and employee merit raises are budgeted for a full year for the first time in five years. Also, due to health insurance savings, State employees will not be required to pay insurance premiums for an additional four pay periods in calendar 2014.

The size of the regular State workforce, including State higher education institution employees, will be 80,744 positions. This number represents an increase of 522 positions over fiscal 2014 and is within the limit established by the Spending Affordability Committee. 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 *90 Day Report*.

Compensation and Grievance Procedures

Authority to Set Compensation

Unless otherwise specified, State employees are in the State Personnel Management System (SPMS) and subject to the State pay plan. The following State governmental entities have explicit statutory authority to independently establish compensation for their employees:

- 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;
- 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.

House Bill 765 (passed) alters the independent salary setting authority of the entities listed above by authorizing the establishment of employee compensation only 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 bill specifies that the Secretary of Budget and Management, in consultation with the various agencies, determines for which positions the entities may set compensation.

The State Lottery and Gaming Control Agency is also granted independent salary setting authority in *House Bill 765* and is subject to the same restrictions. The changes will only apply to new positions or positions filled because of a vacancy.

Grievance Procedure Documents

An employee in the SPMS, except temporary employees, may be disciplined by an appointing authority. Discipline is defined as:

- a written reprimand;
- forfeiture of up to 15 days of accrued leave;
- suspension without pay;
- denial of annual pay increase;

- demotion to a lower pay grade; or
- with prior approval of the agency head, termination or termination with prejudice for egregious actions.

In addition, most SPMS employees may initiate a grievance regarding a dispute with their employer over an interpretation or application of a personnel policy or regulation, or any other policy or regulation over which management has control.

Currently all documents created and distributed regarding grievances and disciplinary action is through hard copies. *Senate Bill 879/House Bill 1040 (both passed)* allow for written appeal documents and all decisions rendered related to appeals of disciplinary actions by State employees to be transmitted electronically to the appropriate parties. Additionally, the Secretary of Budget and Management must make related forms available on the Department of Budget and Management's website.

Hiring Practices

In an effort to fill vacant positions with individuals currently working in a similar capacity, *House Bill 1025 (passed)* mandates 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. *House Bill 1025* specifically requires the SPMS, the Maryland Department of Transportation, the University System of Maryland, Morgan State University, Saint Mary's College of Maryland, and Baltimore City Community College to include such policies regarding contractual employees.

In existing law, there are exemptions from the general prohibition against the use of lie detector tests, as a condition of employment, *Senate Bill 126/House Bill 173 (both passed)* extend the exemption to almost all employees currently employed in a State correctional facility that have direct contact with an inmate. Currently, only applicants for correctional officer positions in a State correctional facility may be subject to a lie detector test. For a further discussion of *Senate Bill 126/House Bill 173*, see the subpart "Public Safety" within Part E – Crimes, Corrections, and Public Safety of this *90 Day Report*.

Pensions and Retirement

Supplemental Contributions to the State Retirement and Pension System

Senate Bill 172 (passed), the Budget Reconciliation and Financing Act (BRFA) of 2014, modifies the amount of supplemental contributions paid to the State Retirement and Pension System (SRPS) beginning in fiscal 2014, and requires that the supplemental contributions terminate when the phase out of the corridor funding method is complete and the system is 85% funded on an actuarial basis. In each of fiscal 2014 and 2015, the supplemental contribution is

\$100 million, and it increases by \$50 million annually thereafter until it reaches \$300 million in fiscal 2019. If the amount of a supplemental contribution included in the budget bill for a fiscal year is less than the amount required in statute, the Governor must increase the supplemental contribution for the following fiscal year by the amount of the reduction made in the previous fiscal year. On or before January 1, 2015, the SRPS Board of Trustees must perform a study and submit a report based on the results of the June 30, 2014 actuarial valuation, on various aspects of system funding.

Origins of the Supplemental Contributions

Chapter 397 of 2011 restructured pension benefits provided to almost all SRPS members. Among the key changes made were (1) increasing the contributions paid by all members of the Employees' Pension System (EPS), Teachers' Pension System (TPS), and Law Enforcement Officers' Pension System (LEOPS); (2) lowering the caps on annual cost-of-living-increases applied to retirement allowances paid to individuals for service credit earned on or after July 1, 2011; and (3) enacting more stringent vesting and retirement eligibility criteria and reduced benefits for EPS and TPS members hired on or after July 1, 2011. These changes generated savings to the State in the form of reduced employer contributions to SRPS. Initial annual savings were estimated to be almost \$300 million in fiscal 2012, and savings were projected to increase annually thereafter as more individuals were hired under the new EPS/TPS benefit structure.

Prior to the enactment of Chapter 397, SRPS was projected to reach the 80% funding level in fiscal 2026. To accelerate the plan's progress in reaching that threshold, Chapter 397 included a requirement that a portion of the savings generated by the restructuring of benefits be reinvested in SRPS, amounting to a supplemental contribution in excess of the actuarially required contribution by the State to the pension system. Beginning in fiscal 2014, the supplemental contribution was \$300 million annually, and it was not subject to termination. Under these terms, the system was expected to reach the 80% funding threshold by fiscal 2023, three years earlier than originally projected.

Developments Since 2011

Chapters 475 and 476 of 2013 phase out the corridor funding method over 10 years and institute a closed 25-year amortization period for all existing and future SRPS liabilities. The corridor funding method, enacted by Chapter 440 of 2002, sought to mitigate the effects of fluctuations in market returns on employer contribution rates to SRPS by spreading out those effects over five years. Since its enactment, the corridor method has resulted in budgeted contribution rates paid by the State being below the actuarially required contributions. By phasing out the corridor method over 10 years, Chapters 475 and 476 increase the annual employer contributions made by the State until they reach the full actuarially required contribution. The corridor method will be fully phased out in fiscal 2024. As a consequence of the enactment of Chapters 475 and 476, SRPS was projected to reach the 80% funding level in fiscal 2024.

Fiscal and Pension Funding Effects

Instead of permanently reducing the supplemental contribution, the BRFA of 2014 reduces the supplemental contribution to \$100 million in fiscal 2014 and 2015, but also phases it back to the original \$300 million supplemental contribution by fiscal 2019. Based on the supplemental contributions required by the bill as passed, SRPS is expected to reach the 80% funding level in fiscal 2025 and the 85% funding level in fiscal 2028. Since the corridor method will be fully phased out in fiscal 2024, the supplemental payments are projected to stop in fiscal 2029. **Exhibit C-1** summarizes the payments made under the BRFA of 2014 and their effects on State pension contributions. As the exhibit shows, total net savings are \$655 million over the first five years, but there is a net cost of \$471 million over the next 10 years as the State increases its required payments to make up for the reduced supplemental contributions in earlier years. Overall, the plan reduces State pension payments by \$260 million over the full 25-year amortization period, of which \$226 million represents savings to the general fund.

Exhibit C-1
Fiscal Effect of Modified Supplemental Contributions
(\$ in Millions)

	<u>Supplemental Contribution</u>	<u>Increase in Required Contribution</u>	<u>Net Savings/ (Cost)</u>	<u>General Fund Savings/ (Cost)</u>
FY 2014	\$100	\$0	\$200	\$174
FY 2015	100	0	200	174
FY 2016	150	6	144	125
FY 2017	200	14	86	75
FY 2018	250	25	25	22
Subtotal			\$655	\$571
FY 2019	300	33	(33)	(29)
FY 2020	300	58	(58)	(51)
FY 2021	300	41	(41)	(36)
FY 2022	300	43	(43)	(37)
FY 2023	300	45	(45)	(39)
FY 2024	300	47	(47)	(41)
FY 2025	300	48	(48)	(42)
FY 2026	300	50	(50)	(44)
FY 2027	300	52	(52)	(45)
FY 2028	300	54	(54)	(47)
Subtotal			(\$471)	(\$410)
FY 2029		55	245	213
FY 2030		58	242	211
FY 2031		60	240	209
FY 2032		83	217	189
FY 2033		134	166	145
FY 2034		194	106	92
FY 2035		267	33	29
FY 2036		358	(58)	(51)
FY 2037		475	(175)	(152)
FY 2038		638	(338)	(294)
FY 2039		902	(602)	(524)
Subtotal			\$76	\$66
Total Net Effect			\$260	\$226

Benefit Adjustments

Senate Bill 665/House Bill 708 (both passed) add correctional officers who begin serving as security chiefs, facility administrators, assistant wardens, or wardens on or after July 1, 2014, as members of the Correctional Officers' Retirement System (CORS) as a condition of their employment. Currently, individuals serving in those positions are not eligible for CORS and therefore are members of EPS, where they earn less generous benefits than those provided by CORS. The bills also give individuals serving in the 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.

Senate Bill 1082/House Bill 1483 (both passed) allow vested members of EPS/TPS who have completed at least one year of employment being subject to the Reformed Contributory Pension Benefit (RCPB) and who have prior service credit in a part of EPS/TPS that has a different member contribution and benefit accrual to combine their prior and current eligibility service credit. The member must pay the member contributions, if any, that would have been due if the member had earned prior service credit under RCPB, plus regular interest on those contributions.

Senate Bill 235 (passed) raises the retirement age and changes eligibility requirements for retiree health benefits for former Governors who begin serving on or after January 21, 2015. The retirement age is raised from 55 to 62, and a retired Governor earns one-sixteenth of the State premium subsidy for retiree health care services for each year of service as Governor, instead of one-twenty-fifth.

Participating Governmental Units

House Bill 1047 (passed) makes membership in EPS optional for specified employees in senior management positions with Prince George's County government who are hired on or after July 1, 2014, but requires them to make a one-time irrevocable decision to join or not to join EPS within one year of being hired. Employees serving in the same specified positions who were hired on or after July 1, 2004, and do not elect to join EPS before July 1, 2014, are prohibited from joining EPS. The bill requires the State Retirement Agency (SRA) to study issues related to the membership of elected and appointed officials in EPS and report its findings and recommendations on or before December 1, 2014.

House Bill 1046 (passed) requires employees of the City of College Park to become members of EPS as a condition of their employment on or after the date that the city elects to participate in EPS. Membership in EPS is optional for current employees of the city; if they elect to join EPS, they receive eligibility and service credit in EPS at the rate of 60% of their past service credit with the city. City of College Park employees or former employees who become members of EPS after the effective date of the city's participation in EPS do not receive credit for past service with the city.

Pension System Administration

Senate Bill 576/House Bill 630 (both passed) alter the penalty that local school systems and the Maryland School for the Deaf must pay to SRPS if they fail to report within 30 days that they have hired a teacher or principal who is exempt from a benefit offset. The penalty is set at \$50 per individual for each month a superintendent fails to submit the certification to SRPS (instead of the amount of the offset that would have been withheld) subject to a cap of \$1,000 for each individual whose certification is not submitted in the time required.

Senate Bill 939 (passed) authorizes the SRA Executive Director, for good cause shown and at the executive director's sole discretion, to extend the deadline for members of EPS, TPS, CORS, LEOPS, and the State Police Retirement System to purchase service credit in SRPS following a leave of absence, under specified circumstances. It also applies retroactively to a member of CORS who meets specified criteria.

Senate Bill 575/House Bill 612 (both passed) make technical and clarifying changes to various aspects of State pension law. In addition, *Senate Bill 575* includes a provision related to the reemployment of retirees of the Judges' Retirement System (JRS) that makes JRS consistent with most other plans in SRPS by exempting an individual who has been retired for five years from an offset of a retirement allowance.

General Assembly

Legislative Salaries, Expenses, and Pensions

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.

Councils, Task Forces, Commissions, and Committees with Legislative Membership

Each year, the General Assembly creates various groups to conduct in-depth studies of important public policy issues. In addition, the General Assembly eliminates obsolete groups and restructures other entities. The following bills relate to councils, task forces, commissions, and committees that include members of the General Assembly in their membership. They are discussed in greater detail in the appropriate subject-area parts of this *90 Day Report*.

Open Data

Senate Bill 644 (Ch. 69) establishes the Council on Open Data, which is tasked 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, including through the use of open data portals. The council includes a member of the Senate of Maryland and a member of the House of Delegates.

Education

House Bill 1164 (*passed*) creates the Maryland College and Career-Ready Standards (MCCRS) and Partnership for Assessment of Readiness for College and Careers (PARCC) Implementation Review Workgroup. The workgroup, which includes two members of the Senate of Maryland and two members of the House of Delegates, will study and make recommendations about specified topics related to the preparation for, impact of, and implementation of MCCRS and PARCC.

House Bill 265 (*passed*) establishes the Task Force to Study How to Improve Student Achievement in Middle School, which will include a member of the Senate of Maryland and a member of the House of Delegates.

House Bill 461 (*passed*) codifies the State Early Childhood Advisory Council, which includes one member of the Senate of Maryland and one member of the House of Delegates. The council must conduct periodic statewide needs assessments concerning the quality and availability of early childhood education and development programs, identify opportunities for, and barriers to, collaboration and coordination among specified federally funded and State-funded programs, develop specified recommendations related to early childhood education and care, and assess the capacity and effectiveness of higher education institutions in the State toward supporting the development of early childhood educators.

House Bill 1332 (*passed*) establishes the Task Force to Study Sports Injuries in High School Female Athletes. One member of the Senate of Maryland and one member of the House of Delegates will serve on the task force.

Uninsured Drivers

Senate Bill 153 (*Ch. 41*) establishes the Task Force to Study Methods to Reduce the Rate of Uninsured Drivers. The task force includes two members of the Senate of Maryland and two members of the House of Delegates.

Pharmacy Services

Senate Bill 257 (*passed*) creates the Task Force to Study Access to Pharmacy Services in Maryland to study the availability of pharmacy services for patients when they are discharged from the hospital. Two members of the Senate of Maryland and two members of the House of Delegates will serve on the task force.

Ocean Acidification

House Bill 118 (*passed*) establishes the Task Force to Study the Impact of Ocean Acidification on State Waters. The task force includes one member of the Senate of Maryland and one member of the House of Delegates.

Lottery Revenue

Senate Bill 374 (passed) creates the Task Force to Study Lottery Revenue which includes one senator and one delegate as members. The task force is charged with studying various issues relating to the decline and restoration of lottery revenue.

Joint Legislative Committees

Through the enactment of legislation, joint legislative committees have been established to advise the General Assembly on important policy issues. During the 2014 legislative session, the General Assembly modified a number of these groups.

Senate Bill 795/House Bill 813 (both passed) create 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 legislation takes effect June 1, 2015.

Senate Bill 172 (passed), the Budget Reconciliation and Finance Act (BRFA) of 2014, 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 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.
- 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 are eliminated.

Program Evaluation (“Sunset Review”)

The Maryland Program Evaluation Act, enacted in 1978, is used by the General Assembly as a mechanism to monitor and evaluate approximately 70 regulatory boards, commissions, and other agencies of the Executive Branch of State government. 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.

This session, legislation extended the evaluation and termination dates of the following regulatory agencies. Some of these bills also contain substantive changes in an agency’s powers and duties, which are discussed in the appropriate subject area parts of this *90 Day Report*.

- ***Senate Bill 292 (Ch. 51)*** extends the termination date for the State Board of Stationary Engineers by 10 years to July 1, 2024, and requires a preliminary evaluation of the board by December 15, 2021.
- ***Senate Bill 297 (Ch. 53)*** extends the termination date for the State Board of Individual Tax Preparers by 10 years to July 1, 2026, and requires a preliminary evaluation of the board by December 15, 2023. The board must submit a report to the Senate Education, Health, and Environmental Affairs Committee and the House Economic Matters Committee by October 1, 2015, that (1) provides an update on the board’s expenditures and special fund balance and (2) includes any recommendations for legislative changes necessary to provide any additional authority the board needs to address complaints alleging the unregistered provision of individual tax preparation services.
- ***House Bill 255 (Ch. 92)*** extends the termination date for the Prescription Drug Monitoring Program in the Department of Health and Mental Hygiene by three years to July 1, 2019, and requires a direct full evaluation of the program in 2017. The Act also requires the program to submit a specified follow-up report and alters the requirements of the program’s annual report to include the number of prescribers and dispensers registered with and using the program and the number of disclosures made to law enforcement agencies.
- ***Senate Bill 294 (Ch. 52)*** extends the termination date for the Maryland Horse Industry Board by 10 years to July 1, 2026, and requires a preliminary evaluation of the board by December 15, 2023. The Act also requires the board to report to the Senate Education, Health, and Environmental Affairs Committee and the House Environmental Matters Committee by October 1, 2015, on the board’s use of its civil enforcement authority and

its progress in balancing its revenues and expenditures once contractual expenses for the Maryland horse park study end.

- ***Senate Bill 293/House Bill 257 (both passed)*** extend the termination date for the Elevator Safety Review Board by five years to July 1, 2019, and requires a preliminary evaluation of the board by December 15, 2016. The bills also remove a sunset provision related primarily to mediation and arbitration of labor disputes by the Division of Labor and Industry within the Department of Labor, Licensing, and Regulation.
- ***House Bill 258 (Ch. 93)*** extends the termination date for the State Board of Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists by 10 years to July 1, 2026, and requires a preliminary evaluation of the board by December 15, 2023.
- ***House Bill 511 (passed)*** extends the termination date for the State Board of Foresters by 10 years to July 1, 2025, and requires a preliminary evaluation of the board by December 15, 2022.
- ***Senate Bill 527/House Bill 988 (both passed)*** extend the termination date for the Maryland Horse Racing Act by 10 years to July 1, 2024. and require a preliminary evaluation of the Maryland Racing Commission, the Maryland-Bred Race Fund Advisory Committee, and the Standardbred Race Fund Advisory Committee under the Maryland Program Evaluation Act to be conducted by December 15, 2021.

Annotated Code

Code Revision – General Provisions Article

The General Assembly is nearing the completion of the long-term project to revise Maryland's entire code of statutory laws. The purpose of the Code Revision project is to reorganize statutory provisions and restate them in clear language and a modern format without making substantive changes 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.

House Bill 270 (Ch. 94) revises, restates, and recodifies the laws of the State that relate to general provisions of law. The new General Provisions Article as a whole governs the laws relating to the rules of interpretation, official oaths, open meetings, public information, ethics, the United States, State emblems, and commemorative days and months. The article is composed of (1) the entirety of former Article 1 of the Annotated Code and (2) State Government Article, Title 10, Subtitles 5 and 6, and Titles 13 through 16. Provisions have been revised in the General Provisions Article, and are also repealed from the previous articles in their entirety.

House Bill 969 (Ch. 104), a companion bill to the revision, corrects cross-references to the new General Provisions Article that appear in other parts of the Annotated Code of Maryland.

House Bill 999 (Ch. 106) revises, without substantive change, specified provisions of the Annotated Code of Maryland to effectuate the purposes of the Code Revision process. The Act also repeals certain provisions that are obsolete or redundant.

Annual Corrective and Curative Bills

Because the General Assembly delegates very little editorial control to the publishers of the Annotated Code with respect to making nonsubstantive and technical changes in the Code, DLS has long had the statutory authority to prepare legislation to make these sorts of changes both in statutory text and bill titles of prior years' enactments.

These corrective measures are the Annual Corrective Bill, *Senate Bill 184 (Ch. 45)* and the Annual Curative Bill, *Senate Bill 183 (Ch. 44)*, respectively. Neither enactment contains any substantive change.

Part D

Local Government

Local Government – Generally

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.

Senate Bill 186/House Bill 202 (both passed) authorize 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 governments are required to establish and follow a local investment policy for public money that is consistent with guidelines established by the State Treasurer. The guidelines are intended to govern the investment of public money 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 money it needs. The public money subject to the local investment policy does 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.

House Bill 772 (passed) adds 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.

Annual Financial Reports

In general, counties, municipalities, and special taxing districts must submit an annual financial report, commonly known as the Uniform Financial Report, to the Department of Legislative Services by October 31 of each year. However, local governments with a population greater than 400,000 may take until December 31 to file the annual financial report. The annual financial report for Howard County is due by November 30 and, the annual financial reports for Calvert, Frederick, Queen Anne’s, St. Mary’s, and Wicomico counties are due by December 31.

Counties, municipalities, and special taxing districts must also submit an annual audit report to the State legislative auditor covering the full period of the previous fiscal year. Chapter 493 of 2008 tied the due date for the annual audit report to the due date for the annual financial report.

Senate Bill 83/House Bill 939 (both passed) alter the due date for the annual financial report for Caroline County and Talbot County to December 31.

Local Elections

Several bills were passed regarding county and municipal elections. *House Bill 1415 (passed)* proposes an amendment to the Maryland Constitution to authorize a charter county to provide for the filling of a vacancy in the office of chief executive officer or county executive by special election. *House Bill 827 (Ch. 103)* relates to the submission of campaign finance reports in municipal elections. *Senate Bill 269 (Ch. 50)* provides that a voter in a municipal election is subject to certain voting offenses and penalties and authorizes the State Prosecutor to investigate a specific offense relating to voting in a municipal election. *Senate Bill 438 (passed)* authorizes a municipality to request that the State Board of Elections include on a ballot the offices and questions to be voted on in a municipal election.

For a more detailed discussion of these bills, see the subpart “Elections” within Part C – State Government of this *90 Day Report*.

Local Laws Regarding Dog Breeds

House Bill 422/Senate Bill 991 (both failed) as introduced, would have (1) established that a dog may not be determined to be potentially dangerous based solely on the breed, type, or heritage of the dog; (2) prohibited a county or municipality from enacting a local law or adopting an ordinance that prohibits a person from adopting, owning, keeping, or harboring a dog of a specific breed, type, or heritage or taking specified other actions based on the breed, type, or heritage of a dog; and (3) prohibited a homeowner or tenant from being prohibited from owning, keeping, or harboring a dog or a specific breed, type, or heritage or being evicted from residential property solely because the person owns, keeps, or harbors a dog of a specific breed, type, or heritage.

House Bill 422 was amended to remove the provisions related to homeowners and tenants and to provide that the bill was to be applied prospectively and would not have been applied or interpreted to have an effect on, or application to, any local law or ordinance prohibiting the owning, keeping, or harboring of a dog in effect before October 1, 2014.

For a further discussion on dog bite liability, see the subpart “Civil Actions and Procedures” within Part F – Courts and Civil Procedures of this *90 Day Report*.

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 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 totals \$1.4 billion, which includes \$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.

Deferred Water and Sewer Charges

Chapter 685 of 2012 created the Task Force to Study Rates and Charges in the Washington Suburban Sanitary District to, among other things, study the process that developers follow in charging for the construction of and connection to water and sewer facilities and make recommendations on standards for the construction of and connection to water and sewer

facilities. In December 2013, the task force published its findings and recommendations. *House Bill 1043 (passed)* addresses several of the task force's key recommendations.

House Bill 1043 requires 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. *House Bill 1043* also prohibits 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, *House Bill 1043* requires 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, *House Bill 1043* requires 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.

Commission Infractions – Fines

A person who violates a watershed regulation adopted by WSSC has committed a commission infraction. *House Bill 973 (passed)* increases 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. *House Bill 973* also increases the maximum fine by the same amounts for a first or a repeat offense that a person must pay if the District Court finds that the person violated specified WSSC watershed regulations.

System Development Charge – Definitions

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.

House Bill 1075 (passed) defines the terms "apartment unit" and "property" and alters the definition of the existing term "new service" with regards to system development charges of WSSC.

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.

House Bill 977 (passed) repeals the termination date of provisions of specified workers’ compensation laws relating to an occupational disease presumption for park police officers of M-NCPPC who suffer from Lyme disease. For a further discussion of ***House Bill 977***, see the subpart “Workers Compensation” within Part H – Business and Economic Issues of this *90 Day Report*.

Part E

Crimes, Corrections, and Public Safety

Criminal Law

Marijuana

Possession of Marijuana as a Civil Offense

Except in cases of medical necessity, possession of marijuana is generally a misdemeanor, punishable by imprisonment for up to one year and/or a fine of up to \$1,000. However, Chapters 193 and 194 of 2012 established a reduced penalty of imprisonment for up to 90 days and/or a maximum fine of \$500 for possession of less than 10 grams of marijuana.

Senate Bill 364 (passed) reclassifies 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 bill contains 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 the bill 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

Senate Bill 923/House Bill 881 (both passed) expand the purpose and responsibilities of the Natalie M. LaPrade Medical Marijuana 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, limit the number of licensed growers, and specify 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 bills also authorize 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 bills, see “Public Health – Generally” within Part I of this *90 Day Report*.

Sexual Offenses and Harassment

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. *Senate Bill 50/House Bill 955 (both passed)* prohibit 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 bill, “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.

House Bill 43 (passed) prohibits 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 bill provides 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” is currently 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.

Senate Bill 460 (passed) redefines “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.

Child Kidnapping for the Purpose of Committing a Sexual Crime

Senate Bill 454/House Bill 701 (both passed) (1) alter the elements of the offense of abduction of a child younger than age 16 for purposes of prostitution or committing a sexual crime; (2) reclassify the offense from a misdemeanor to a felony; and (3) increase the maximum incarceration penalty for the offense from 10 to 25 years.

Under the bills, 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.

Harassment by Interactive Computer Service

House Bill 714 (passed) prohibits 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.

Violent Crimes

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.

Senate Bill 223/House Bill 697 (both passed) prohibit 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.

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. According to the U.S. Department of Health and Human Services' Child Welfare Information Gateway, approximately 23 states have statutory provisions that address the issue of children who witness domestic violence. The statutes vary in scope. In approximately eight states, an act of domestic violence committed in the presence of a child is considered an aggravating circumstance under state sentencing guidelines that may result in longer sentences and/or higher fines. Five states require more severe penalties if an act of domestic violence is committed in the presence of a child. In five states, the act is a separate crime that may be charged separately or in addition to the act of violence.

Senate Bill 337/House Bill 306 (both passed), Administration bills, prohibit 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 bill 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.

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. *House Bill 807 (passed)* establishes 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. The bill retains the application of the current 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 Relating to Animals

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.

Senate Bill 827/House Bill 1124 (both passed) make several changes to the State's prohibition on possession of dangerous or wild animals.

The bills clarify 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.

The bills also exempt from the prohibition a circus holding a Class C Exhibitor's License under the 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 do 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 the 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 bills also require, rather than authorize, 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.

Senate Bill 659/House Bill 665 (both passed) prohibit 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. ***Senate Bill 660/House Bill 667 (both passed)*** prohibit 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.

Motor Vehicle Offenses

Repeal of Crime of Unauthorized Use of Rented Motor Vehicle

Currently, a person who rents a motor vehicle under an agreement not to allow another person to drive the vehicle is currently also prohibited by the Maryland Vehicle Law from allowing another person to drive the vehicle. Any person who is convicted of a violation of these provisions is guilty of a misdemeanor.

House Bill 243 (passed) repeals 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.

Illegal Dumping and Litter Control Law

Under the State’s current Illegal Dumping and Litter Control Law, a person may not (1) dispose of litter on a highway or perform an act that violates the Maryland Vehicle Law regarding disposal of litter, glass, and other prohibited substances on highways or (2) dispose, or cause or allow the disposal of, litter on public or private property unless the property is designated by the State, a unit of the State, or a political subdivision for the disposal of litter and the person is authorized by the proper public authority to use the property, or the litter is placed into a litter receptacle or container installed on the property. *Senate Bill 390/House Bill 386 (both passed)* alter 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 bills, MVA must assess four points against a violator’s driver’s license. The bills also clarify the authority of MVA to refuse to register or transfer the registration of a vehicle for violating the Illegal Dumping and Litter Control Law.

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 recently 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 the 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.

Senate Bill 206/House Bill 175 (passed) prohibit 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 bills also add 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 bills also increase 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. *Senate Bill 815/House Bill 638 (both passed)* exempt 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 current 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. *House Bill 695 (passed)* prohibits 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

A video lottery operation licensee is required to ensure that individuals younger than age 21 and intoxicated individuals are not allowed to play table games or video lottery terminals (VLTs) and are not allowed in the area of the video lottery facility where table games or VLTs are located. While the State may impose financial penalties on VLT operators, the State statute currently does not impose a penalty on underage gamblers. According to the Maryland State Lottery and Gaming Control Agency, there were 47 violations for underage gambling in State casinos during calendar 2013, resulting in fines totaling \$30,000. *Senate Bill 481/House Bill 275 (both passed)* prohibit those younger than age 21 from playing a table game or 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

In *DeWolfe v. Richmond*, 434 Md. 403 (2012) the Maryland Court of Appeals held on January 4, 2012, 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 the Office of the Public Defender (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.

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 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.

After the legislative changes to the 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*”). The Court of Appeals has issued a temporary stay of implementation of the *Richmond II* decision until June 5, 2014, and granted *writ of certiorari* limited to three specific questions regarding the circuit court’s actions.

Bills Addressing *Richmond II*

Several bills were introduced during the session to specifically address the *Richmond II* decision.

Senate Bill 973 (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 Pre-trial Release Services Program in the Department of Public Safety and Correctional Services (DPSCS) that offers alternatives to pre-trial 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 (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 (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 the Department 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 (failed), *House Bill 537 (failed)*, and *Senate Bill 748 (failed)* also proposed schemes to alter the initial appearance process to attempt to comply with or circumvent *Richmond II*. *Senate Bill 1114 (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. The Budget Reconciliation and Financing Act of 2014 (BRFA) *Senate Bill 172 (passed)* 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.

Victims of Crime

Victims' Rights and Notification

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.

Senate Bill 272 (passed) 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 are currently authorized to grant such a request but are not required to do so.

Senate Bill 922/House Bill 1245 (both passed) authorize 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 authorizes 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.

Senate Bill 512 (passed) specifies that one of the five members of CICB must be a family member of a homicide victim.

Senate Bill 940/House Bill 705 (both passed) authorize 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 a further discussion of *Senate Bill 940/House Bill 705*, see the subpart “Estates and Trusts” within Part F – Courts and Civil Proceedings of this *90 Day Report*.

House Bill 355 (passed) requires 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 required under the bill 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.

Under the bill, 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.

Senate Bill 830/House Bill 1244 (both passed) alter 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. Current law requires the claim to be made within three years after the claimant knew or should have known of the abuse.

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.

Prosecutors have often remarked that the difference in the statutes of limitation for a misdemeanor and a felony can 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, *Senate Bill 248 (passed)* and *House Bill 286 (passed)* establish 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.

Warrants and Court Orders

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.

House Bill 912 (passed) requires 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 current application of the requirement to communications in storage for 180 days or less.

Senate Bill 698/House Bill 1161 (both passed) authorize 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. The bill (1) establishes requirements for an application for a location information order; (2) specifies the duration of an order; and (3) requires disclosure of specified information to the user/owner of the electronic device.

Under the bills, 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.

House Bill 1109 (Ch. 107) makes several changes to search warrant procedures and incorporates 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.

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, *Senate Bill 476 (passed)* and *House Bill 416 (passed)* establish 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.

Prosecutors and Law Enforcement Officers

A prosecutor seeking to compel an individual to testify or provide other information must request, by written motion, that the court issue an order compelling the testimony or the information when the prosecutor determines that (1) the testimony or other information from the individual may be necessary to the public interest and (2) the individual has refused or is likely to refuse to testify or provide other information on the basis of the individual’s privilege against self-incrimination. *Senate Bill 224/House Bill 364 (both passed)* expand the definition of “prosecutor” to include the State Prosecutor or Deputy State Prosecutor under provisions of law relating to compulsory witness testimony and witness immunity.

The Law Enforcement Officers’ Bill of Rights (LEOBR) was enacted in 1974 to guarantee police officers specified procedural safeguards in any investigation that could lead to disciplinary action. It extends to police officers of 23 specified State and local agencies. The investigation or interrogation by a law enforcement agency of a law enforcement officer for a reason that may lead to disciplinary action, demotion, or dismissal must be conducted in accordance with LEOBR.

Senate Bill 436/House Bill 599 (both passed) require a court to grant appropriate relief upon a finding that a law enforcement agency obtained evidence against a law enforcement officer in violation of LEOBR.

Parole, Probation, and Mandatory Release

Chapter 381 of 2011 repealed the general requirement that an inmate whose parole is revoked serve the remainder of the sentence imposed. Instead, the Act authorized the parole commissioner who conducts a revocation of parole hearing to require the inmate to serve any unserved portion of the sentence originally imposed. *Senate Bill 867/House Bill 1141 (both passed)* repeal the June 30, 2014 termination date for Chapter 381 of 2011.

Senate Bill 398 (passed) authorizes 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 bill's provisions apply prospectively to individuals under the supervision of DPSCS on or after July 1, 2014.

Juvenile Law

Juvenile Detention and Placement

Extension of Transfer Authorization

Under the provisions of Chapter 198 of 2012, when necessary to appropriately administer the commitment of a child, and on approval of the Director of Behavioral Health, the Department of Juvenile Services (DJS) may transfer a child committed for residential placement from one facility to another facility that is operated, licensed, or contracted by DJS. A facility to which a child is transferred must be (1) consistent with the type of facility designated by the court or (2) more secure than the type of facility designated by the court. DJS is required to notify the court, the child's counsel, the State's Attorney, and the parent or guardian of the child prior to transfer. 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 of 2012 terminates on June 30, 2014.

DJS advises that the authority to make transfer decisions in accordance with Chapter 198 has had a significant impact on its operations. Prior to that legislation, if DJS believed a facility with greater security than that which was originally designated by the court was necessary, a juvenile had to remain in detention pending a court hearing on the placement modification. During that time, the juvenile was not receiving the specific treatment services that may be required for rehabilitation. Chapter 198 eliminated the time a juvenile spends in detention as a result of ejection from a residential placement, which has helped to reduce the pending placement population. In fiscal 2013, the average daily population of youth in pending placement status was 110, compared to 158 youth in pending placement status in fiscal 2012. The authority to transfer a child directly to another facility may also serve to decrease the overall

length of time a juvenile remains in committed status by allowing DJS to promptly address treatment concerns and issues.

Senate Bill 116 (passed) extends the termination date of Chapter 198 from June 30, 2014, to June 30, 2016. The bill also requires DJS to provide the General Assembly with a report on the bill's implementation on or before January 1, 2015. The report is required to specifically provide information on the process for removing youth from committed residential placements, including who is responsible for making the decision to remove youth and how the decision is reviewed. In addition, the department is required to provide the following data, for each fiscal year, beginning with fiscal 2011: (1) the number of youth ejected from committed residential placements, referred to the department's Central Review Committee, transferred to a new residential placement under Chapter 198 of 2012, and transferred to a new committed program and placed in detention pending relocation, (2) the average length of stay for pending placement youth who are placed in detention pending relocation to a new committed residential placement, (3) the number of pending placement youth held in detention for more than 30 days due to ejection from a committed residential placement, (4) the number of youth that request and receive a hearing as a result of a proposed change in placement, and (5) the reasons for ejection of youth from committed residential placements. The bill takes effect June 1, 2014.

Community Detention Violation Hearings

"Detention" means the temporary care of children who, pending court disposition, require secure custody for the protection of themselves or the community in physically restricting facilities. "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.

As part of the Juvenile Detention Alternative Initiative in Baltimore City, DJS recently completed a statewide detention utilization study, *Doors to Detention*, which examined the various "doors" that were leading youth into secure detention. This study found that nearly 25% of detention placements result from youth not adhering to the conditions of an alternative to detention program (such as community detention). Many youth who were initially court-ordered or intake-authorized into the programs were ultimately being detained following a supervision or program violation. Infractions included curfew violations, absences without leave, equipment tampering, and other actions not rising to the level of a new delinquent offense. *Senate Bill 122 (Ch. 35)* requires 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. The Act also requires 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.

Residential Facilities – Educational Programs

The Juvenile Services Education Program within the Maryland State Department of Education (MSDE) manages and implements educational services for youth detained and committed by DJS. The program provides instruction in core content based on the State curriculum. The program also includes instruction in life skills, computer literacy, career and technology education, special education services, and General Equivalency Diploma (GED) preparation.

Prior to 2003, DJS was responsible for developing educational programs in all of its residential facilities. Chapter 53 of 2003 required DJS to work with MSDE to transfer control of the educational program at the Charles H. Hickey, Jr., School to MSDE by July 1, 2004. Chapter 535 of 2004 required that MSDE assume responsibility for education in all DJS-operated facilities by July 1, 2012. This requirement was extended to July 1, 2014, by Chapter 487 of 2009 (the Budget Reconciliation and Financing Act). As of July 1, 2013, MSDE had assumed responsibility for educational programming in all DJS facilities. *Senate Bill 118 (Ch. 33)* repeals obsolete provisions relating to the department's responsibility for providing educational programs within residential facilities of DJS.

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. *Senate Bill 515/House Bill 1295 (both passed)* repeal the provision that prohibits 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.

Juvenile Records

In general, a court 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 certain circumstances relating to notification of school officials of the arrest of a student for specified "reportable offenses." This prohibition does not restrict access to and the use of

court records or fingerprints of a child in court proceedings involving the child by personnel of the court, the State's Attorney, counsel for the child, a court-appointed special advocate for the child, or authorized personnel of DJS. Subject to certain exceptions, the restriction also does not prohibit access to and confidential use of the court record or fingerprints of a child by DJS or in an investigation and prosecution by a law enforcement agency.

The court, on its own motion or on petition, and for good cause shown, may order the court records of a child sealed. After a child has reached 21 years of age, on its own motion or on petition, the court must order them sealed. Once sealed, the court records of a child may not be opened for any purpose, except by order of the court upon good cause shown.

In general, police records concerning a child are confidential and maintained separately from adult records. The contents of these records may not be divulged except by court order for good cause shown or specific situations in which police notify school superintendents of the arrest of a student. Records may still be accessed, however, by DJS or by any law enforcement agency involved in the investigation and prosecution of a child and under specific situations related to writs of attachment to apprehend a child named in the writ.

Expungement of Records

House Bill 79 (passed) authorizes a person to file a petition for expungement of the person's juvenile record in the court where the delinquency petition or the citation was filed. The court must have a copy of the petition for expungement served on the State's Attorney. The court may order a juvenile delinquency record expunged 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.

The court must consider the best interests of the person, the person’s stability in the community, and the safety of the public. If an objection is filed by the State’s Attorney, a victim of the crime, or a specified family member of the victim within 30 days after the petition is served, the court must hold a hearing. The court may hold a hearing on its own initiative or grant the petition without a hearing if no objection is filed. However, the court may deny the petition without a hearing if the petition fails to meet the above requirements.

If, after a hearing, the court finds that the person is entitled to expungement, the court must order the expungement of all court records and police records relating to the delinquency or child in need of supervision proceedings or the citation. If, after a hearing, the court finds that the person is not entitled to expungement, the court must deny the petition. The person who filed the petition for expungement or the State’s Attorney may appeal an order granting or denying the petition. Unless an order is stayed pending an appeal, each custodian of police and court records subject to the order of expungement must advise, in writing, the court the petitioner, and all parties to the petition for expungement proceeding of compliance with the order within 60 days after entry of the order.

The bill’s 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 concerning juvenile delinquency and that do not contain any information that would reveal the identity of a person.

Reportable Offenses

Under current 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 of 2010, 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.

House Bill 222 (passed) adds 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.

Programs

Child in Need of Supervision Pilot Program

A “child in need of supervision” (CINS) 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 the child; (3) behaves so as to injure or endanger himself, herself, or others; or (4) has committed an offense applicable only to children. Chapter 601 of 2005 required the Secretary of the Department of Juvenile Services to establish a DJS CINS Pilot Program in Baltimore City and Baltimore County. Chapter 382 of 2011 expanded the pilot program to Cecil, Montgomery, and Prince George’s counties. The pilot program terminates June 30, 2016. Chapter 601 also requires DJS and the Governor’s Office for Children (formerly the Office for Children, Youth, and Families) to jointly report annually to the General Assembly on the implementation of the legislation.

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 who are alleged to be in need of supervision. The designated assessment service providers must be contracted and funded by the local management boards.

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 unless the intake officer concludes that the court has no jurisdiction or that neither an informal adjustment nor judicial action is appropriate. The provider must meet with the child and the child’s parents two to six times to discuss the child’s school performance, family interactions, peer relationships, and health, including drug and alcohol use. The provider must review all available, relevant records concerning the child, conduct an assessment of the child, and establish a case plan and record for providing services to the child.

House Bill 151 (passed) requires DJS, beginning in 2014, to include in its annual report to the General Assembly regarding the Child in Need of Supervision (CINA) Pilot Program an evaluation of the ability of DJS to expand the program to additional counties in the State. The bill takes effect July 1, 2014.

Kent County Truancy Reduction Pilot Program

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. Similar to drug courts, 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 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 established a truancy court in Talbot County.

A family enters the TRPP when a school official files a civil petition alleging that a child who is required to attend school has failed to do so without lawful excuse. For a student younger than age 12, prior to participation in the TRPP, a criminal charge must be filed against the student's legal custodian and dismissed or placed on the inactive docket prior to participation in the TRPP. In making a disposition on the truancy petition, the court may order the student to (1) attend school; (2) perform community service; (3) attend counseling, including family counseling; (4) attend substance abuse evaluation and treatment; (5) attend mental health evaluation and treatment; or (6) comply with a curfew set by the court. Following the disposition hearing, a review hearing is scheduled to review family assessment findings and determine appropriate services. Participants are eligible for graduation from the TRPP when they have remained in the program for 90 days without any unexcused absences.

Senate Bill 282/House Bill 242 (both passed) authorize the establishment of a Truancy Reduction Pilot Program in the juvenile court in Kent County. The bills take effect June 1, 2014.

Prince George's County Juvenile Court and School Safety Workgroup

Chapter 677 of 2013 established the Prince George's County Juvenile Court and School Safety Workgroup, which is staffed by DJS. The workgroup was required to report its findings, action plan, and recommendations to the Prince George's County Delegation by December 15, 2013, and its report was issued on that date. The report noted that the workgroup met numerous times in 2013 in order to conduct an in-depth examination of current community resources and the existing youth diversion mechanisms in the county. The report included a draft collaborative action plan, which was modeled after similar national initiatives. The proposed plan established objective criteria to amend current school-based arrest practices and provide consistent responses to student behaviors. Additionally, the plan set forth a diversion mechanism to reduce formal referrals to DJS for certain identified offenses while expanding the utilization of diversion services. *House Bill 1035 (passed)* alters the membership and duties of the Prince George's County Juvenile Court and School Safety Workgroup and extends the date by which the workgroup must report its findings, action plan, and recommendations to the Prince George's County Delegation from December 15, 2014, to December 15, 2015.

Public Safety

Building and Safety Standards and Practices

Elevator Safety – 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, *Senate Bill 329/House Bill 335 (both passed)* require “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.

Senate Bill 401/House Bill 947 (both passed) require 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 bills do not authorize a political subdivision to inspect an owner-occupied dwelling unit.

Law Enforcement Personnel and Procedures

Public Safety Employees – Diversity

House Bill 1349 (passed) requires the Department of State Police (DSP), when it advertises for or recruits new employees, to include advertising that is targeted toward racial and ethnic communities or other individuals who are underrepresented in the DSP workforce. The bill requires the DSP fair practices officer to be an expert in diversity issues and equal employment law, procedures, and practices. The DSP fair practices officer must report directly to the Secretary of State Police and may not be a sworn law enforcement officer. By December 1 each year, DSP must report to specified legislative committees on initiatives DSP has employed to improve diversity in recruitment and the outcome of those initiatives.

Training Requirements (Christopher’s Law)

Altering the entrance-level and in-service training for State, county, and municipal law enforcement officers, *Senate Bill 542/House Bill 294 (both passed)* require that the training curriculum and minimum courses of study include (1) training in lifesaving techniques, including cardiopulmonary resuscitation; (2) training in the proper level and use of force; (3) training regarding sensitivity to cultural and gender diversity; and (4) training regarding individuals with physical and intellectual and developmental disabilities. Some State police law enforcement agencies and local law enforcement units already comply with many of the bills’ requirements.

Anne Arundel Community College Police Force

Senate Bill 246/House Bill 552 (both passed) establish an Anne Arundel Community College Police Force in the same manner as police forces already in place at the Baltimore City Community College and the Hagerstown Community College. The bills also make the Anne Arundel Community College police officers subject to the Law Enforcement Officers’ Bill of Rights and eligible for certification by the Maryland Police Training Commission.

The bills allow these police officers to exercise the same powers granted to peace and police officers on property owned, leased, or operated by or under the control of the community college. The officers may not exercise those powers on any other property unless (1) engaged in fresh pursuit of a suspected offender; (2) necessary to facilitate the orderly flow of traffic to and from college property; or (3) ordered to do so by the Governor.

Law Enforcement Officers’ Bill of Rights – Disclosures

Senate Bill 686/House Bill 598 (both passed) authorize a law enforcement agency that is required by law to disclose information for use as impeachment or exculpatory evidence in a criminal case, to maintain a list of law enforcement officers who have been found or alleged to have committed acts which bear on credibility, integrity, honesty, or other characteristics that would constitute exculpatory or impeachment evidence. The list may be maintained solely for the purpose of satisfying the disclosure requirement. A law enforcement agency is prohibited from taking certain punitive action against a law enforcement officer based solely on the fact that the law enforcement officer is included on the list.

Eyewitness Identification Procedures

The reliability of eyewitness identifications is a recurring theme in criminal justice discourse and practices. 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, *Senate Bill 860/House Bill 1200 (both passed)* require, 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. DSP must compile the written policies by February 1, 2016, and allow public inspection of each policy.

Under the bills, 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. 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.

The eyewitness identification procedures are to be applied only prospectively and may not have any effect on or application to any criminal case commenced before October 1, 2014.

License Plate Reader Systems

The operation of motor vehicle license plate reader (LPR) systems, which are used by 64 law enforcement agencies in Maryland, has not been regulated in the State. Addressing that issue, *Senate Bill 699 (passed)* specifies the procedures and protocols that a law enforcement agency must follow in connection with the operation of an “automatic license plate reader system” and use of “captured plate data.” The Maryland Coordination and Analysis Center (MCAC), in cooperation with the Maryland Chiefs of Police Association and the Maryland Sheriffs’ Association, must develop a model audit policy for access to and use of LPR data by October 1, 2015.

LPR technology uses a high-speed camera to automatically detect a vehicle’s license plate as it passes the reader mounted either at a fixed location or on a patrol vehicle. The scan is then compared to information in a “hot list,” which consists of license plate numbers of wanted vehicles or license plate numbers associated with wanted or missing persons and other specified databases. Once a scan is confirmed, law enforcement in the field can attempt to apprehend the wanted vehicle or person. LPR data is also used in investigating crimes and accidents. The collected data is networked to MCAC where it is retained on a central server for one year.

Senate Bill 699 requires that the procedures to be adopted include (1) an identification of MCAC or law enforcement agency personnel who are authorized to query captured plate data gathered by an LPR system; (2) an audit process to ensure that information obtained through the

use of an LPR system is used only for legitimate law enforcement purposes, including audits of requests made by individual law enforcement agencies or an individual law enforcement officer; and (3) procedures and safeguards to ensure that MCAC staff with access to the LPR database are adequately screened and trained.

A law enforcement agency may not use captured plate data unless the agency has a “legitimate law enforcement purpose,” which is defined as the investigation, detection, or analysis of a crime or a violation of the Maryland vehicle laws or the operation of terrorist or missing or endangered person searches or alerts. An employee of a law enforcement agency who violates the bill’s provisions is subject to maximum penalties of imprisonment for one year and/or a fine of \$10,000.

Statewide Interoperability Radio Control Board

For more than a decade, the State has been supporting construction of the Statewide Public Safety Interoperability Radio System (Maryland FiRST) to allow for seamless interoperability for public safety first responders. *Senate Bill 338/House Bill 308 (both passed)* establish the Statewide Interoperability Radio Control Board in the Department of Information Technology to coordinate the operation and maintenance of Maryland FiRST.

The board consists of several 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 board is required to:

- establish standard operating procedures, quality of service standards, and maintenance guidelines for the system;
- establish working groups of the system’s users;
- approve the addition of new system users and the removal of existing users;
- coordinate participatory, collaborative, or reciprocal relationships with local governments;
- resolve any conflict among system users relating to the operation, maintenance, or improvement of the system that cannot be resolved with the standard operating procedures;
- review the annual cost estimation provided by the director of the board;
- recommend to the Governor and the General Assembly funding and resource levels for system operations and maintenance;
- advise the Governor and the General Assembly on resources needed for appropriate operation and expansion to meet service needs for public safety communications statewide; and
- negotiate agreements with federal agencies, surrounding states, or the District of Columbia for the use of the system.

In the past, local jurisdictions and State agencies have built stand-alone systems that met individual agency needs. However, the deployment of independent nonintegrated systems throughout the State, owned and operated by State, county, and local agencies, has created situations that hamper cross-jurisdictional and cross-discipline communications.

First Responders

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. The legislation specifies that the annual appropriation to the fund will be \$11.7 million in fiscal 2015, \$13.3 million in fiscal 2016, and \$15.0 million in fiscal 2017. *Senate Bill 254/House Bill 365 (both passed)* alter the distribution of, and permissible uses of, Amoss funds, alter maintenance of effort (MOE) provisions, and establish certain waivers from MOE provisions.

Somerset County Award Program

Senate Bill 440/House Bill 378 (both passed) authorize the Somerset County Commissioners to establish and fund a volunteer service award program for qualified members of volunteer fire departments, ambulance companies, and rescue squads. The county plans to use the authority granted by the bill to establish a volunteer service award program for individuals aged 62 and older and who have either served 20 years in a volunteer ambulance company or 25 years as a volunteer firefighter. The plan entails a benefit of \$50 per month (\$600 annually) for eligible individuals. Somerset County indicates that 84 individuals would be eligible in the first year of the program, for a total cost of \$50,400.

Military Department

Continuing Tuition Assistance

Senate Bill 610 (passed) provides for continuing tuition assistance for a member of the Maryland National Guard already receiving assistance from the Military Department whose unit has been disbanded on or after September 1, 2013, due to budgetary cuts, Base Realignment and Closure, or any other reason. The bill allows an affected National Guard member to continue to receive tuition assistance by transferring to another active duty, reserve, or National Guard unit in the State or in another state.

Offenders and Ex-offenders

Physical Restraint on Pregnant Inmates

Effective July 1, 2014, *House Bill 27 (passed)* specifies policy, procedures, and protocols that State and local correctional facilities must follow in connection with the care of a pregnant inmate. The bill prohibits the use of physical restraint on an inmate while the inmate is in labor or during delivery, except as determined by the medical professional responsible for the care of the inmate. In addition, a physical restraint may not be used on an inmate known to be pregnant or in postpartum recovery, except under specified circumstances.

The Department of Juveniles Services and the managing official of each local correctional facility or the managing official of the agency designated to transport inmates must develop a policy for use at each correctional facility that (1) requires a physical restraint used on a pregnant inmate during transport to be the least restrictive necessary and (2) establishes a method for reporting the use of physical restraints on pregnant inmates.

The Department of Public Safety and Correctional Services (DPSCS) is required to submit a report to the Governor and the General Assembly no later than 30 days before the end of each calendar year until December 31, 2017, on the number of times physical restraints were used on a pregnant inmate during labor, delivery, and postpartum recovery during the previous calendar year in each State and local correctional facility.

Swift and Certain Sanctions Pilot Program

Chapters 554 and 555 of 2011 required DPSCS to develop, by October 1, 2012, a pilot program in two counties that created a system of graduated administrative sanctions for violations of conditions of parole by persons released from State incarceration facilities. DPSCS chose Anne Arundel and Talbot counties for the pilot program. *Senate Bill 608 (passed)* requires DPSCS to expand the Swift and Certain Sanctions Pilot Program to include Baltimore City and to include individuals under mandatory supervision.

Juveniles Charged as Adults

Senate Bill 718/House Bill 589 (both passed) require, by December 1 each year, the Governor's Office of Crime Control and Prevention (GOCCP) to report to the Governor and the General Assembly on the expected population of each State and local detention facility of juveniles charged as adults during the next calendar year and the methodology and assumptions used in developing the projection. The bills specify the juvenile population statistics that must be considered by GOCCP in calculating the forecast. Each State and local detention facility must provide the juvenile population data to GOCCP in a standardized format developed by GOCCP. Specified data for the GOCCP report on each juvenile charged as an adult is enumerated. The bills terminate September 30, 2017.

Public Safety and Correctional Services

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 smuggle contraband into State correctional facilities. In light of this indictment, the Special Joint Commission on Public Safety and Security in State and Local Correctional Facilities made several specific recommendations in its December 2013 final report to the General Assembly. *Senate Bill 205/House Bill 176 (both passed)* address certain areas of concern raised in the commission's report.

First, the bills authorize 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.

The bills also require the Secretary of Public Safety and Correctional Services to require 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 is 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

DPSCS may require an applicant for a position as a correctional officer to pass a polygraph test before being hired. However, DPSCS is prohibited from requiring a current correctional officer to pass a polygraph test as a condition of continued employment. This prohibition is lifted under *Senate Bill 126/House Bill 173 (both passed)*, so that DPSCS may administer the test to an individual who is already employed as a correctional officer or other employee in a State correctional facility or in any other capacity that involves direct contact with an inmate in a State correctional facility.

Renaming of Internal Investigative Unit

Senate Bill 114/House Bill 174 (both passed) rename the Internal Investigative Unit (IIU) of DPSCS to be the Intelligence and Investigative Division. The bills also expand the scope of the division to oversee and coordinate all of the intelligence efforts within DPSCS under the authority of the Secretary and is charged 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

House Bill 1457 (passed) alters the definition of a State “correctional officer,” for purposes of the Correctional Officer’s Bill of Rights (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. The bill also eliminates such officers from being eligible to serve on a hearing board for disciplinary proceedings under COBR.

Charges Recommending Discipline

House Bill 1458 (passed) specifies that, under 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.

Firearms

Following passage during the 2013 session of the Firearm Safety Act, which modified and expanded the regulation of firearms, firearms dealers, and ammunition in Maryland, the State saw an unprecedented surge in applications for firearms purchases and two lawsuits that challenged the law. Not surprisingly, strong interest in adjusting firearms control laws carried into the 2014 session as legislators introduced dozens of bills to weaken or enhance the Firearm Safety Act, which all failed. The bills included *House Bill 60 (failed)*, which would have repealed of the Firearm Safety Act in its entirety; *House Bill 42 (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 to an individual to carry a regulated firearm, including a concealed regulated firearm is valid in Maryland.

Part F

Courts and Civil Proceedings

Judges and Court Administration

Judgeships – Circuit Courts and District Court

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 can 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 calls for the addition of 25 circuit and District Court judges over the course of six legislative sessions.

Senate Bill 167/House Bill 120 (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).

Court Administration

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. *Senate Bill 69/House Bill 45 (both passed)* provide 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 would be subject to the exception provided by the bills:

- 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.

District Court Personnel

Senate Bill 824/House Bill 1292 (both failed) would have established collective bargaining rights for specified employees of the District Court. The bills would have provided secretarial, administrative constabulary, and maintenance and housekeeping employees of the District Court with the right to (1) self organization; (2) bargain collectively through an employee organization that is an exclusive representative of the employees' own choosing; and (3) engage in, or refrain from engaging in, other concerted activities for the purpose of collective bargaining or mutual aid or protection. Additionally, the legislation would have established the State Judicial Employees Labor Relations Board as an independent unit of State Government.

Circuit Court Real Property Records Improvement Fund

Created by Chapter 327 of 1991, the Circuit Court Real Property Records Improvement Fund consists of surcharges assessed on instruments recorded in the land records and the financing statement records, document copying revenues, and accumulated interest revenue. The nonlapsing fund supports all personnel and operating costs within the land records offices of the clerks of the circuit court. It further supports the Judiciary's major information technology

projects and the maintenance costs of the Electronic Land Records Online Imagery System and its website for making images accessible to the public.

Senate Bill 32/House Bill 108 (both failed) would have required the State Court Administrator to assess a surcharge of \$11 on cases filed in the Court of Appeals and the Court of Special Appeals. The bills would have also required (1) the assessment of a \$30 surcharge for civil cases filed in the circuit courts and a surcharge of \$6 for civil cases reopened in the circuit courts and (2) a maximum surcharge of \$3 per summary ejectment case in the District Court and \$8 for all other civil District Court cases. The legislation would have required the surcharges collected to be deposited into the Circuit Court Real Property Records Improvement Fund. The Maryland Judiciary had intended to use the surcharge revenue to fund its Maryland Electronic Courts Project, which is an ongoing initiative to create an integrated case management system to be used by all courts in the State.

Civil Actions and Procedures

Civil Actions

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 must 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 housing rental 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 second special session of 2012. 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.

Senate Bill 247/House Bill 73 (Chs. 48 and 49) establish a rebuttable presumption that the owner of a dog that caused personal injury or death knew or should have known that his/her 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.

However, the owner of a dog is strictly liable 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 establish 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.

Nuisance Actions

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.

House Bill 1153 (passed) expands existing provisions of law protecting agricultural and silvicultural operations from nuisance actions to also apply to commercial fishing and seafood operations. The bill also generally excludes 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 the Department 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.

Recreational Use of Private and State-owned Land

Generally an owner of land, including a local government and a landowner that has leased land to the State or any of its political subdivisions for any recreational or educational purpose, is not liable for injury to persons that use the land for recreational or educational purposes upon invitation or permission from the owner, provided it is at no charge. The owner is not protected from liability for injury where the owner charges the person for the use of the land. An owner is also not protected from liability resulting from willful or malicious failure to guard or warn against a dangerous condition, use, structure, or activity.

If a landowner in Garrett County agrees to the use of a defined part of the landowner's real property for cross-country skiing or the use of snowmobiles, a user impliedly consents to (1) adhere to every law; (2) observe every safety precaution and practice; (3) take every precaution against fire; and (4) assume all responsibility and liability for the person's safety and property.

House Bill 660 (passed) expands the applicability of the Garrett County provisions to apply statewide and applies them to both cross-country skiing and the use of off-highway vehicles (OHV) in general. "OHV" means a motor-assisted or motor-driven vehicle that is (1) designed for or capable of cross-country travel on or directly over land, snow, or other natural terrain and (2) not intended for use on public roads.

False Claims

Under the English common law, a private individual could bring a *qui tam* action (a private party cause of action brought on behalf of a governmental entity) in court on behalf of the Crown. If the individual was successful, he or she would receive a part of the penalty imposed. In the United States, the practice exists as a component of some "whistleblower" statutes, including the federal False Claims Act. Among other things, Chapter 4 of 2010, also known as the Maryland False Health Claims Act, prohibits a person from making a false or fraudulent claim for payment or approval by the State or the Department of Health and Mental Hygiene under a State health plan or State health program and authorizes individuals to file private party causes of action on behalf of a governmental entity for false health claims made against the State.

House Bill 867 (failed) would have expanded the application of these principles to other types of false claims. The bill would have (1) prohibited a person from knowingly making a false or fraudulent claim for payment or approval by a governmental entity (the State, a county, or Baltimore City); (2) authorized a governmental entity to file a civil action against a person who makes a false claim; (3) established civil penalties for making a false claim; (4) permitted a private citizen to file a civil action on behalf of a governmental entity against a person who has made a false claim; (5) required the court to award a certain percentage of the proceeds of the action to the private citizen initiating the action; and (6) prohibited retaliatory actions by a person against an employee, contractor, or grantee for disclosing a false claim or engaging in other specified false claims-related activities.

Statutes of Limitation

Offenses Occurring in Critical Area in Talbot County

In general, State law specifies that the prosecution of a misdemeanor or a prosecution or suit for a fine, penalty, or forfeiture must be instituted within one year after the offense was committed. However, there are several exceptions under statute. *Senate Bill 73/House Bill 58 (both passed)* require a criminal prosecution or a suit for a civil penalty for specified violations that occur in the Chesapeake Bay Critical Area in Talbot County to be brought within three years after the local authorities in fact knew or reasonably should have known of the violation. For a further discussion of *Senate Bill 73/House Bill 58*, see the subpart “Natural Resources” within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

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. *Senate Bill 708/House Bill 274 (both passed)* reduce the time period allowed for the filing of a civil action, from 12 years 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 a further discussion of *Senate Bill 708/House Bill 274*, see the subpart “Real Property” within Part F – Courts and Civil Proceedings of this *90 Day Report*.

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.

Senate Bill 805 (passed) establishes the Maryland Uniform Collaborative Law Act and sets 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.

Senate Bill 805 also (1) specifies the required contents of a collaborative law participation agreement; (2) establishes how a collaborative law process begins and ends; (3) authorizes the issuance of an emergency order by a tribunal under specified circumstances; (4) requires a party to make specified disclosures during the collaborative law process; (5) provides for confidentiality of collaborative law communications; and (6) authorizes a

tribunal to find that parties intended to enter into a collaborative law participation agreement so long as specified criteria are met.

Bankruptcy

In any federal bankruptcy proceeding under Title 11 of the U.S. Code (the federal Bankruptcy Code), an individual debtor 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 (1) owner-occupied residential real property, including a condominium unit or (2) a cooperative housing corporation that owns property that the debtor occupies as a residence. 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.

House Bill 1403 (Ch. 109) adds 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.

Privileged Communications

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. Statute specifies several circumstances under which the privileges do not apply.

Senate Bill 803/House Bill 641 (both passed) create 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 bills apply 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.

The bills apply prospectively to specified communications, medical records, or information occurring or made on or after June 1, 2014.

News Media

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. *House Bill 385 (passed)* expands 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 the bill, the privilege is 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.

Family Law

Domestic Violence

Burden of Proof in Peace Orders and Protective Orders

In order to grant a final protective order, a judge must find by clear and convincing evidence that the alleged abuse has occurred, or the respondent must consent to the entry of the order. In order to grant a final peace order, a judge must find by clear and convincing evidence that the respondent has committed, and is likely to commit in the future, one of specified acts against the petitioner, or the respondent must consent to the entry of a peace order. The "clear and convincing" evidentiary standard is also 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 either specify in statute or have established through case law that the

evidentiary standard used for granting a final protective order is a “preponderance of the evidence.” According to the report, Maryland is the only state that specifically requires by statute that a petitioner meet the higher burden of “clear and convincing evidence” to receive a final protective order.

Senate Bill 333/House Bill 307 (both passed) alter, 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.

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.

Senate Bill 334/House Bill 309 (both passed) expand 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 bills also add 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.

Shielding of Court Records

A respondent in a peace order or protective order proceeding is authorized 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 courthouse, 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, completely removing all information concerning the proceeding from the public website, including the names of the parties, case numbers, and any reference to the proceeding or any reference to the removal of the proceeding from the public website.

House Bill 397 (passed) makes 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 extends eligibility to file a written request to shield court records relating to a peace order or protective order proceeding to petitioners in those proceedings.

Under the bill, if the respondent consents to the entry of a peace order or a protective order, the petitioner or the respondent may file a written request for shielding at any time after the expiration of the order. On the filing of a request for shielding, the court must schedule a hearing on the request and give notice to the other party or the other party's counsel of record. The court may order the shielding of all court records relating to the proceeding if the court finds (1) for cases in which the respondent requests shielding, that the petitioner consents to the shielding; (2) that the respondent did not violate the order during its term; (3) that a final peace order or protective order has not been previously issued against the respondent in a proceeding between the petitioner and the respondent; and (4) that the respondent has not been found guilty of a crime arising from acts of abuse against the petitioner. The court must also find that none of the following are pending at the time of the hearing: (1) an interim or temporary peace order or protective order issued against the respondent; or (2) a criminal charge against the respondent for acts of abuse.

If the petitioner did not consent to shielding as specified above, the respondent may refile a written request for shielding after one year from the date of the prior hearing regarding shielding. After providing required notice and conducting a hearing, the court may order the shielding of all court records relating to the proceeding if the court finds that the factors considered in the original shielding hearing as specified above apply. However, as to the factor regarding the consent of the petitioner, the court must either find that the petitioner consents to the shielding or that it is unlikely that the respondent will commit future abuse against the petitioner, as specified.

In determining whether the records should be shielded, the court must balance the privacy of the petitioner or the respondent and potential danger of adverse consequences to the petitioner or the respondent against the potential risk of future harm and danger to the petitioner and the community.

House Bill 397 also applies existing statutory provisions relating to the prohibition against removing information from the Domestic Violence Central Repository and access to shielded records by victim service providers to cases in which the respondent consents to the entry of an order. The bill alters the definition of "victim services provider" to mean a nonprofit or governmental organization that has been authorized by the Governor's Office of Crime Control and Prevention (GOCCP) to have online access to records of shielded peace or protective orders in order to assist victims of abuse. The bill also alters the findings that must be made before an order for the shielding of records when a petition has been denied or dismissed at the interim, temporary, or final stage by requiring a court to find that the respondent has not been found guilty of a crime arising from acts of abuse against the petitioner.

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.

Senate Bill 434/House Bill 647 (both passed) require 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.

Child Witnesses to Domestic Violence

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. According to the U.S. Department of Health and Human Services' Child Welfare Information Gateway, approximately 23 states have statutory provisions that address the issue of children who witness domestic violence. ***Senate Bill 337/House Bill 306 (both passed)*** prohibit 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 bill must be separate from and consecutive to any sentence for the crime of violence. For a further discussion of these bills, see the subpart "Criminal Law" within Part E – Crimes, Corrections, and Public Safety of this *90 Day Report*.

Peace Order and Protective Order Penalties

A person who fails to comply with specified provisions of an interim, temporary, or final peace order or protective order is guilty of a misdemeanor and subject to a fine not exceeding \$1,000 and/or imprisonment not exceeding 90 days for a first offense and a \$2,500 fine and/or one year imprisonment for a second or subsequent offense. ***Senate Bill 369/House Bill 352 (both passed)*** establish that a prior conviction for failing to comply with specified provisions in 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. The bills also establish that a prior conviction for failing to comply with specified provisions in 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.

Child Abuse and Neglect

Child in Need of Assistance

Federal law requires that in making placement decisions regarding a Child in Need of Assistance (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. *Senate Bill 64/House Bill 1 (both passed)* help 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 in the bills 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.

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.

House Bill 315 (Ch. 96) expand 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.

Records and Reporting

Reports and records concerning child abuse and neglect are confidential and may not be disclosed unless permitted by one of a number of statutory exceptions. Specifically, a report or record concerning child abuse or neglect may be disclosed to a licensed practitioner who is

providing treatment or care to a child who is the subject of a report of child abuse or neglect for a purpose relevant to the treatment or care. An unauthorized disclosure is a misdemeanor subject to imprisonment not exceeding 90 days and/or a fine not exceeding \$500.

Senate Bill 685 (passed) requires the Department of Human Resources (DHR) or a local department of social services to provide information, on request, to a health care practitioner or another entity who is providing treatment or care to a child who is the subject of a report of child abuse or neglect, for a purpose relevant to the treatment or care. Specifically, DHR or a local department must provide to the requestor (1) information regarding the condition and well-being of the child; (2) information regarding the medical, mental health, and developmental needs of the child; (3) the name of any other health care practitioner identified in the record as providing care or treatment to the child; and (4) any other relevant information in the record or report. In providing this information, DHR or a local department may not release information related to the identity of the person who reported the child abuse or neglect.

The bill also requires DHR to work with relevant stakeholders to (1) identify additional policies, procedures, and systems that can be implemented to improve communication between DHR, local departments of social services, and health care practitioners regarding the health care needs of children who are the subject of a report of child abuse and neglect and (2) consider the issues relevant to the adoption by DHR of requirements for affirmative communication with health care practitioners.

Out-of-home Placement

Adoption, Search, Contact, and Reunion Services: DHR is required to provide adoption “search, contact, and reunion services.” These are services (1) to locate adopted individuals, siblings, and biological parents of adopted individuals, and other relatives and members of the adoptive family as specified in statute; (2) to 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; (3) to provide counseling for adopted individuals, siblings, and biological parents of adopted individuals and members of the adoptive family; or to provide referral to counseling; and (4) to contact the adopted siblings of a minor in out-of-home placement to develop a placement resource or facilitate a family connection with the siblings. Biological parents of adopted individuals age 21 or older and the adopted individuals themselves who are age 21 or older can apply for these services through an approved confidential intermediary.

House Bill 178 (Ch. 86) expands the definition of “search, contact, and reunion services” 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 a local department has determined that reunification with the minor’s adoptive parents is not in the minor’s best interests. “Relative” means an individual at least 21 years of age who is related to the minor by blood or marriage within five degrees of consanguinity or affinity under the civil law rule. The measure is 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. A kinship parent may not be younger than age 21. The local department may waive the age requirement if a potential kinship parent is age 18 or older and lives with a spouse who is age 21 or older. *Senate Bill 144 (Ch. 39)* alters, from 21 to 18, the age that a person must be to serve as a kinship parent for a child in need of out-of-home placement.

Notice of Benefits: Numerous benefits are available to children leaving an out-of-home placement. For example, individuals are eligible for a tuition and mandatory fee exemption to attend a public institution of higher education in Maryland if they resided in an out-of-home placement when they graduated from high school or successfully completed a general educational development examination. Individuals adopted or placed into guardianship from an out-of-home placement after their thirteenth birthday are also eligible for the exemption. Former foster care adolescents are also eligible for Medicaid up to age 26.

House Bill 1307 (passed) requires the Social Services Administration within DHR to provide to a child in an out-of-home placement who is at least 13 years old information regarding benefits available to the child when the child leaves out-of-home care, including information regarding tuition assistance, job training, and internship opportunities. The information must be provided at least once per year, and may be provided at a permanency planning hearing or review hearing, or by certified mail. By December 31, 2014, the Secretary of the Department of Human Resources is required to report to specified committees of the General Assembly on the manner in which DHR has implemented the bill’s provisions.

Child Support

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. For example, the

Child Support Enforcement Administration (CSEA), within DHR, is authorized to certify under certain conditions unpaid child support debts of more than \$150 to the State Lottery and Gaming Control Agency (SLGCA). SLGCA is required to remit to CSEA the payment or refund up to the amount of the arrearage of an obligor certified as being in arrears.

Licensed lottery agents may not pay a prize over \$600 if the holder of a winning lottery ticket has been certified as having certain child support or criminal restitution debt, or one of several specified forms of claims or debts owed to the State (*e.g.*, taxes). Instead, the holder of the winning ticket must report to SLGCA. SLGCA must honor lottery prize interception requests in the following order: (1) those regarding child support payments that are in arrears; (2) those regarding restitution for delinquency or crime that are in arrears; and (3) those regarding debts or claims owed to the State. On receipt of the required notice of an intercept from SLGCA, an obligor may appeal within 15 days to CSEA.

House Bill 907 (*passed*) extends the application of the child support intercept program that applies to lottery payouts to certain payouts from a video lottery facility. Specifically, if an individual who owes child support and has been certified as an 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 CSEA to obligors who have prizes 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 set forth in the bill. The bill's provisions do not apply to a prize won at a video lottery facility on or before June 1, 2015.

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 require the Social Security number of any applicant for a professional license, driver's license, occupational license, recreational license, or marriage license to be recorded on the application. States must also have the authority to withhold or suspend, or to restrict the use of, these 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.

Under Maryland law, licensing authorities, including the Department of Natural Resources (DNR), must require each occupational license applicant to disclose his/her Social Security number and record that number on the application. CSEA of DHR may ask licensing authorities for information concerning any obligor in arrears in paying child support. A request by CSEA for this information must contain the full name and Social Security number of the obligor and may be transmitted to a licensing authority using an electronic format. CSEA is authorized to request that a licensing authority suspend or deny a person's license, in specified circumstances. DNR collects Social Security numbers of recreational hunting and fishing

licensees, but because the provisions under current law relating to suspension or denial of licenses for child support arrearages apply only to occupational licenses, DNR does not exchange information with CSEA on recreational licensees.

To bring Maryland into full compliance with federal law, *House Bill 1174 (passed)* establishes that provisions governing the denial or suspension of licenses for failure to pay child support apply to recreational hunting and fishing licenses. The bill also requires DHR, by July 1, 2014, to request an exemption from the federal government that would allow the State to collect only the last four digits of a recreational hunting or fishing license applicant's Social Security number, instead of the entire Social Security number, on the license application. For a further discussion of this issue, see the subpart "Hunting and Fishing" within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Collaborative Law Process

Collaborative law is a voluntary process intended to resolve a legal matter without intervention by the court and 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.

Senate Bill 805 (passed) establishes the Maryland Uniform Collaborative Law Act and sets forth requirements for the collaborative law process. For a further discussion of *Senate Bill 805*, see the subpart Civil Actions and Procedures under Part F – Courts and Criminal Proceedings of this *90 Day Report*.

Human Relations

Discrimination Based on Gender Identity

Seventeen states, the District of Columbia, and over 140 local jurisdictions have passed laws prohibiting discrimination based on gender identity. In Maryland, 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.

Senate Bill 212 (passed) prohibits discrimination based on "gender identity" in public accommodations, labor and employment, and housing by persons licensed or regulated by a unit of the Department of Labor, Licensing, and Regulation. The measure further prohibits

discrimination based on gender identity and sexual orientation in State personnel actions and in the leasing of property for commercial use.

The bill defines “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 bill provides exemptions from provisions of the bill 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 are exempted from the employment discrimination provisions of the bill with respect to the employment of individuals of a particular gender identity to perform work connected with the activities of the religious entity. The bill also specifies 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, *Senate Bill 212* 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 bill defines “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.

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. *House Bill 366 (failed)* and *House Bill 1098 (failed)* both would have added discrimination based on a person’s source of income to this list under specified circumstances. *House Bill 366* defined “source of income” as any lawful source of money paid directly or indirectly to or on behalf of a renter or buyer of housing, including income from (1) any lawful profession, occupation, or job; (2) any government or private assistance, grant, loan, or rental assistance program, including low-income housing assistance certificates and vouchers; (3) any gift, inheritance, pension, annuity, alimony, child support, or other consideration or benefit; or (4) the sale or pledge of property or an interest in property. *House Bill 1098* defined “source of income” as any lawful verifiable source of money paid to a person, including (1) a salary paid from a lawful job, a profession, or an occupation; (2) an inheritance, a pension, an annuity, alimony, child support, or other benefit paid directly to an individual; or (3) housing assistance, but excluded from the definition a gift, an interest in property, the sale or pledge of property, or an interest in property.

Employment Discrimination

Discrimination in employment based on an individual's race, color, religion, national origin, sex, age, marital status, sexual orientation, or disability is prohibited. The U.S. Supreme Court has previously held that an employer can be vicariously liable for harassment by an employee given supervisory authority over subordinates. In the resolution of both federal and State employment discrimination complaints, the Supreme Court's decisions were interpreted to define "supervisor" as an individual with authority (1) to undertake or recommend tangible employment decisions affecting the employee or (2) to direct the employee's daily work activities. In *Vance v. Ball State University*, 133 S. Ct. 243 (2013), the Supreme Court limited the scope of these prior rulings and interpretations by holding that an employer is liable for the discriminatory actions of a supervisor only if the supervisor has the power to hire, fire, transfer, or affect the status of another employee. *Senate Bill 688/House Bill 1350 (both failed)* would have codified the interpretations of law utilized within the State prior to the issuance of the *Vance* decision.

Real Property

Ground Rents

Ground leases have been a form of property holding in Maryland since colonial times. A ground lease creates a leasehold estate in the grantee (leasehold tenant) that is personal – not real – property. The grantor (ground lease holder) retains a reversion in the ground lease property and fee simple title to the land. Ground leases generally have a 99-year term and are renewable perpetually. Ground rent is paid to the ground lease holder for the use of the property for the term of the lease in annual or semiannual installments. Under a typical ground lease contract, the leasehold tenant agrees to pay all fees, taxes, and other costs associated with ownership of the property. Prior to 2007, when a leasehold tenant failed to pay rent, the ground lease holder could bring an action for the past-due rent or for possession of the premises (an "ejectment action"). Because the leasehold tenant had a leasehold estate, a tenant whose property was seized in an ejectment action received no compensation for any equity in the property.

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. Notably, Chapter 286 of 2007 eliminated ejectment as a remedy for nonpayment of ground rent and replaced it with a process to create and foreclose on a lien. In February 2014, however, the Maryland Court of Appeals invalidated key provisions of Chapter 286 in *State of Maryland v. Stanley Goldberg, et al.*, No. 8, Sept. Term 2013. 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 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 introduced by Chapter 286 and established an action for possession of the property as the remedy, similar to the posture of the law before 2007. 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.” As amended in the House, the legislation would have required the ground lease holder to send 60-day and 30-day notices of default to the leasehold tenant, required the ground lease holder to send a copy of the 30-day notice of default to a holder of a secured interest in the property and make the secured party a party to an action to re-enter filed by the ground lease holder, authorized a secured party to redeem the reversion in the ground lease under specified circumstances, limited the expenses for which a ground lease holder could be reimbursed under specified circumstances, and added new requirements for service of process on a leasehold tenant.

Mortgages

Foreclosure

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) the delay by mortgage servicers to begin foreclosure procedures until the results of a foreclosure settlement between five of the largest lenders and the U.S. government were known. The results of the National Mortgage Settlement were announced in February 2012. The uncertainty surrounding the settlement and Maryland’s new increased consumer protections created a backlog of foreclosures that lenders have now begun to address. In the fourth quarter of 2013, Maryland had the second highest foreclosure rate in the nation. The Department of Housing and Community Development attributes the surge in foreclosure activity that began in 2012 to a “rebound in the housing market which encouraged lenders to return inventory of seriously delinquent loans to the market at an increasing pace” allowing servicers to clear the backlog.

Statute of Limitations for Certain Specialties and Motions for Deficiency Judgment: Under the Maryland Rules, within 30 days after a foreclosure sale of property, the person authorized to make the sale must file a complete report of the sale with the court for ratification. Upon ratification of the sale, the court may refer the matter to an auditor to state an account. At any time after the sale and before final ratification of the auditor’s report, a person claiming an interest in the property or in the proceeds of the sale of the property may file an application for

the payment of that person's claim from the surplus proceeds of the sale. If the proceeds of the sale are not sufficient to cover the person's claim, then that person may petition the court for a deficiency judgment. The Maryland Consumer Rights Coalition estimates that, since 2008, at least 400 deficiency collection cases have been pursued in Maryland, with the majority of cases occurring in Prince George's County, Baltimore City, Montgomery County, and Baltimore County. The median deficiency for this period was \$88,000.

Senate Bill 708/House Bill 274 (both passed) reduce 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, the bills authorize 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 as specified in the bills 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.

Acquisition and Transfer of Mortgages by Certified Community Development Financial Institutions: 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.

House Bill 595 (passed) aims 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. Accordingly, this emergency bill prohibits a person from requiring, as a condition of a sale or transfer of owner-occupied residential property to a certified CDFI, any affidavit, statement, agreement, or addendum that limits ownership or occupancy of the property by the immediately preceding mortgagor or grantor. The bill also exempts a certified CDFI that purchases owner-occupied residential property under such circumstances from the requirements of the Protecting Homeowners in Foreclosure Act. Finally, the bill provides exemptions to 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 have considered using their eminent domain power to assist homeowners reduce debt on mortgages, with the goal of reducing the risks of foreclosure, blight, and falling property values. The approach, first considered in Richmond, California, is for a city to identify homes that are severely under water (e.g., the owner owes significantly more than the home is worth) and offer to buy the mortgages. If the owner of the mortgage refuses to sell the mortgage, the city could use its eminent domain power to condemn and buy the mortgage.

Because the legal authority for and financial consequences of the acquisition of mortgages through condemnation were unclear, the General Assembly passed [*Senate Bill 850 \(passed\)*](#) to prohibit 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 bill also instructs 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 are due to the General Assembly on or before November 1, 2015.

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. Legislation passed in 2013 aimed to aid refinancing by automatically granting, on recordation, the same lien priority to a qualifying refinance mortgage as the first mortgage or deed of trust the refinance mortgage replaces. Under Chapter 205 of 2013, 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. [*House Bill 1045 \(passed\)*](#) modifies 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. The bill defines “escrow costs” as money to pay property taxes, hazard insurance, mortgage insurance, and similar costs associated with real property secured by a refinance mortgage that a lender requires to be collected at closing and held in escrow.

Common Ownership Communities

Cooperative Housing Corporations

A cooperative housing corporation, or “cooperative,” is a special type of corporation that owns residential real property. Although cooperatives share many of the same features as other forms of common ownership communities (COCs), such as condominiums and homeowners associations, the relationship between the cooperative and its members is unique. 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.

Senate Bill 865 (passed) amends the Maryland Cooperative Housing Act (MCHA) to include several provisions of law similar to those contained in the Maryland Homeowners Association Act (MHAA) and the Maryland Condominium Act (MCA). The bill establishes requirements for notice, and open and closed sessions, of meetings of the governing body and standards for late charges for delinquent payments. The bill also establishes a dispute settlement mechanism in MCHA similar to that contained in MCA. For a cooperative that is no longer subject to a mortgage or deed of trust, the bill restricts the ability of the governing body to bring an action in court to evict a member for nonpayment of assessments.

Lien Foreclosure

A condominium unit owner is liable for all assessments or installments of assessments coming due while owning the unit. Likewise, a lot owner is liable for all homeowner association assessments and charges that come due while the lot owner owns the lot. If these assessments are not paid, the governing body of these types of COCs may impose a lien on a unit or lot in accordance with the Maryland Contract Lien Act (MCLA) to recover unpaid assessments, interest on unpaid assessments, late charges, collection costs, and reasonable attorney's fees.

In 2013, the General Assembly passed legislation limiting the situations in which the governing body of a COC may foreclose on a lien against a unit owner. Chapters 448 and 449 of 2013 provided that a governing body may foreclose on a 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 General Assembly altered this limitation during the 2014 session. *House Bill 602 (passed)* allows the governing body of a COC seeking to foreclose on a lien for delinquent assessments to include in the damages any interest associated with 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.

Landlord and Tenant

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. In addition to the principal of the security deposit, the landlord or park owner must return interest that has accrued on the security deposit. *Senate Bill 345/House Bill 249 (both passed)* alter 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. The bill takes effect January 1, 2015, and the department must report to the General Assembly by October 1, 2015, on the feasibility of maintaining on its website a customized calculator as prescribed under the bill.

Retaliatory Actions

Generally, a landlord of residential property may not retaliate against a tenant who engages in certain “protected actions,” such as participating in a tenant organization, making a good faith complaint about a condition on the premises that is a substantial threat to health or safety, or filing a lawsuit against the landlord, by bringing or threatening to bring action for possession against a tenant, arbitrarily increasing the rent or decreasing services to which the tenant is entitled, or terminating a periodic tenancy.

Senate Bill 800 (passed) repeals 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. The bill maintains 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.

Manufactured Housing

House Bill 1403 (Ch. 109) authorizes a debtor in a bankruptcy proceeding under Title 11 of the U.S. Code to claim his or her aggregate interest in a manufactured home under the homestead exemption. To qualify for the exemption, the manufactured home must have been converted to real property in accordance with State law and must be occupied by the debtor as a residence. For a further discussion of *House Bill 1403*, see the subpart “Civil Actions and Procedures” of this Part F of this *90 Day Report*.

Residential Property in Prince George’s County – Deferred Water and Sewer Charges

Chapter 685 of 2012 created the Task Force to Study Rates and Charges in the Washington Suburban Sanitary District to, among other things, study the process that developers follow in charging for the construction of and connection to water and sewer facilities and make recommendations on standards for the construction of and connection to water and sewer facilities. *House Bill 1043 (passed)* addresses several key recommendations of the task force, including requiring a contract for the initial sale of residential real property in Prince George’s County to include specified disclosures relating to deferred water and sewer assessments collected by the developer. For a more detailed discussion of this issue, see the subpart “Bi-county Agencies” within Part D – Local Government of this *90 Day Report*.

Estates and Trusts

Trusts

House Bill 83 (passed) establishes the Maryland Trust Act, which partially codifies the existing statutory and case law in Maryland governing trusts and also makes changes and additions to existing law. The bill is a modified version of the Uniform Trust Code (UTC) drafted by the National Conference of Commissioners on Uniform State Laws. Twenty-six states and the District of Columbia have enacted a version of the UTC.

Issues addressed by the bill include 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 modification or additions to existing Maryland trust law include 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 a 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 bill 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. The bill does not apply to judicial proceedings concerning trusts commenced before January 1, 2015. A rule of construction or presumption in the bill applies to trusts instruments executed before January 1, 2015, unless there is a clear indication of a contrary intent in the terms of the trust. An act done before January 1, 2015, is not affected by the bill. If a right is 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.

Personal Representatives and Guardians

Standards for Personal Representatives and Guardians

Under current law, the Orphans' Court and 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" is not defined in statute or comprehensively defined in common law.

In addition, a guardian of the person or property of a minor or disabled person may be appointed by a court under specified circumstances and if specified criteria are met; however, there are no prohibitions relating to the appointment of a person who has a criminal conviction.

Senate Bill 321/House Bill 656 (both passed) define 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 bills also establish 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 bills prohibit 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.

The bill applies only prospectively, to letters granted and guardians appointed after October 1, 2014.

Criminal Injuries Compensation

The Criminal Injury Compensation Board (CICB) 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. *Senate Bill 940/House Bill 705 (both passed)* authorize 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 bills authorize 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 bills also require 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.

Registers of Wills

Under current law, 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 State Archives if space permits. *Senate Bill 391/House Bill 228 (both passed)* allow 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, microprocessed, 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 direct each register, in consultation with the Comptroller and the Maryland State Archives, to develop standards to ensure uniform application of the bills throughout the State.

Part G

Transportation and Motor Vehicles

Transportation

Transportation Projects and Planning

Department of Transportation – Revenue-backed Bonds

The Maryland Department of Transportation (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 Transportation Trust Fund (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 the Maryland Transportation Authority (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 *Senate Bill 88 (passed)*, which authorizes 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, certain revenue-backed bond payments are prohibited 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, are also authorized.

Metropolitan Planning Organizations

Federal regulations require that each urbanized area, as a condition to the receipt of federal capital or operating assistance, have a continuing, cooperative, and comprehensive

transportation planning process carried out by a metropolitan planning organization (MPO) in cooperation with the State that results in plans and programs consistent with the development of the urbanized area. The federal regulations further specify that each MPO must include (1) local elected officials; (2) officials of public agencies that administer or operate major modes of transportation in the metropolitan area; and (3) appropriate State officials.

House Bill 288 (passed) requires MDOT to give notice to certain General Assembly members before beginning the process of establishing, altering, or eliminating an MPO for transportation planning purposes in an area in the State that is designated by federal law as an urbanized area. The notice must be sent to each General Assembly member representing a State legislative district that is located fully, partially, or within one mile of the border of an urbanized area affected by the MPO change. In addition, MDOT must hold a public hearing related to the MPO if a member of the General Assembly who is provided with the required notice requests the hearing within 45 days.

Public Transportation

Fare Payment Improvements

The Maryland Transit Administration (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.

House Bill 636 (passed) requires 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.

Maryland Transportation Authority

Electronic Payment of Tolls

Since 1971, MDTA has been responsible for constructing, managing, operating, and improving the State's toll facilities and for financing new revenue-producing transportation projects. With the exception of the InterCounty Connector and planned express toll lanes on Interstate 95 north of Baltimore City, all toll plazas operated by MDTA have electronic tolling administered by EZ-Pass with at least one cash toll lane. However, there are plans to transition the Hatem Bridge over the Susquehanna River and the Key Bridge over the Patapsco River to all-electronic tolling (AET) by fiscal 2016.

Senate Bill 730/House Bill 389 (both passed) prohibit MDTA from implementing its initial proposal for AET at the Thomas J. Hatem Memorial Bridge before January 1, 2016. Further, MDTA must 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.

State Highway Administration

Compost and Compost-based Products

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.

House Bill 878 (passed) establishes 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 bill requires 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 bill to submit annual reports to the General Assembly, beginning December 1, 2015, on the volume and status of compost used in State highway construction projects and 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.

Local Highway User Revenues

Local Government Reporting

Revenue in the Gasoline and Motor Vehicle Revenue Account is distributed to MDOT and local jurisdictions in a certain ratio. This revenue, commonly referred to as "highway user revenues," is used by local governments to help develop and maintain local transportation projects. 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.

House Bill 1059 (passed) requires 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 report must be submitted to the Governor, the SHA, the Senate Budget and Taxation Committee, and the House Ways and Means Committee.

Motor Vehicles

Rules of the Road

Distracted Driving

The Insurance Institute for Highway Safety estimates that, at any given daylight moment, 660,000 people in the United States are using wireless electronic devices while driving. National surveys on distracted driving conducted by the National Highway Traffic Safety Administration (NHTSA) and other organizations appear to indicate a major disconnect between driving behaviors and the comprehension of risky behaviors that stem from the use of electronic devices. In other words, surveyed drivers generally believe it is dangerous for other drivers to make phone calls or text while driving.

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. In Maryland, a distracted driving crash is defined by the Department of State Police (DSP) 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.

The Maryland Highway Safety Office, which is part of the Motor Vehicle Administration (MVA) reports that, during the five-year span from 2008 through 2012, an average of 229 fatal crashes annually and 19,790 crashes with injuries annually involved at least one distracted driver. On average, during the same five-year period, 92,418 crashes occurred on Maryland roads annually. The proportion of distracted driving-related crashes exceeds one-fifth of total traffic crashes.

Senate Bill 348/House Bill 1212 (both passed) create a new offense that prohibits use of a handheld telephone or the writing, sending, or reading of a text message or electronic mail while driving and thereby causing an accident that directly results in the death or serious bodily

injury of another. If a person commits this offense, MVA must assess 12 points against the driver's license. 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. A sentence imposed under the bills must be separate from and concurrent with a sentence for another crime based in whole or in part on the act establishing the violation of the offense created by the bills.

Impaired Driving

DSP reports that, for the five-year period from 2008 through 2012, an average of 8,035 crashes in Maryland annually involved a driver impaired by alcohol or drugs. The average number of fatal crashes annually during the same time period was 158, with an average of 175 fatalities annually. The average number of crashes annually involving an impaired driver that resulted in injury was 2,782, with an average of 4,192 persons injured annually.

Repeat Offenders: *House Bill 957 (passed)* increases the penalties for a third or subsequent violation of (1) driving while impaired by alcohol; (2) driving while so far impaired by any drug, or drugs and alcohol, that the person cannot drive a vehicle safely; and (3) committing either of these offenses while transporting a minor. The penalty for a third or subsequent violation of either driving while impaired by alcohol or driving while so far impaired by drugs or drugs and alcohol that the person cannot drive safely, is increased 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 fine increases from a maximum of 1 year imprisonment or a fine of up to \$2,000 or both to a maximum of four years imprisonment or a fine up to \$4,000 or both.

Increasing Use of Ignition Interlock Devices: The federal Moving Ahead for Progress in the 21st Century law (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 devices. An ignition interlock device connects a motor vehicle's ignition system to a breath analyzer that measures a driver's blood alcohol concentration and prevents the car from starting if the concentration of alcohol in the blood exceeds a certain level.

In January 2012, NHTSA and the Federal Highway Administration 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 does not conform to MAP-21 provisions, the State is subject to having up to \$12 million of federal highway funds diverted from its transportation projects to alcohol education programs.

Senate Bill 87 (Ch. 17) is intended to conform to federal standards the repeat offender provisions for the offenses of driving under the influence of alcohol or alcohol per se or while impaired by a controlled dangerous substance. The Act establishes that specified repeat offenders of alcohol- or 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 (IISP). The Act repeals the authority of MVA to impose a 45-day mandatory suspension on these repeat offenders and issue a restricted license for

participation in the IISP for the remainder of the suspension period. Instead, if MVA issues a restricted license for participation in the IISP, the Act expands the minimum period of participation to one full year. **Ch. 17** also repeals the authority of MVA or a court to grant an exemption to repeat offenders to drive an employer-owned or -provided vehicle without an ignition interlock device.

In addition, **House Bill 1015 (passed)** requires an individual who 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 to participate in the IISP.

Speed Monitoring Systems in Local Jurisdictions

Chapter 15 of 2006 authorized the first use of speed monitoring systems in the State, but it only applied to highways in school zones and residential districts in Montgomery County. Chapter 500 of 2009 expanded statewide the authorization for the use of speed monitoring systems in school zones. Chapter 474 of 2010 authorized the use of speed monitoring systems in Prince George's County on a highway located within the grounds of an institution of higher education or on nearby highways under certain circumstances.

A number of bills were introduced in the 2013 legislative session, in part due to media scrutiny of speed cameras in Baltimore City and several other jurisdictions. This scrutiny has centered around two common criticisms of speed cameras: (1) that technical issues and insufficient review of recorded images result in erroneously generated citations; and (2) that the contracts with vendors are 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 cameras.

Senate Bill 350/House Bill 929 (both passed) alter, as of June 1, 2014, 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 bills also require local jurisdictions that operate speed monitoring systems to ensure that citations are sworn to by duly authorized law enforcement officers, designate an employee or official to review citations and address questions or concerns, and designate a program administrator to oversee and administer the speed monitoring system program. The bills (1) prohibit payments on a per-ticket basis to a contractor that administers or operates certain elements of the program and (2) require contracts to provide for the payment of liquidated damages by contractors if more than 5% of violations issued are erroneous. The bills also establish a statewide training program concerning the oversight and administration of local programs. A local jurisdiction is required to alter without penalty a contract existing before June 1, 2014, to comply with the bills by June 1, 2017. Finally, the bills require the Maryland Police Training Commission to compile an annual report on local speed monitoring programs.

Driving While Approaching Tow Trucks

A driver approaching from the rear an emergency vehicle that is stopped, standing, or parked on a highway and using an applicable visual signal, must, unless otherwise directed by a police officer or traffic control device, make a lane change into an available lane not immediately

adjacent to the emergency vehicle with due regard for safety and traffic conditions, if practicable and not otherwise prohibited. If the lane change cannot be made, then the driver must slow to a reasonable and prudent speed that is safe under the existing weather, road, and vehicular or pedestrian traffic conditions. *Senate Bill 3/House Bill 436 (both passed)* apply these duties to drivers approaching a properly registered tow truck.

High Occupancy Vehicle (HOV) Lanes

HOV lanes are located on two highways in Maryland: I-270, north of the Capital Beltway; and US 50, east of the Capital Beltway. Due to the method in which violations of the Maryland Vehicle Law are coded, it is very difficult for Maryland Department of Transportation (MDOT) officials to distinguish HOV lane-use violations from the many other types of violations involving traffic control devices. MDOT advises that tracking HOV lane violations is essential to be able to study HOV lane use, reduce HOV lane congestion, and properly target enforcement. *Senate Bill 33 (Ch. 6)* prohibits a person from driving a vehicle in an HOV lane unless the vehicle is carrying the required number of occupants specified by signs designating the HOV lane. The Act authorizes a bus, motorcycle, or plug-in electric drive vehicle that displays a specified permit to drive in an HOV lane at any time, regardless of the number of passengers in or on the vehicle.

Driver Licensing and Vehicle Registration

Organ Donor Designation

MVA must provide a method for a driver's license or identification card applicant to designate that he or she consents to the gift of all body organs or parts for the purposes of transplantation, therapy, or medical research and education. This donor designation is sufficient legal authority for the removal of a body organ or part on the death of the donor, and the designation may be removed only on written notice to MVA by the donor.

Senate Bill 813/House Bill 529 (both passed) require MVA to notify an applicant who selects designation as a donor that the designation remains effective until the applicant requests that the designation be removed. MVA must also notify the applicant that the designation may be removed by the applicant either by requesting a replacement document online or in person, or through the State donor registry. Unless removed, MVA must note an applicant's designation as a donor on all subsequently issued driver's licenses or identification cards. The bills also specify that, when an applicant selects designation as a donor, MVA is required, rather than authorized, to make a notation of the designation on the driver's license or identification card.

Farm Area Motor Vehicles

A Class K "farm area motor vehicle" is a motor vehicle owned by a farmer and operated only on a farm or on a highway within a 10-mile radius of the farm. Class K vehicles are subject to an annual registration fee of \$2.50, which is significantly less than the fees for farm trucks and farm trailers. Farm area motor vehicles are also exempt from the generally applicable required

security (insurance) requirements, used vehicle inspection certificate requirements, and requirements to enclose the bed of a vehicle carrying a load of loose materials.

Senate Bill 221/House Bill 575 (both passed) alter the definition of a farm area motor vehicle by increasing, from 10 miles to 25 miles, the distance from a farm that a vehicle may travel while remaining eligible to be considered a farm area motor vehicle. Additionally, the bills require, as part of the application for registration as a farm area motor vehicle, that the owner of the vehicle submit the most recent federal tax filing that shows active farming status. The bills are emergency measures that will terminate after five years.

Points for Illegal Dumping

Senate Bill 390/House Bill 386 (both passed) require MVA to assess points in a staggered manner based on the severity of the violation against the driver's license of a person convicted of certain littering offenses while operating a motor vehicle. For a more detailed discussion of these bills, see the subpart "Criminal Law" within Part E – Crimes, Corrections, and Public Safety in this *90 Day Report*.

Commercial Vehicles

Weight and Axle Load Limits

One of the State Highway Administration's (SHA) 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. However, the Maryland Vehicle Law allows for certain exceptions in special circumstances.

Exceptional Milk Hauling Permit: Chapter 415 of 2011 repealed, effective June 1, 2011, 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. ***Senate Bill 771/House Bill 1246 (both passed)*** re-establish a separate exceptional hauling permit for the transport of raw milk for specified vehicles. The permit authorizes 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 bills also establish 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 is eligible for use from March 1 through June 30 each year.

Buses and Auxiliary Power Units: ***Senate Bill 72 (Ch. 13)*** conforms specified provisions of the Maryland Vehicle Law to federal regulations governing vehicle weight and axle weight limits. Specifically, the Act (1) exempts over-the-road buses and intrastate public agency passenger buses from tandem axle weight limits, while maintaining overall weight limits

applicable to vehicles and vehicle combinations; and (2) increases the weight limit tolerance, from 400 to 550 pounds, for vehicles that use an auxiliary power unit or idle-reduction technology unit to reduce fuel consumption and emissions.

Snow Removal and Emergency Operations: Vehicles exceeding maximum weight or size limits that are engaged in snow removal or emergency operations must obtain a special permit in order to operate on a highway. This requirement to obtain a special permit can lead to delays in addressing emergency situations. *Senate Bill 86 (passed)* repeals the authorization for the issuance of special vehicle permits for oversize and overweight vehicles and establishes a separate exemption from size, weight, and load limits for vehicles owned by, or operated under a contract with, the State or a political subdivision of the State when engaged in snow or ice removal or emergency operations.

Preventive Maintenance Program

An owner of specified types of trucks and other similar vehicles, which are subject to the Preventive Maintenance Program, must have the vehicle inspected, maintained, and repaired at least every 25,000 miles or at least every 12 months, whichever occurs first. For trucks with a “dump service” registration that have been in operation for at least 18 years from the vehicle’s model year or first registration date, whichever is later, the inspection, maintenance, and repair must be completed at least every 12,500 miles or at least every 6 months, whichever occurs first.

Senate Bill 6 (Ch. 3) requires trucks and similar vehicles that are inspected as part of the MDOT preventive maintenance program to be inspected, maintained, and repaired by a “preventive maintenance technician.” The Act defines a preventive maintenance technician as a person who can provide evidence of a demonstrated understanding of inspection criteria through (1) a minimum of one year of experience in performing work to bring commercial motor vehicles into compliance with the requirements of the preventive maintenance program or (2) completion of a training program that is either sponsored by a commercial motor vehicle manufacturer or designed to train students in commercial vehicle operation and maintenance.

Safety Inspections and Utility Emergencies

Senate Bill 77 (Ch. 14) exempts farm vehicles from the MDOT preventive maintenance program. The Act also conforms to federal law provisions of the Maryland Vehicle Law governing commercial vehicle driver qualifications and hours of service for the intrastate operation of farm vehicles by repealing more restrictive State standards. The Act also repeals obsolete provisions pertaining to hours-of-service and reporting requirements for vehicles operated by utility companies during emergencies. Finally, the Act corrects the manner in which a commercial vehicle weight limit is applied.

Licensing

The Maryland Commercial Driver’s License Act implements the federal Commercial Motor Vehicle Safety Act and is intended to reduce or prevent commercial motor vehicle accidents by disqualifying drivers for certain criminal offenses and serious traffic violations and

by strengthening licensing and testing standards. In addition to establishing the licensing standards for commercial drivers, the State law enumerates the various grounds for which MVA may take administrative action against a commercial driver's license and extensively details the actions that MVA may take against the holder of a commercial driver's license and the various administrative procedures that govern these actions. The Maryland Commercial Driver's License Act only references commercial driver's licenses, however, and does not expressly apply to commercial instructional permits as federal law requires. *Senate Bill 26 (Ch. 5)* conforms provisions of the Maryland Vehicle Law to federal motor carrier safety regulations by making certain administrative penalties and procedures that apply to a holder of a commercial driver's license also apply to a holder of a commercial instructional permit.

Bicycles, Motor Scooters, and Low Speed Vehicles

Defining Bicycles

Electric Bicycles: Electric bicycles have experienced a surge in popularity. Electric bicycles have only a small motor to assist the rider's human power. Concerns have emerged in the bicycling and law enforcement communities as to whether electric bicycles should be governed as standard bicycles or as mopeds. Governing electric bicycles as mopeds would raise issues related to titling, insurance, helmet use, and authorized use of the vehicle. Furthermore, a person must obtain a moped operator's permit (or a driver's license) to operate a moped on a highway, for which the person must be at least 16 years of age.

Senate Bill 378/House Bill 205 (both passed) expand the definition of "bicycle" in the Maryland Vehicle Law to specifically include an electric bicycle. The bills establish that an electric bicycle is a vehicle that is designed to be operated by human power with the assistance of an electric motor, is equipped with fully operable pedals, has two or three wheels, has a motor with a rating of 500 watts or less, and is capable of a maximum speed of 20 miles per hour (mph) on a level surface when powered by the motor. The bills also exclude an electric bicycle from the definitions of "moped," "motorized minibike," and "motor vehicle," thus ensuring the governance of electric bicycles as standard bicycles.

Bicycles, Generally: *House Bill 250 (passed)* clarifies that the definition of bicycle includes a moped. Existing provisions that treat mopeds differently from bicycles under certain circumstances (for example, provisions governing authorized use and the requirements to obtain a certificate of title, to obtain a driver's license or moped operator's permit, carry insurance, and wear a helmet) remain in the Maryland Vehicle Law.

Operation on Roadways

Generally, a person may not ride a bicycle or motor scooter on any roadway where the posted maximum speed limit is more than 50 mph. *Senate Bill 520 (passed)* establishes exceptions to this prohibition. If a person is lawfully operating a bicycle or motor scooter on a shoulder adjacent to a roadway with a speed limit exceeding 50 mph, the person may enter the roadway if (1) attempting to make a left turn; (2) crossing through an intersection; or (3) the

shoulder is overlaid with a right turn, merge, or bypass lane, or any other marking that breaks the continuity of the shoulder.

Low Speed Vehicles

Low speed vehicles (LSV) have gained popularity because they are often low- or zero-emission vehicles and are relatively quiet, low cost, and energy efficient. Federal regulations that define an LSV are not specific about the power source of the motor vehicle. *House Bill 882 (passed)* alters the definition of an LSV to be a four-wheeled *motor* (rather than *electric*) vehicle that has a maximum speed capability that exceeds 20 mph but is less than 25 mph, thus authorizing the use of gasoline powered low speed vehicles.

Miscellaneous

Unauthorized Use of Rented Motor Vehicle

House Bill 243 (passed) repeals 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 person 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.

Inspection Certificates for Used Vehicles

The Automotive Safety Enforcement Division of DSP must prepare inspection certificate forms and provide them without charge to inspection stations. When a licensed dealer that is also an inspection station transfers most types of used vehicles, it is required to prepare and attach an inspection certificate to a window of a vehicle or have one prepared and attached by another inspection station. If any other person transfers a used vehicle, generally the person must obtain an inspection certificate from an inspection station and have the inspection certificate attached to a window of the vehicle. Before MVA titles and registers a used vehicle, it must require the applicant to present a valid inspection certificate for the vehicle, and the person transferring the vehicle must remove the inspection certificate from the window and present it to MVA on application for a certificate of title.

House Bill 246 (Ch. 91) requires the Automotive Safety Enforcement Division to establish the manner and format for the submission of an inspection certificate for the transfer of a used vehicle and authorizes, but does not require, electronic submission.

Electric Vehicles and Recharging Equipment

Senate Bill 908/House Bill 1345 (both passed) alter the existing qualified plug-in electric vehicle excise tax credit by altering the value of the credit and extending through fiscal 2017 the termination date of the program. The bills also repeal the electric vehicle recharging equipment income tax credit and replace the credit with a rebate program administered by the Maryland

Energy Administration. For a more detailed discussion of these bills, see the subpart “Miscellaneous Taxes” within Part B – Taxes of this *90 Day Report*.

Part H

Business and Economic Issues

Business Occupations

Barbershops Operating in Montgomery County

Barbershops located in Montgomery County – unlike beauty salons located in the State or barbershops located in any other county – are prohibited from operating for more than six days per week. *Senate Bill 306 (Ch. 54)* repeals the restriction and puts barbershops in Montgomery County on the same footing as other barbershops and beauty salons in the State.

Professional Land Surveyors – Enhanced Education and Modified Experience Requirements

According to the Maryland Society of Surveyors, the average age of a professional land surveyor in the State is 57 and, by 2022, at least one-half of the professional land surveyors licensed by the State Board for Professional Land Surveyors will have retired. Advances in technology over the last several years have revolutionized the way that professional land surveyors prepare property surveys, design roads and highways, and perform other work within the scope of the license. The Maryland Society of Surveyors indicates that 23 states and the District of Columbia require a college degree as a prerequisite for state licensure as a professional land surveyor and that states are moving toward this requirement because of the increasingly technical nature of the job. Among the four existing pathways to licensure in Maryland, two pathways require some college education while two pathways require only experience and examination.

House Bill 702 (passed) alters the requirements for licensure by phasing in new education and experience requirements over time. The bill phases out one academic pathway after December 31, 2023, and one nonacademic pathway after December 31, 2025. Both remaining pathways will require at least 32 credit hours of land surveying-related courses approved by the board.

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. *Senate Bill 1106 (Ch. 79)* updates 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 requires 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 had been the subject of specified judicial or administrative sanctions.

Security Systems Services – Investigation of Complaints

The Department of State Police licenses, registers, and regulates agencies and persons that provide 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. *Senate Bill 399 (Ch. 57)* requires the Secretary to conduct an investigation that relates to any complaint alleging that an unauthorized person has provided security systems services. A complaint must (1) be in writing and under oath; (2) state specifically the facts on which the complaint is based; and (3) be filed with the Secretary.

Sunset Evaluations – Reauthorization of Regulatory Authority

Elevator Safety Review Board and the Division of Labor and Industry

The Elevator Safety Review Board licenses and regulates professionals that construct, repair, renovate, and maintain elevators, dumbwaiters, escalators, moving walks, and other related equipment. In its 2011 preliminary sunset evaluation, the Department of Legislative Services (DLS) concluded that it could not fully assess the financial stability of the board or the Elevator Safety Review Board Fund due to the unreliable revenue data provided by the Department of Labor, Licensing, and Regulation (DLLR) resulting from coding errors in accounting and inadvertent commingling of funds. After reviewing a follow-up report from the board that addressed the issues raised in the preliminary sunset evaluation, DLS recommended that the board be waived from further evaluation and that the board's termination date be extended by five years to July 1, 2019. *Senate Bill 293/House Bill 257 (both passed)* implement these recommendations and require another preliminary evaluation to be conducted by December 15, 2016.

The bills also repeal a sunset provision related primarily to a mediation and arbitration program under the Division of Labor and Industry. Due to an oversight, Senate Bill 305 of 2013

(Ch. 224 of 2013), which implemented the DLS full sunset evaluation recommendations for the Division of Labor and Industry and Associated Boards and Councils, did not repeal this sunset provision along with other sunset provisions. With the repeal of the mediation and arbitration sunset provision, that program within the division remains subject to evaluation, but not termination.

State Board of Foresters

The State Board of Foresters licenses and regulates approximately 200 individuals who practice forestry in the State, which is defined as “the application, for compensation, of scientific techniques to the planting, conservation, protection, and management of trees and related resources for their continuing use, whether found in large numbers and areas commonly known as forests, woodlands, and woodlots or in small groupings and individual trees in suburban and urban settings.” Several times since the board’s establishment in 1972, DLS has recommended through the sunset review process that the General Assembly terminate the board due to factors such as (1) the availability of a national professional certificate with similar or more rigorous qualification standards; (2) the low number of consumer complaints filed against foresters; (3) the board’s difficulty in securing a quorum for its meetings due to multiple vacancies; and (4) the fact that few states license foresters.

Although legislation failed during the 2013 session that would have extended the termination date for the board and required a subsequent evaluation of the board, *House Bill 511 (passed)* extends the termination date by 10 years to July 1, 2025, and requires a preliminary evaluation of the board by December 15, 2022.

State Board of Individual Tax Preparers

Chapter 623 of 2008 (the Maryland Individual Tax Preparers Act) established the State Board of Individual Tax Preparers to protect the public from incompetent, unqualified, and corrupt tax preparers. The Act established standards for the field of tax preparation and requires an individual to be registered by the board before providing individual tax preparation services in the State. Although enacted in 2008, Chapter 623 was not implemented until fiscal 2011 because the necessary staff and corresponding funds had not yet been authorized to create the board. Consequently, the board did not begin registering individuals until June 2011. Approximately 4,000 individuals are registered with the board.

The board underwent a preliminary evaluation as part of sunset review in 2013, in which DLS recommended that the board be waived from further evaluation and that the board’s termination date be extended by 10 years to July 1, 2026. *Senate Bill 297 (Ch. 53)* implements these recommendations and requires another preliminary evaluation to be conducted by December 15, 2023. Additionally, the Act requires the board to submit a follow-up report that provides an update on the board’s expenditures and special fund balance and recommends any further legislative changes needed to support the board’s enforcement responsibilities.

State Board of Stationary Engineers

The State Board of Stationary Engineers licenses and regulates the professionals who operate and maintain steam and power generators, heating plants, boilers, pressure valves, and other systems. In 2011, the DLS preliminary sunset evaluation determined that it was too early to assess whether recent actions that the board had taken to improve compliance with the licensing requirement, coordinate efforts with the Board of Boiler Rules, and address the shortage of stationary engineers had been effective. DLS deferred recommending that the board be waived from further evaluation until DLS received a follow-up report from the board. In 2012, a follow-up report from the board addressed the issues raised in the preliminary evaluation, including (1) board meetings and coordination with the Board of Boiler Rules; (2) complaint volume; (3) board revenues relative to expenditures; and (3) potential merger of the board with the Board of Boiler Rules. In December 2012, DLS submitted an update on the preliminary evaluation that recommended that the board be waived from further evaluation and that the board's termination date be extended by 10 years to July 1, 2024.

Senate Bill 292 (Ch. 51) implements the recommendations of the 2012 update of the preliminary evaluation and extends the board's termination date by 10 years to July 1, 2024. Another preliminary evaluation of the board must be completed by December 15, 2021.

Business Regulation

Automated Purchasing Machines – State Licensure Requirements and Related Transaction, Recordkeeping, and Reporting Requirements

Senate Bill 382/House Bill 918 (both passed) require a person to be licensed by the Secretary of the Department of Labor, Licensing, and Regulation before doing business as a buyer of personal property, usually small electronics, by means of an automated purchasing machine (APM) in the State. (A county or municipality may also license APMs or prohibit their installation or operation within the jurisdiction.) The bills establish 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 designate by resolution 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 bill 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 bills set forth detailed transaction, recordkeeping, and reporting requirements for purchases made by APMs. During each transaction, a seller is required to submit specified

identifying information (including a copy of a government-issued identification and a photograph of the seller) that is screened in real time by an employee of the buyer. If the item to be purchased is an electronic device, the APM is required to make a record of the make, model, and serial number of the device and a final purchase decision is subject to specified conditions. The record of each transaction, including required information about the seller, device, and transaction screener, must be submitted to the primary law enforcement unit within 48 hours of each transaction in a written or electronic format acceptable to the unit. A buyer must retain copies of required records for at least one year after the date of a transaction.

All personal property purchased by a licensed buyer through an APM is subject to retention and inspection requirements. Purchased personal property must be retained for at least 30 days after submission of required records to the primary law enforcement unit. A buyer is required to remove personal property from an APM in intervals of no less than 10 days and must notify the primary law enforcement unit at least 72 hours before the time and date of the scheduled removal. On the request of the primary law enforcement unit, a buyer is required to make personal property available for inspection or provide it to the unit for specified reasons at the cost of the buyer.

The bills also establish penalties for knowingly or willfully violating the APM law.

Charitable Organizations and Representatives – Enforcement Authority and Protection of Assets

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. *House Bill 1352 (passed)* authorizes 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. *House Bill 1352* also requires the Attorney General to represent the public interest in the protection of charitable assets, subject to specified authorities and conditions.

Further, the bill increases 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 bill. Specifically, the bill expresses legislative intent that the fund be used to provide additional resources for the administration and enforcement of existing laws related to charitable contributions and the new provisions related to the protection of charitable assets. 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.

Cemetery Services – Oversight of Trust Funds

There are two types of trust funds related to cemetery services regulated by the Office of Cemetery Oversight: perpetual care trust funds and preneed trust accounts. In general, *House Bill 13 (Ch. 81)* makes the treatment of money deposited in both types of funds consistent with each other. The Act clarifies 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 are also established to mirror those already in place for perpetual care trust funds, except that crematories are also included for preneed trust accounts. Specified distributions of funds from preneed trust accounts are required to include a prorated proportional share of total realized capital gains attributable to those funds.

Cigarette Sales – Restrictions on Licensees

House Bill 1159 (passed) prohibits 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.

Home Improvement Guaranty Fund – Facilitation of Small Claims

The Home Improvement Guaranty Fund was established to compensate a homeowner for the actual loss created by a home improvement contractor who is licensed by the Maryland Home Improvement Commission. The commission investigates each 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. Awards from the fund are limited to \$20,000 for a single claimant for the acts or omissions of a single contractor, and awards are limited to \$100,000 to all claimants for acts or omissions of a single contractor unless the contractor reimburses the fund for all of the payouts. After the commission pays a claim from the fund, the commission has a right to reimbursement of the fund by the contractor responsible for the act or omission. *House Bill 6 (passed)* increases the maximum claim amount against the fund for which the commission may issue a proposed order without a hearing – from \$5,000 to \$7,500. The bill also increases the length of time that a contractor has

to reimburse the fund for claims paid by the fund on the contractor's behalf from 30 days to 60 days.

Miscellaneous

Removal of Members from Boards, Commissions, or Councils under DLLR

House Bill 168 (passed) establishes that a member of a board, commission, or council under DLLR is considered to have resigned if the member does not attend at least two-thirds of the meetings of the board, commission, or council during any consecutive 12-month period while the member was serving on the board, commission, or council. The Governor may 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.

Sunday Car Sales in Charles County

Senate Bill 344/House Bill 344 (both passed) authorize the Charles County Board of Commissioners, after a public hearing, to adopt an ordinance allowing new and used car dealers in the county to conduct business on Sundays.

Public Service Companies

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. *House Bill 1168 (passed)* prohibits the Public Service Commission (PSC) from approving a certificate of public convenience and necessity for the construction of a wind-powered generating station that includes any wind turbine exceeding specified heights within a specified area, described below, before July 1, 2015. The bill likewise prohibits any person from undertaking construction of such a wind-powered generating station. In evaluating any proposal for a wind-powered generating station within the specified area, PSC must review and consider all available pertinent information relating to the potential for interference of the project on the maintenance and operations of the Atlantic Test Range utilized by NAS and related defense facilities.

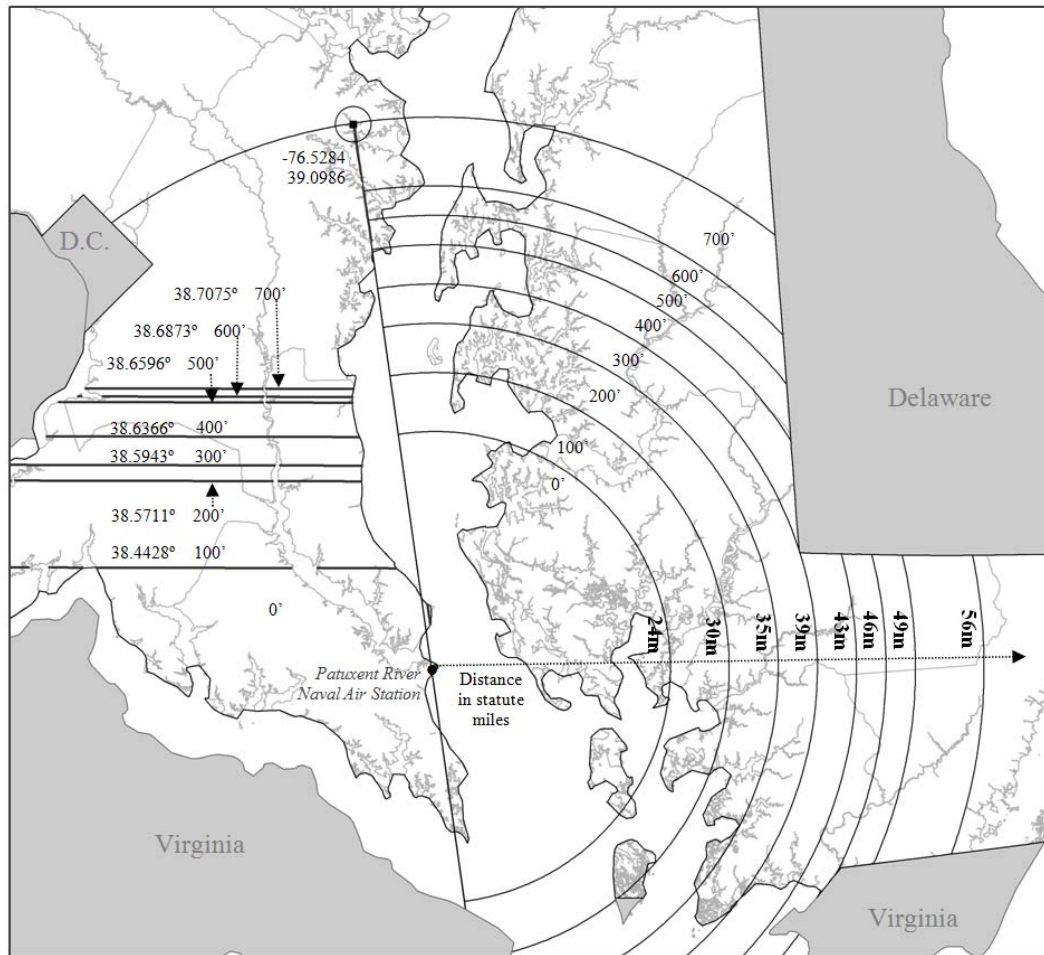
Senate Bill 259/House Bill 861 (both passed) authorize the Maryland Agricultural Land Preservation Foundation to approve the use of land subject to an agricultural easement for the generation of electricity by a facility using an "authorized renewable energy source" under

specified conditions and subject to certain requirements – including area and height limitations for wind-powered generating stations identical to those specified in [House Bill 1168](#). For a more detailed discussion of this issue, see the subpart “Agriculture” within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

The area referenced by [House Bill 1168](#) and [Senate Bill 259/House Bill 861](#) is a 56-mile radius measured from NAS, with height limitations in sectors described by ranges and bearings. This is a land area of approximately 3,875 square miles (39.7% of the total State land area of approximately 9,750 square miles). On the eastern side of the Chesapeake Bay, turbines of any height are prohibited within 24 miles of NAS, with increased heights authorized as the distance increases. For most of the defined area on the western side of the Chesapeake Bay, maximum authorized turbine heights are determined by latitude. Turbines of any height are prohibited below 38.4428N. **Exhibit H-1** is a map of the areas and the turbine heights authorized in each sector.

Turbines for land-based wind farms have been installed in several locations in Western Maryland in recent years. Garrett County, unlike most of the State, has not adopted comprehensive countywide zoning and, instead, has obtained limited control over turbine siting under Chapter 463 of 2013. A March 2013 letter from the Attorney General reviewed for constitutional and legal sufficiency a provision relating to adjoining property owners’ consent to a variance from a setback requirement contained in the Act. The letter advised that, even though the State may enact a setback requirement for wind turbines in Garrett County, any such law is likely to be unconstitutional on due process grounds if it requires the consent of adjoining property owners as a condition of seeking a variance from the Act’s zoning-style restrictions. [Senate Bill 2](#) (*passed*) repeals the provision of the Act that required adjoining property owners’ consent.

Exhibit H-1
Geographic Range – House Bill 1168 and Senate Bill 259/House Bill 861
Authorized Wind Turbine Height by Distance from Reference Point



Source: Department of Legislative Services

Clean Energy and Energy Efficiency Initiatives

Several “green banks” have been established recently in other states as vehicles for clean energy financing initiatives. [Senate Bill 985](#) (passed) requires the Maryland Clean Energy Center (MCEC), in collaboration with the Maryland Energy Administration (MEA), to conduct a study and make recommendations related to green banks and clean bank financing initiatives, including aspects of implementation and funding. MCEC, in collaboration with MEA, must submit an interim report by December 1, 2014, and a final report by December 1, 2015, on its

findings and recommendations to the Senate Finance Committee and the House Economic Matters Committee.

MEA administers the Jane E. Lawton Conservation Loan Program to provide financial assistance in the form of low-interest loans to nonprofit organizations, local jurisdictions, and eligible businesses for various energy efficiency and renewable energy projects. Over the past year, the agency solicited feedback from program participants on how to improve the efficiency and effectiveness of the program. As a result, *Senate Bill 875/House Bill 1165 (both passed)* modify the program by, among other things, (1) repealing provisions relating to renewable energy projects; (2) expanding the definition of eligible business; and (3) allowing for the Jane E. Lawton Conservation Fund to be used for credit enhancements of financing offered by a bank or financial institution for a project.

Poultry litter as a fuel for electricity generation has been included in the State's renewable energy portfolio standard from the start in 2004, first as a Tier 2 source and later in Tier 1 as of 2008. Nevertheless, no renewable energy project using poultry litter to generate electricity on a commercial scale has been constructed in the State. As introduced, *Senate Bill 521/House Bill 1076 (both failed)* would have established an energy-generating cooperative structure and tariff in the State and would have established an advisory committee to make policy recommendations in this area.

Consumer Protection

Electric and gas utility customers may choose to purchase their electricity and natural gas from a competitive supplier while the utility company still delivers and bills the customer for the electricity and gas. However, some competitive suppliers have at times engaged in activities in violation of State law. In a notable recent case, PSC fined Starion Energy \$350,000 and assessed additional penalties for violations of multiple State laws and PSC regulations. The violations included enrolling customers without their consent (also known as slamming), failing to obtain proper licensing in certain jurisdictions, and engaging in false and misleading marketing and sales practices. *Senate Bill 1044/House Bill 928 (Chs. 77 and 78)* require PSC to submit a report to the General Assembly by January 1, 2015, on the status of PSC's efforts to provide appropriate protections for consumers in connection with competitive retail electricity and gas supply, including recommendations as to how to better protect utility customers. PSC must convene a workgroup of interested persons to advise PSC on the information and recommendations that should be included in the report.

Due to several major outage events in recent years, there has been an enhanced focus on improving electric reliability in the State. *House Bill 35 (passed)* establishes 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 must administer 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.

Transportation

PSC regulates taxicabs in four jurisdictions: Baltimore City, Baltimore County, Hagerstown, and Cumberland. Generally, a person must have a permit issued by PSC whenever the person operates as a taxicab business in or from a point in these locations. A fixed charge may be made for any trip by taxicab between a point within the political subdivision in which the taxicab is normally operated and a point outside of the political subdivision, at a rate PSC approves. The Maryland Port Administration has become concerned by reports of a wide disparity in rates charged between its cruise terminal and several common tourist destinations. *Senate Bill 356/House Bill 1147 (both passed)* authorize a taxicab in Baltimore City to charge a fixed amount for a trip within the city between the administration's cruise terminal facilities and (1) Fort McHenry; (2) the World Trade Center Institute in Baltimore; or (3) Penn Station in Baltimore. PSC may also approve a fixed charge for other trips by taxicab between specified points within the city.

When the University of Maryland, College Park (UMCP) and the City of College Park initially sought approval to allow city residents to use UMCP shuttle services, an Attorney General's opinion from the Board of Public Works stated that such an opening of services would make the shuttle a "common carrier," requiring the shuttle to receive a motor carrier permit from PSC. Chapters 346 and 347 of 2008 temporarily exempted the shuttle service from this requirement, and Chapter 373 of 2011 extended the exemption to June 30, 2014. The current agreement between UMCP and the City of College Park enables 1,000 city residents to ride the UMCP shuttle in exchange for \$6,000 for the current fiscal year. *House Bill 1057 (passed)* repeals the June 30, 2014 termination date of the exemption.

Senate Bill 919/House Bill 1160 (both failed) would have defined and exempted from the definition of a common carrier "transportation network application companies" (such as Uber and Lyft) and "transportation network operators" (certain drivers for the companies). A separate regulatory system would have been established for transportation network services that encompassed transportation network application companies and transportation network operators.

Insurance – Other than Health

Property and Casualty Insurance – Notices to Insureds

Senate Bill 977 (passed) alters 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 bill, these notices may be sent by a “first-class mail tracking method.” The bill defines “first-class mail tracking method” as a mail tracking method that provides evidence of the date that a piece of first-class mail was accepted for mailing by the United States Postal Service (USPS). This definition includes a certificate of mail and an electronic mail tracking system used by USPS, but it does not include a certificate of bulk mailing. The electronic mail tracking system uses a bar code method that can be used to prove the date the notice was sent and the date the notice was delivered.

Motor Vehicle Insurance

Task Force to Study Methods to Reduce the Rate of Uninsured Drivers

Senate Bill 153 (Ch. 41) establishes 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 consists of legislators and representatives of the appropriate State agencies, consumer groups, companies that write private passenger motor vehicle insurance, insurance producers, and the plaintiffs’ bar. The Department of Legislative Services is required to staff the task force, with assistance from MVA and the Maryland Insurance Administration (MIA).

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. A final report with findings, recommendations, and any proposed legislation is due by December 31, 2015.

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 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, *Senate Bill 456 (passed)* expands the definition of “premium” for the purposes of State insurance laws to include a driving record report fee and an accident history report fee.

Maryland Automobile Insurance Fund – Installment Payment Plan – Prepayment Discount

Since February 2012, the Maryland Automobile Insurance Fund (MAIF) has offered a discount to policyholders who pay their premiums in full. MAIF considers the discount a powerful tool that reduces the total number of uninsured drivers in the State. 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. In 2012, 2.5% of MAIF policyholders received the paid-in-full discount. In that year, individual discounts ranged from \$25.79 to \$450.37, with an average policyholder discount of \$95.05.

This discount, currently set at 5%, was approved by the Commissioner. However, the Commissioner has expressed concern that MAIF may not be able to offer the discount under the language of Chapter 334 of 2013, which states, “[t]he Fund may not discriminate among insureds by charging different premiums based on the payment option selected by an insured.”

Senate Bill 53 (Ch. 9) clarifies 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 clarifies legislative intent and preserves 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.

Limited Lines Insurance

In January 2014, MIA released a report concerning limited lines insurance in the State. MIA reports that Maryland currently authorizes eight limited lines: (1) title insurance (attorneys and law firms); (2) travel insurance; (3) motor vehicle insurance (liability and physical damage); (4) health maintenance organizations enrolling Medicaid recipients; (5) rental vehicle insurance; (6) credit insurance; (7) portable electronics insurance; and (8) viatical settlement brokers. According to the report, national standards provide that a state should authorize nine or fewer limited lines of insurance. The four “core” limited lines of insurance suggested by the National Association of Insurance Commissioners (NAIC) are credit insurance, crop insurance, rental car insurance, and travel insurance.

Travel Insurance

According to NAIC, 46 jurisdictions have authorized the sale of travel insurance as a limited line. MIA reports that 1,703 actively licensed insurance producers in Maryland are authorized to sell travel insurance as a limited line of insurance. *Senate Bill 79 (Ch. 15)* modernizes Maryland law governing travel insurance.

The Act defines “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. “Travel insurance” does not include a major medical plan that provides comprehensive medical protection for a traveler on a trip lasting six months or longer, such as an individual working outside the United States or military personnel being deployed.

The Act authorizes the Commissioner to issue a limited lines license to an individual or business entity that sells travel insurance. The Act also authorizes 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. A limited lines travel insurance producer may be (1) a licensed managing general agent or third-party administrator or (2) a licensed insurance producer or limited lines insurance producer.

Among other requirements for the offer and dissemination of travel insurance by a travel retailer, the Act requires the limited lines travel insurance producer or travel retailer to provide specified written information to a purchaser of travel insurance. 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 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.

The Act prohibits a travel retailer’s employee or authorized representative from evaluating or interpreting technical terms, benefits, and conditions of the offered coverage, or evaluating and providing advice concerning a prospective purchaser’s existing coverage. 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.

The Commissioner is required to keep track of complaints from consumers relating to the offering and dissemination of travel insurance by travel retailers and their employees and authorized representatives. Based on these complaints, and other information the Commissioner determines is necessary, the Commissioner must determine whether and how travel retailers, their employees, and their authorized representatives should be compensated for offering and disseminating travel insurance. The Commissioner’s findings and recommendations must be reported to the Senate Finance Committee and House Economic Matters Committee on or before January 1, 2017.

Self-service Storage Producers

According to the Self-Storage Association (SSA), there are 48,404 self-service storage facilities in the United States, with 530 located in Maryland and 65% of facility owners in the United States own a single facility. SSA estimates that 73% (387) of the facilities in the State are small businesses.

The January 2014 MIA report on limited lines insurance notes that 14 states permit the sale of self-service storage limited lines insurance. Of those states, none requires an examination to receive a self-service limited lines license, only one requires pre-licensing and continuing education, and almost all require employee training.

Senate Bill 490/House Bill 603 (both passed) authorize 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 to sell coverage to occupants at the self-service storage facility for the loss of or damage to stored personal property that occurs at the facility. An owner may not sell this insurance unless the owner, as a business entity, holds a self-service storage producer limited lines license and has a designated responsible producer. The bills require the Commissioner to issue a license to an owner and to a designated responsible producer who meet specified requirements.

Among other requirements under the bills, 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 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 insurance.

The bills establish certain grounds on the basis of which the Commissioner may suspend, revoke, or refuse to renew a limited lines license as a self-service storage producer. The Commissioner also is authorized to impose a penalty in a specified amount and require restitution for violations of the self-service insurance producer law.

Under the bills, 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 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 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. Based on these complaints, and other information the Commissioner determines is necessary, the Commissioner must determine whether and how self-service storage producers, their employees, and their authorized representatives should be compensated for offering and selling self-service storage insurance. The Commissioner's findings and recommendations must be reported to the Senate Finance Committee and House Economic Matters Committee on or before January 1, 2017.

Title Insurance

Commitments and Sample Policy Forms

Senate Bill 624/House Bill 679 (both passed) establish 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 rights, duties, and responsibilities applicable to the preparation or issuance of an abstract of title do not apply to the issuance of a title insurance commitment or sample policy form. An abstract of title is a representation of the state of title to property based on a review of the records that impart constructive notice relating to title to property in the State. For example, an abstract of title will indicate the ownership of the property, mortgages, and liens on the property, and whether there are restrictive covenants and easements binding the property. A title insurance commitment or sample policy form will list various matters to be resolved, such as payment of mortgages, liens, and taxes in order to insure the title, and will list various restrictive covenants and easements that will continue to bind the property.

The bills are 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 bills do 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

Senate Bill 881/House Bill 1082 (both passed) require 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.

The bills also require each title insurer to file, with its required annual statement, a certification by a member in good standing of the Casualty Actuarial Society, or by a member in good standing of the American Academy of Actuaries who has been approved by the Casualty Practice Council of the American Academy of Actuaries, as to the adequacy of the title insurer's reserves.

The bills take effect June 1, 2014, and must be construed to apply retroactively to affect all title insurance contracts in effect on that date.

Legal Mutual Liability Insurance Society of Maryland

Senate Bill 886/House Bill 1225 (both passed) wind up the affairs of the Legal Mutual Liability Insurance Society of Maryland (Society) and transfer all remaining assets and liabilities to the Property and Casualty Insurance Guaranty Corporation (Guaranty Corporation) by establishing the Minnesota Lawyers Mutual Insurance Company (Minnesota Mutual) as conservator for the transfer.

The bills require 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. On January 1, 2016, §§ 24-101 through 24-110 of the Insurance Article related to the Legal Mutual Insurance Society of Maryland are repealed.

During the conservatorship, Minnesota Mutual must report at least once every three months to the Commissioner on the status and progress of the conservatorship and the preparation for transfer of any remaining policies, assets of the Society, and liabilities under policies issued by the Society to the Guaranty Corporation. In addition to the required quarterly reports, on or before January 1, 2015, Minnesota Mutual shall report to MIA, the Guaranty Corporation, the Senate Finance Committee, and the House Economic Matters Committee on the status of the conservatorship, the winding up of the Society's affairs, and the progress of the transfer of its policies, assets, and liabilities to the Guaranty Corporation.

Minnesota Mutual must provide a specified public notice about the conservatorship and transfer that must be published (1) in at least two newspapers of general circulation in the State; (2) on the websites of the Society, Minnesota Mutual, and the Guaranty Corporation; and (3) as in any other manner or frequency that the Commissioner requires.

The 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 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 present time, the Society has no active insurance policies in force. For these reasons,

the Society is no longer needed for its original purpose and although the Society is not an impaired insurer, 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 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.

Reinsurance

Senate Bill 999 (passed) makes several changes to the NAIC model relating to reinsurers that was enacted into Maryland law by Chapter 321 of 2013. The bill requires 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 bill also requires 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 bill authorizes 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.

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. The fee charged by a public adjuster is negotiable and not set by law. 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, *Senate Bill 97 (Ch. 24)* prohibits a person from paying, allowing, giving, or offering to pay, allow, or give any valuable consideration to an insured as an inducement to use the services of a public adjuster.

Fraud Violations – Civil and Criminal Actions

Senate Bill 99 (Ch. 26) establishes 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. Specifically, a criminal prosecution may be brought in any county in which (1) an element of the insurance fraud was committed; (2) the purported insured loss occurred; (3) the insurance policy in question provides coverage; (4) the insurer or an agent of the insurer received a false or misleading statement or document; (5) the defendant or respondent resides; or (6) money or other benefit was received as a result of the insurance fraud.

The Act authorizes the 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 authorizes 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.

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. Insurance fraud 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. Common insurance fraud schemes include the submission of exaggerated or false insurance claims, premium diversions by unscrupulous insurance producers, and duplicate submission of the same claim to multiple insurers.

MIA reports that, in the State, jurisdiction for insurance fraud is largely determined by where a false statement was received by an insurer or where it was sent from by the perpetrator. When the insurer is located outside of Maryland, MIA must prove from where the fraudulent statement originated. MIA reports that this has become extremely problematic due to current technological advancements. Cellular telephone and computer transmissions can occur anywhere and are extremely difficult to locate or prove the origin of a transmission. However, without this evidence to determine jurisdiction, the Fraud Division cannot pursue the case. This has led to the rejection of many otherwise viable cases.

Premiums and Charges – Administrative Expenses of Insurers

The administrative expenses submitted by an insurer to the 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. By reviewing these additional vendor costs, MIA can ensure that consumers are not charged twice for the same electronic payment service.

Senate Bill 100 (Ch. 27) requires 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.

Horse Racing and Gaming

Horse Racing

Maryland Horse Racing Act – Sunset Extension

Senate Bill 527/House Bill 988 (both passed) extend the termination date for the Maryland Horse Racing Act by 10 years to July 1, 2024, and require the Department of Legislative Services 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.

State Lottery

Background Investigations

Senate Bill 107 (passed) requires the State Lottery and Gaming Control Agency (SLGCA) to apply to the Criminal Justice Information System Central Repository for a State and national criminal history records check for each new applicant for a State lottery sales agent license.

Lottery Agents

Senate Bill 108 (passed) prohibits a person or governmental unit from presenting itself to the public as a State lottery ticket sales agent without specifically being authorized by SLGCA. Only an authorized agent may use the term “Maryland State Lottery” or comparable variations in the title or name of a charitable or commercial enterprise, product, or service. A violator is guilty of a misdemeanor and, on conviction, subject to a fine and/or imprisonment.

Senate Bill 172 (passed), the Budget Reconciliation and Financing Act of 2014 (BRFA), contains a provision that permanently establishes the regular commissions of licensed lottery sales agents at 5.5% of the agent’s gross receipts from ticket sales. BRFA also repeals a lottery agent incentive pool while maintaining the authority of SLGCA to pay bonuses to lottery agents.

Lottery Sales and Revenues

Senate Bill 374 (passed) establishes a Task Force to Study Lottery Revenue, with a focus on online sales and lottery agent commissions. Among the issues that the task force must study are:

- data on the causes of lottery revenue declines;
- potential innovations that may improve the lottery experience and restore revenues, including the use of online platforms for lottery sales;
- lottery agent commissions and bonus incentive programs; and

- e-commerce, banking, privacy, and security related to lottery sales.

While the bill requires a study and a report of the findings of the task force, it also states that it is the intent of the General Assembly that SLGCA not implement any new e-commerce related to lottery sales prior to the end of the 2015 legislative session.

Video Lottery Terminals and Table Games

Local Impact Grants

Senate Bill 172 (passed), the BRFA of 2014, contains a provision that alters the distribution of local impact grants from video lottery terminal revenues. The BRFA 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.

Individuals Under the Age of 21

Senate Bill 481/House Bill 275 (both passed) prohibit an individual younger than age 21 from (1) playing a table game or video lottery terminal 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. The bills subject a violator 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 video lottery terminal.

Emergency Suspension of License

House Bill 454 (passed) authorizes the State Lottery and Gaming Control Commission to suspend a gaming license on an emergency basis if it is necessary to protect the State's gaming program against a serious and imminent risk of harm to its integrity, security, or profitability. The bill requires that, in the event of an emergency suspension, the commission must promptly schedule a hearing and provide written notice of the suspension. The commission licenses (1) video lottery operators; (2) manufacturers; (3) persons who manage, operate, supply, provide security for, or provide service, maintenance, or repair for video lottery terminals or table games; and (4) video lottery employees.

Background Investigations

House Bill 460 (passed) requires the State Lottery and Gaming Control Commission, rather than the Department of State Police, to conduct background investigations of applicants for video lottery operation licenses and related licenses. The commission may also refer a license application to an approved vendor to conduct the investigation.

Child Support Payment Intercepts

House Bill 907 (passed) establishes a program to intercept certain video lottery facility prizes to satisfy child support arrearages. Under the bill, 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. The bill does not apply to a prize won at a video lottery facility on or before June 1, 2015.

Local Gaming

Frederick County

House Bill 329 (Ch. 97) increases the number of gaming events per year that an eligible organization in Frederick County may conduct with a prize greater than \$5,000 from one event to four events.

Kent County

Senate Bill 899 (passed) increases the number of gaming permits that the Kent County Commissioners may issue in a single year to a qualified organization from two permits to six permits.

Washington County

Senate Bill 465/House Bill 1385 (both passed) repeal the requirement that a member of the Washington County Gaming Commission must immediately stop serving on the commission if the member serves on the board of directors or as an officer of an organization applying for funds from the commission. Instead, the commission must adopt conflict of interest regulations that are applicable to commission members.

Worcester County

Senate Bill 441 (Ch. 60) abolishes the Worcester County Bingo Board and transfers its duties, responsibilities, and oversight of bingo to the Worcester County Department of Development Review and Permitting.

Economic Development

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 are 30 enterprise zones in 12 counties and Baltimore City. The Secretary of the Department 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. *Senate Bill 600/House Bill 742 (both passed)* establish the Regional Institution Strategic Enterprise (RISE) Zone Program, to be administered by the Department of Business and Economic Development (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.

The bills define a qualified institution as an entity designated by the Secretary as a qualified institution and which may include (1) a regional higher education center; (2) an institution of higher education; or (3) a nonprofit organization that is affiliated with a federal agency. The Secretary may designate an institution 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. The Secretary may not approve more than three RISE zones in a county or municipal corporation and may not designate a RISE zone within a development district or special taxing district. 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, including the Maryland Economic Adjustment Fund, the Maryland Economic Development Assistance Authority and Fund, the Maryland Industrial Development Financing Authority, and the Maryland Small Business Development Financing Authority. Tax credits may be awarded to a business entity that (1) moves into or locates in a RISE zone on or after the date that the zone is designated or (2) is located within the zone prior to designation if the business entity makes a significant capital investment or expansion of its labor force after a RISE zone is designated. A business may not qualify for tax credits unless DBED, in consultation with the county or municipal corporation in which the zone is located, certifies that the business and its location are consistent with the target strategy of the zone.

The measures require the Secretary to assign a business and community development concierge, who is an employee of DBED, to a RISE zone to assist entities locating in the RISE zone with (1) State or local permit and license applications; (2) accessing existing programs at DBED, the Department of Housing and Community Development (DHCD), the Maryland Department of Transportation, the Department of Labor, Licensing, and Regulation, or the Maryland Technology Development Corporation; and (3) any other authorized activities relating to the development of the RISE zone.

The bills extend the authority of counties and Baltimore City to issue bonds supported by tax increment financing (TIF) or other similar financing instruments in order to finance certain costs within a RISE zone. Several expanded uses under the bills for TIF bond proceeds in RISE zones include historic preservation, environmental remediation, parking lots, schools, affordable or mixed-income housing, stormwater management, innovation centers and laboratory facilities, and any facilities or structures of any type whether for public or private use that support the purposes of the RISE zone.

The Secretary must adopt regulations for evaluating qualified institution applications and may establish other requirements by regulation for designation as either a RISE zone or a qualified institution. Before adopting regulations implementing the program, DBED is required to organize a group of interested parties, stakeholders, and community development experts in order to receive advice on the proposed regulations.

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. The purposes of BMC are to (1) serve as a forum for local officials and their representatives to identify and address problems in the region; (2) provide a central source of information and coordination for fashioning responses to needs in the region; and (3) assist local jurisdictions in developing regional policies, prioritizing regional infrastructure needs, and developing regional strategies. Federal regulations require each urbanized area, as a condition to the receipt of federal capital or operating transportation assistance, have a continuing, cooperative, and comprehensive transportation planning process carried out by a Metropolitan Planning Organization (MPO) in cooperation with the state that results in plans and programs consistent with the development of the urbanized area. The Baltimore Region Transportation Board (BRTB) is the federally recognized MPO for the Baltimore metropolitan region.

Senate Bill 547/House Bill 172 (both passed) increase the membership of BMC by adding one member from the House of Delegates and one from the Senate of Maryland to be appointed by the Speaker and the President, respectively, and one representative of the private sector appointed by the Governor. The bills expand 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. The

measures repeal the law establishing the existing BMC Advisory Board and formally establish BRTB in statute. Finally, the bills require BMC to report annually to the General Assembly.

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. *Senate Bill 889/House Bill 1060 (both passed)* establish both the Northeastern Maryland Additive Manufacturing Innovation Authority and Fund.

The measures establish the authority as a tax-exempt body politic and independent unit that the Governor may not place in a principal department of State government. The purposes of the authority are (1) to foster economic development of the region by promoting collaboration among government, businesses, educational institutions, entrepreneurs, and innovators and leveraging the established additive manufacturing investments in the counties, including facilities at Aberdeen Proving Ground and (2) to position the State as a leader in additive manufacturing. Several of the actions the authority is required to undertake are to (1) foster collaborative efforts, including public-private partnerships 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; (2) facilitate the involvement of Cecil County and Harford County public school systems and specified institutions of higher education in developing and sustaining a skilled additive manufacturing workforce; (3) obtain, coordinate, and disseminate marketing resources to promote and enhance additive manufacturing opportunities and investment in the region; and (4) support priority access to workforce training funds and enterprise investment tax credits for entities that are investing resources and creating jobs in the region.

The bills establish the Northeastern Maryland Additive Manufacturing Innovation Authority Fund as a special, nonlapsing fund to implement the bills and to be administered by the authority. The fund consists of State, local, and federal funds and may be used only to provide grants for projects that further the purposes of the bills and to pay the administrative and operational expenses of the authority.

The State and Cecil and Harford counties may jointly finance the authority and its activities. The Governor may include in the State budget an appropriation beginning in fiscal 2016 to partially support the authority, and the governing bodies of Cecil and Harford counties may appropriate funds to the authority annually to promote the purposes of the authority. Any appropriation in a fiscal year is contingent upon the commitment of Cecil and Harford counties to contribute funds to the authority in the same fiscal year. In determining the amount of State appropriation in a fiscal year, it is the intent of the General Assembly that the

appropriation shall equal at least two times the total amount committed to be contributed by Cecil and Harford counties in the same fiscal year.

DBED, the Cecil County Office of Economic Development, and the Harford County Office of Economic Development jointly must provide staff, office space, and operational support for the authority. An executive board is established to manage the authority and its corporate powers, and the board must appoint an executive director. The authority must report annually to the Governor and the General Assembly.

Business Development Programs

Maryland E-Nnovation Initiative Program

Senate Bill 601/House Bill 741 (both passed) establish 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. The fund consists of (1) revenue distributed to the fund from the State admissions and amusement tax, as specified under the bills; (2) money appropriated in the State budget; and (3) any other money from any other source accepted for the benefit of the 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. DBED must administer the fund and must adopt regulations to implement the bills. The bills also establish an annual reporting requirement for DBED. The measures establish 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 University System of Maryland, St. Mary's College of Maryland, Morgan State University, 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. Proceeds may be spent only (1) for the base salaries of newly endowed department chairs and associated staff and support personnel; (2) to fund related graduate and undergraduate student research fellowships; or (3) to purchase basic infrastructure including lab equipment and other related materials.

An individual in a position funded by endowment proceeds must (1) work at least one day each week in support of a federal laboratory or associated federal laboratory research support organization; (2) hold a joint appointment or secondary position at another nonprofit institution of higher education in the State; or (3) work at least one day each week in support of

entrepreneurial activities with a company engaged in one or more of the research areas specified in the bills. The measures require the authority to issue eligibility criteria regarding the expenditure of endowment proceeds to pay the base salaries of personnel, fund student fellowships, and purchase basic infrastructure. The authority may make available up to 25% of cumulative program funds from the fund to a single institution to match qualified donations.

Neighborhood Business Development Program – Financial Assistance for Food Deserts

The Neighborhood Business Development Program (NBDP) was established in 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. *House Bill 451 (passed)* expands 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. "Food deserts" generally are communities that do not have easy access to healthy foods, and are defined in the bill as that part of a priority funding area designated by the Secretary under the bill 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.

DHCD must adopt regulations that establish a process to designate an area as a food desert and DHCD is authorized to provide financial assistance to an approved entity that may originate and administer financial assistance to food desert projects. An applicant may qualify for financial assistance in a food desert if the application includes a plan to seek out sources of Maryland-grown produce and Maryland-produced foods, in addition to specified application requirements applicable to other NBDP applications under the existing program.

The bill also establishes an Interagency Food Desert Advisory Committee to advise DHCD on the development and adoption of regulations on applications, for designating an area as a food desert, and about interagency coordination to reduce the number of food deserts and promote healthy food access in neighborhoods.

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 seven years.

Senate Bill 661/House Bill 583 (Chs. 70 and 71) modify the purposes of EPIP to include small businesses rather than franchises, technology-based businesses, and other businesses. A small business is defined as a business that is classified as a small business under the U.S. Small Business Administration size standards. The Acts also make 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, the Acts make 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.

Cybersecurity Investment

The Maryland Technology Development Corporation (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. *Senate Bill 603/House Bill 740 (both passed)* establish the Cybersecurity Investment Fund as a special, nonlapsing fund administered by 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. The measures further require TEDCO to include information related to its administration of the fund in its annual report to the Governor and the General Assembly.

Maryland Technology Internship Program

House Bill 1317 (passed) establishes a Maryland Technology Internship Program administered by the University of Maryland Baltimore County 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. For a more detailed discussion of this program, see the subpart "Higher Education" within Part L – Education of this *90 Day Report*.

Economic Development Tax Credits

A number of measures passed during the 2014 session create or expand tax credits targeted toward generating new jobs and increasing economic growth in the State. Several of

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 *90 Day Report*.

Arts and Entertainment Districts – Qualifying Residing Artists

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. *Senate Bill 1054 (passed)* broadens 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.

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. *Senate Bill 570 (passed)* expands the existing research and development tax credit by increasing from \$8.0 million to \$9.0 million the aggregate amount of credits that DBED can approve in each calendar year. The amount of basic credits and growth credits that may be awarded annually is increased from \$4.0 million to \$4.5 million for each credit.

Film Production Activity Tax Credit Program

A qualified film production entity that meets specified requirements and is approved by DBED may receive a tax credit equal to 25% of qualified film production costs incurred in the State. For a television series, the value of the credit is increased to 27%. *Senate Bill 1051 (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. For a more detailed discussion of this issue, see the subpart “Income Tax” within Part B – Taxes of this *90 Day Report*.

Miscellaneous

Office of the Business Ombudsman

House Bill 1118 (passed) establishes an Office of the Business Ombudsman in the Governor’s Office. The purpose of the office is to (1) resolve problems encountered by businesses interacting with State agencies; (2) facilitate responsiveness of State government and business needs; (3) serve as a central clearinghouse of information for business services or assistance requested; (4) assist businesses by referring businesses and individuals to resources that provide the business services or assistance requested; (5) provide comprehensive permit information and assistance; (6) establish and maintain metrics in order to monitor the progress of the office and report the data to the Governor and the General Assembly; and (7) report and make 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.

The bill requires the office to (1) establish, maintain, and update each year a list of the business assistance programs and services in the State, including specified identifying information of the entities providing the programs and services; (2) implement a business fairness and responsiveness service; (3) develop and maintain a program to provide comprehensive information to the public regarding permits required for business initiatives, projects, and activities; and (4) establish and implement procedures to assist permit applicants who have encountered difficulties in obtaining timely and efficient permit review.

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.

Senate Bill 137/House Bill 1024 (both passed) alter 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 extend, from fiscal 2020 to 2030, the authorization for the Governor to include an appropriation in the budget bill for the fund.

The bills modify the allocation of funding from the fund so that one-third of appropriated funding is allocated equally to the five regional councils as grants for specified rural regional

planning and development assistance. The remaining two-thirds is allocated equally as grants among (1) specified regional infrastructure projects; (2) rural entrepreneurship development; (3) rural community development, programmatic assistance, and education, divided equally between Rural Maryland Council (RMC) and the Maryland Agricultural Education and Rural Development Assistance Fund (MAERDAF); and (4) rural health care organizations. If revenues appropriated to the fund in any fiscal year are insufficient to fully fund all grants, \$500,000 must be allocated to RMC, with \$250,000 used to support the operations of the council and \$250,000 allocated to MAERDAF. Any remaining funds must then be allocated as described above. The bills' modifications to the allocations of disbursements from the fund are intended to allow for the fund to be the primary or sole source of State funding for RMC, MAERDAF, and the regional councils.

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. *Senate Bill 985 (passed)* requires MCEC, in collaboration with the Maryland Energy Administration (MEA), to conduct a study and make recommendations related to green banks and clean bank financing initiatives, including aspects of implementation and funding.

The bill requires MCEC and MEA to review certain items, such as (1) the structure and organization of green banks and clean bank financing initiatives established in other states; (2) the method of capitalization of established green banks and clean bank financing initiatives; (3) the sources, type, and amount of private capital leveraged or invested in connection with the establishment of a green bank or clean bank financing initiative; (4) the financial services provided by existing green banks and clean bank financing initiatives; (5) gaps in the availability of financing for clean energy, renewable energy, and energy-efficiency projects in the State; and (6) the impact of existing State financial programs on the renewable and energy conservation industries.

MCEC, in collaboration with MEA, must make recommendations as to (1) the need for a green bank or clean bank financing initiative in the State; (2) the scope of a proposed green bank or clean bank financing initiative; (3) the possible sources of capital for a green bank or clean bank financing initiative; and (4) the best method for establishing a green bank or clean bank financing initiative in the State. MCEC, in collaboration with MEA, must submit an interim report by December 1, 2014, and a final report by December 1, 2015, on its findings and recommendations to the Senate Finance Committee and the House Economic Matters Committee.

Housing and Community Development

Reorganization of Rental Housing Programs

According to the Department of Housing and Community Development (DHCD), several multifamily programs within DHCD have evolved to share similar goals and to 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. *House Bill 453 (passed)* consolidates the four programs to be under a new Rental Housing Program (program) in DHCD.

The measure specifies that the purposes of the program are to (1) stimulate the production and preservation of rental housing; (2) increase and improve the supply of decent, safe, and sanitary rental housing at costs that are affordable to households of limited income; (3) use available resources efficiently to serve the households that are in need of quality affordable housing opportunities; (4) support economic growth and activity by financing the construction or substantial rehabilitation of rental housing projects; and (5) revitalize sustainable communities through office or other commercial space conversion. The bill requires DHCD to administer the program either directly or through the Community Development Administration (CDA).

The bill renames the Rental Housing Programs Fund as the Rental Housing Fund and grants authority over the fund to DHCD, effectively transferring the authority to administer the repealed Rental Housing Programs Fund from CDA to DHCD. The fund includes funds contained in the loan programs repealed under the bill as well as funds received by DHCD or CDA from any other source. Money in the fund may be used to make loans to an approved applicant to (1) acquire, construct, or rehabilitate a rental housing project; (2) convert an existing building to a rental housing project; or (3) provide assistance to reduce the operating costs of a project by depositing the proceeds of the loan in an interest-bearing account that is under the control of DHCD and is used to pay the operating costs on any prior mortgage loan securing the project.

The bill also alters 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. The measure requires CDA to provide written notice and a reasonable opportunity to comment to the chief executive officer or equivalent officer and the head or president of the legislative body of the political subdivision in which a proposed community development project or a public purpose project is located, altering the prior requirement that CDA must get approval of the land use for a community development project by resolution of the appropriate governing body.

Finally, the bill modifies various provisions relating to the Partnership Rental Housing Program to coordinate better with requirements of federal housing programs such as rental assistance programs. In administering the existing Partnership Rental Housing Program, the bill

authorizes DHCD to make loans either directly or through CDA. In addition, DHCD is authorized to approve the use of partnership rental housing funds for a unit of partnership rental housing that does not comply with specified application requirements if the unit will be occupied by a household of lower income that includes one or more individuals with disabilities or special needs and the project in which the unit is located complies with the requirements of the other State housing programs financing the project.

Energy-efficient Homes

House Bill 553 (*passed*) establishes the Energy-Efficient Homes Construction Loan Program within DHCD to provide low-interest loans for the construction of “low-energy” and “net-zero” homes. The bill defines “low-energy home” as a home that achieves a Home Energy Rating System (HERS) Index rating of 50 or lower or as determined by DHCD, while “net-zero home” is 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.

Proceeds of a program loan may only be used for property acquisition and development costs for (1) the construction of a net-zero home or low-energy home and (2) settlement and closing costs. A program loan must be secured by a mortgage lien, which may be subordinate to other mortgage liens and may include terms that DHCD considers necessary to make the project viable.

The bill also establishes an Energy-Efficient Homes Construction Fund as a special fund within DHCD to pay the expenses of the program, provide credit enhancement under the program, and make or purchase loans under the program. DHCD must administer the program and adopt regulations to implement the bill, including regulations designed to increase participation of minority business enterprises in the program. Finally, DHCD is required to submit a report to the General Assembly every six months beginning January 1, 2015, on regulations adopted to increase participation of minority businesses in the program and the outcome of that effort.

Balcony Inspections

Under current law, DHCD is required to adopt a “Minimum Livability Code,” which sets baseline property standards for all residential structures located in the State except for owner-occupied single-family housing units or specified housing exempted by DHCD. Each political subdivision is responsible for enforcing the Minimum Liability Code or a substantially similar local housing code. **Senate Bill 401/House Bill 947** (*both passed*) require a political subdivision other than Baltimore City to require an inspection of each “multifamily dwelling” in the political subdivision in which a unit in the dwelling has balcony railings that are primarily constructed of wood at least once every five years in order to ensure that the balcony railings meet the requirements of the applicable local housing code or the Minimum Livability Code. “Multifamily dwelling” is defined to include an apartment house, a boarding house, a convent, a dormitory, a fraternity or sorority house, a hotel or motel, a monastery, and a vacation time-share property. In Baltimore City, the bills prohibit the city from reissuing or renewing a

“multiple-family dwelling” license unless the applicant demonstrates that a professional inspector has completed an inspection of the multiple-family dwelling to ensure that each balcony railing in the dwelling meets the requirements of specified city codes. For a more detailed discussion of this issue, see the subpart “Public Safety” within Part E – Crimes, Corrections, and Public Safety of this *90 Day Report*.

Food Deserts

The Neighborhood Business Development Program (NBDP) was established in 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. *House Bill 451 (passed)* expands 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. “Food deserts” generally are communities that do not have easy access to healthy foods and are defined in the bill as that part of a priority funding area designated by the Secretary under the bill on the recommendation of the Interagency Fund Desert Advising Committee. For a more detailed discussion of this issue, see the subpart “Economic Development” within this Part H – Business and Economic Issues of this *90 Day Report*.

Workers’ Compensation

Benefits

Workers’ compensation law establishes a presumption of compensable occupational disease 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 and, therefore, no additional evidence is required in the filing of a claim for workers’ compensation. *House Bill 977 (passed)* makes 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.

Senate Bill 1099 (passed) extends 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. Current law provides this benefit to volunteer rescue squad members and volunteer advanced life support unit members. The occupational disease presumption for specified cancers and leukemia only applies when the paid rescue squad

member or paid advanced life support unit member (1) has completed at least 10 years of service as a firefighter, firefighting instructor, rescue squad member, advanced life support unit member, or some combination of those jobs in the department where the individual currently is employed or serves and (2) is unable to perform the normal duties of a firefighter, firefighting instructor, rescue squad member, or advanced life support unit member because of the cancer or leukemia disability. The bill must be construed to apply only prospectively and does not have any effect on or application to any claim filed for the occupational disease before October 1, 2014.

Procedures

To carry out the responsibilities and requirements assigned to the Workers' Compensation 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 *House Bill 219 (Ch. 89)*, 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 authorizes 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.

The commission imposes an assessment of 6.5%, payable to the Subsequent Injury Fund (SIF), against an employer, its insurer, or the Property and Casualty Guaranty Corporation, on all compensation awards for permanent disability or death, as well as each amount payable under a settlement agreement approved by the commission. *Senate Bill 119 (Ch. 34)* requires employers or their insurers that are liable for payment of SIF assessments to notify SIF of their current billing address on or before July 1, 2014, and on or before July 1 of each subsequent year. Additionally, an employer must notify SIF of any change of billing address within 30 days of the change of address.

Senate Bill 130 (Ch. 38) repeals 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 the Injured Workers' Insurance Fund (IWIF). The Act also repeals the requirement that the commission report to the commissioner 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 with electronic access to the data contained in the accidental personal injury, disability, death, or occupational disease reports filed with the commission.

Chesapeake Employers' Insurance Company

Chapter 570 of 2012 converted IWIF into a private, nonprofit, and nonstock workers' compensation insurer as of October 1, 2013. This new organization is the Chesapeake Employers' Insurance Company (Chesapeake). An emergency bill, *Senate Bill 16 (Ch. 4)*, expressly authorizes 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 currently allowed for all other workers' compensation insurers. The Act also allows Chesapeake to cancel or refuse to renew or issue a policy if the policyholder fails to reimburse Chesapeake under a policy with deductibles.

Additionally, *Senate Bill 479/House Bill 341 (both passed)* make two changes to the board for Chesapeake. First, the bills require 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. The bills apply prospectively and only to appointments made by the Governor to fill vacancies on the board occurring on or after October 1, 2014.

Prescription Drug Dispensing and Reimbursement

The commission is authorized to regulate fees and other charges for medical services or treatment through medical fee schedules. Each fee or other charge for medical service or treatment is limited to the amount that prevails in the same community for similar treatment of an injured individual with a standard of living that is comparable to that of the covered employee. 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. The commission has previously proposed two sets of regulations that would have established a pharmaceutical fee schedule that pertained to both pharmacies and physicians who dispense drugs. However, neither set of regulations was approved. Several bills were introduced to address the reimbursement of and fees for prescription drugs.

Senate Bill 215/House Bill 280 (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 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 and (2) limited to no more than a 30-day supply of the medication. *Senate Bill 482/House Bill 368 (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. Additionally, *Senate Bill 507/House Bill 1342 (both failed)* would have required the commission to adopt, in regulation, a pharmaceutical fee schedule applicable to repackaged or relabeled prescription drugs. 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.

Unemployment Insurance

Unemployment Insurance (UI) provides temporary, partial wage replacement benefits to individuals who are unemployed through no fault of their own and who are able to work, available to work, and actively seeking work. An individual performing services for a business in return for compensation in the form of wages is likely covered for UI purposes. Unemployment benefits are funded through Maryland employers' State UI taxes. All private business employers and nonprofit employers employing one or more persons, at any time, are subject to the Maryland UI Law. An employer's tax rate is based on the employer's unemployment history and ranges within a certain percentage of the total taxable wages of the employer's employees. The taxes are deposited in the Unemployment Insurance Trust Fund and can be used only to pay benefits to eligible unemployed individuals.

Both the federal and state governments have responsibilities for unemployment compensation. The U.S. Department of Labor oversees the UI system, while each state has its own program that is administered pursuant to state law by state employees. Each state has laws that prescribe the tax structure, qualifying requirements, benefit levels, and disqualification provisions. These laws must, however, conform to broad federal guidelines.

Work Sharing

Work sharing is a voluntary program within UI that is designed to preserve jobs for regular trained workers when there has been a reduction in or disruption to an employer's regular business activities. As a strategy implemented in lieu of layoffs, work sharing allows employers to reduce costs by cutting the work hours for an entire group of affected employees by a percentage which 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 which corresponds with the percentage by which their work hours have been reduced.

In order to conform the Maryland UI Law to recently enacted federal legislation, *House Bill 1417 (passed)* makes numerous changes to the work sharing program. The bill requires 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 benefits throughout the duration of the work sharing plan to affected employees who receive health and retirement benefits. Additionally, the bill specifies 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, [*House Bill 1417*](#) makes other changes to the work sharing program consistent with federal law. The bill prohibits 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. Also, the Secretary of Labor, Licensing, and Regulation is prohibited from approving a work sharing plan that (1) is submitted by a new 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 bill increases, from 26 to 52 weeks, the maximum number of weeks work sharing employees may receive UI work sharing benefits. Under the bill 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 bill also requires an employer to identify any week in which the employer provides no work for its employees, and specifies 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

Employment Standards and Conditions

Wages and Hours

The Maryland Wage and Hour Law is the State complement to the federal Fair Labor Standards Act (FLSA), and it specifies minimum wage and overtime requirements for employers and employees in the State. [*House Bill 295 \(passed\)*](#) requires 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. The bill provides 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 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 State minimum wage.

Under *House Bill 295*, 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.

The bill repeals exemptions from minimum wage requirements for individuals who are age 62 or older and work 25 hours or less per week or 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's 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. The bill repeals 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 bill also provides for liquidated damages to be awarded under specified circumstances to employees who are paid less than the minimum wage.

Additionally, *House Bill 295* establishes a mandated appropriation beginning in fiscal 2016 for community service providers funded by the Department of Health and Mental Hygiene's (DHMH) 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. The mandated appropriation for the community providers increase State expenditures by an estimated \$32.7 million (56% general funds, 44% federal funds) in fiscal 2016 up to \$139.8 million (56% general funds, 44% federal funds) in fiscal 2019 to provide the *mandated* 3.5% rate increase.

Charter counties have the authority to establish a local minimum wage rate under the Express Powers Act. Montgomery County and Prince George's County passed local minimum wage laws in 2013, increasing the minimum in those counties to \$11.50 by October 1, 2017.

Unless a county provides for the local enforcement of its minimum wage law, the State has no legal obligation to enforce a county's law. *House Bill 579 (passed)* requires the Commissioner of Labor and Industry to enforce a local minimum wage law. The commissioner, on his own initiative or on receipt of a written complaint, may investigate whether a local minimum wage law has been violated under the same powers and duties as the State's Wage and Hour Law.

Leave Policies

The federal Family and Medical Leave Act (FMLA) 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."

Senate Bill 737/House Bill 1026 (both passed) require 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 under the bills, 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.

Employment of Minors

Generally children ages 14 to 17 may not work unless they have a permit issued by the Commissioner of Labor and Industry. The State's Employment of Minors Law includes additional requirements related to the working hours of minor children that generally limit the number of hours and time of day during which a minor may be employed. *House Bill 467 (Ch. 100)* repeals the authorization under which the commissioner or a county superintendent of schools may issue a work permit to a minor and instead enables a parent or guardian of a minor to apply online to the commissioner for a minor's work permit.

Prevailing Wage

Senate Bill 232/House Bill 727 (both passed) lower 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 a more detailed discussion of *Senate Bill 232/House Bill 727*, see the subpart "School Construction" within Part L – Education of this *90 Day Report*.

Labor Relations

Senate Bill 1104/House Bill 1545 (both passed) require 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. The bills authorize 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 bills further establish that employees of the corporation include employees of a nonprofit subsidiary that operates all or part of the medical center. Finally, the bills establish 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.

Maryland Apprenticeship and Training Council

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.

Senate Bill 54 (passed) specifies that the duties of MATC must be consistent with the approval of the Division of Labor and Industry (DLI) within the Department of Labor, Licensing, and Regulation (DLLR). Apprenticeship or on-the-job training programs and reciprocity agreements with other state 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 Labor, Licensing, and Regulation must issue a final decision after hearing from both parties.

House Bill 1207 (passed) establishes a Youth Apprenticeship Advisory Committee in DLI. The bill specifies 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.

Senate Bill 711/House Bill 189 (both passed) repeal 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, repack, 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.

Senate Bill 483/House Bill 710 (both passed) require nursing homes that are 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, 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.

Alcoholic Beverages

Statewide Bills

Refillable Containers – "Growlers"

In 2012, Baltimore City and Howard County allowed certain retail establishments to sell beer in refillable containers (commonly called "growlers"). In 2013, refillable container licenses were expanded to several more jurisdictions and, in Howard County a refillable container license for wine was created. Chapter 589 of 2013 expanded the concept to the manufacturer's level by authorizing the Comptroller to issue a refillable container permit to a holder of a brewery license.

Senate Bill 546/House Bill 208 (both passed) standardize the requirements for all refillable containers authorized by local jurisdictions for use in the sale of draft beer and wine for off-premises consumption. The bills rename a "refillable container license" as a "refillable

container permit” to indicate that the authorization is secondary in nature and may be issued only to a person who already has an alcoholic beverages license. The bills consolidate, in one section of the law, the standards that refillable containers must meet. Most of these standards are scattered throughout the Alcoholic Beverages Article. The bills include a requirement that a refillable container be branded with an identifying mark of the seller of the container. Baltimore, Carroll, Harford, Prince George’s, and St. Mary’s counties are added to the roster of counties in which refillable container permits for beer may be issued.

In addition, *Senate Bill 341/House Bill 1079 (both passed)* authorize the Board of License Commissioners in Calvert County to issue refillable container permits. This authority already exists in the following jurisdictions: the City of Annapolis; Baltimore City; and Anne Arundel, Cecil, Dorchester, Garrett, Howard, Montgomery, and Wicomico counties.

A refillable container permit for wine may also be issued in Howard County.

The bills also authorize 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 will be able to 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.

Beer and Breweries

Brewing Company Off-site Permit: *Senate Bill 226 (passed)* establishes a brewing company off-site permit. The Comptroller may issue a brewing company off-site permit to a Class 7 micro-brewery that produces less than 3,000 barrels per year or a Class 8 farm brewery subject to specified requirements. The permit may be used to sell to a consumer up to 288 ounces of beer that has been produced by the permit holder for off-premises consumption. The permit may also be used to sell beer at certain farmers’ markets and other events.

Retail Sale of Prepackaged Beer: *House Bill 464 (passed)* authorizes the holder of a Class 7 micro-brewery license to sell at retail to customers for consumption off the licensed premises prepackaged, nonrefillable containers of the micro-brewery’s own beer.

Farm Breweries – Location and Self-distribution: Chapter 207 of 2013 established a Class 7 limited beer wholesaler’s license that authorizes the license holder to sell, deliver, and distribute up to 3,000 barrels annually of its own beer produced at the holder’s premises to a retail license holder or permit holder in the State under specified circumstances.

House Bill 337 (passed) authorizes a holder of a Class 8 farm brewery license to obtain a Class 7 limited beer wholesaler’s license. The bill also removes the prohibition on the issuance of a license for the sale of alcoholic beverages for any place of business located within specified election districts in Frederick County if the business is a holder of a Class 8 farm brewery license.

Farm Breweries – Festival Licenses: Chapters 542 and 543 of 2012 established a Class 8 farm brewery manufacturer’s license. *House Bill 356 (passed)* expands the eligibility for special festival licenses in Baltimore City and Baltimore, Carroll, Dorchester, Frederick, Garrett, St. Mary’s, and Wicomico counties to include holders of a Class 8 farm brewery license. The bill specifies that, in Garrett County, a holder of a Class 8 farm brewery license may open on Sundays during specified hours in a *precinct* in an election district where the voters, in a referendum authorized by law, have approved Sunday beer sales at a farm. The bill also authorizes a holder of a Class 8 farm brewery license to enter into a written temporary delivery agreement with a distributor for the delivery and return of beer to a beer festival or a wine and beer festival, provided the festival is located within a sales territory for which the holder does not have a franchise with a distributor under the Beer Franchise Fair Dealing Act.

Wine, Wineries, and Farmers’ Markets

Farmers’ Market Permit: Chapter 396 of 2013, which established a winery off-site permit and a wine festival permit, repealed the Comptroller’s authority to issue a farmers’ market permit to a holder of a license other than a Class 4 limited winery license. *House Bill 600 (passed)* reestablishes the Comptroller’s authority to issue a farmers’ market permit to a holder of a license other than a Class 4 limited winery license if the license was issued by the local licensing board of the jurisdiction in which the farmers’ market will be held.

Kosher Wine Seller’s Permit: *Senate Bill 287/House Bill 830 (both failed)* would have established a kosher wine seller’s permit. The bills were withdrawn in light of a compromise reached between the Comptroller, distributors of kosher wine, and the Maryland State Licensed Beverage Association (MSLBA). As a result of this compromise, kosher wine distributors will submit semi-annual lists of all the kosher wines they sell to the Comptroller. The Comptroller will then use these lists to create a website listing the kosher wines obtainable in Maryland and the corresponding distributor who sells these kosher wines. Finally, MSLBA will craft language designed to educate retailers on how to order kosher wines not listed in the *Beverage Journal* so that the Comptroller may include this information on its website.

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 neighboring Pennsylvania, Virginia, and West Virginia. *Senate Bill 75/House Bill 359 (both passed)* prohibit a person from selling at retail an alcoholic beverage with an alcohol content by volume of 95% (190 proof) or more.

Hard Cider – Definition

According to the Comptroller, for several years, taxes have been submitted by manufacturers on what appears to be small quantities of pear cider (traditionally called perry) as it is brought into the State. *Senate Bill 161/House Bill 261 (both passed)* codify current practice by expanding the definition of “hard cider” to include a beverage derived primarily from pears,

or pear concentrate and water, containing at least one-half of 1% and less than 7% of alcohol by volume.

Prohibition of Vaportinis and Similar Devices

House Bill 4 (passed) expands the definition of an “alcohol without liquid (AWOL) machine” to include a Vaportini, or any similar device, that mixes an alcoholic product with pure oxygen or other gas to produce a vaporized product that can be inhaled. As a result, the bill expands an existing prohibition related to the use, possession, purchase, transfer, or sale of AWOL machines to apply to Vaportinis.

Local Bills

Anne Arundel County

Tasting Licenses: Effective July 1, 2014, *Senate Bill 1015/House Bill 591 (both passed)* create a Class BWLT beer, wine, and liquor (on-premises) tasting license in Anne Arundel County. A Class BWLT license may only be issued to a holder of a Class A beer, wine, and liquor (off-premises) license. The eligibility requirements for a Class BWT beer and wine (on-premises) tasting license are limited so that the license may only be issued to a holder of a Class A beer, wine, and liquor (off-premises) license or a Class A beer and wine (off-premises) license. The annual fee for a Class BWT license is increased from \$50 to \$150 and a \$500 fee for a Class BWLT license is established.

Baltimore City

Baltimore City Alcoholic Beverages Act of 2014: Chapter 263 of 2011 required the Office of Legislative Audits (OLA), at least once every three years, to conduct a performance audit of the Baltimore City Board of Liquor License Commissioners to evaluate the effectiveness and efficiency of the management practices of the board and the economy with which the board uses resources.

The March 2013 OLA audit report, which was highly critical of the performance of the board, made 24 specific findings and recommendations involving licensing, inspections, disciplinary procedures, and management oversight.

In response to the report, *Senate Bill 846/House Bill 831 (both passed)* provide for the appointment of three regular members and one alternate member to the board by the Governor by May 30, 2014. Each appointee to the board must be a resident and voter of Baltimore City, with high character and integrity and of recognized business capacity. The bills repeal the requirement that the executive secretary or the deputy executive secretary must be a member of the Maryland Bar.

Also, significant changes are made to provisions governing the issuance, transfer, and renewal of licenses, including changes to the collection and allocation of board revenues.

Provisions taking effect July 1, 2014, include:

- An enumeration of the requirements for the completion of a license application, including a statement that an application for the issuance, transfer, or renewal is not complete unless the applicant has (1) obtained zoning approval or verification of zoning if the application is for renewal; (2) submitted all documents required in the application; and (3) paid all fines and fees that are due. The board is required to impose a fine that it determines for failure to comply with these requirements.
- A requirement that changes to an already completed license application be submitted not later than 15 days before a scheduled hearing. After the hearing on the application, an applicant may change the application only at a new hearing.
- Details requirements for a hearing by the board, including that the board must (1) starting on July 1, 2015, digitize and post online all records for public review and (2) adopt related regulations.
- A prohibition against a board member soliciting or reviewing directly or indirectly or on behalf of another person, a commission, political contribution, remuneration or gift, from (1) a person engaged in the manufacture, distribution, or sale of alcoholic beverages or (2) an agent or employee of a person engaged in the manufacture, distribution, or sale of alcoholic beverages. A board member must comply with Baltimore City public ethics laws and financial disclosure provisions enacted by the Mayor and the Baltimore City Council.
- A requirement that the board annually establish performance measures using the Citistat program of the City of Baltimore for such activities as financial management, issuance of licenses, and enforcement of alcoholic beverage laws.
- A requirement that, before the board adopts a regulation, the board provide at least a 30-day period for public comment and obtain a review by the city solicitor to ensure that the regulation complies with the authority granted to the board by the State.

Micro Breweries: *Senate Bill 458/House Bill 953 (both passed)* add the 40th Alcoholic Beverages District of Baltimore City to the list of locations in which a holder of a certain Class D alcoholic beverages license may be issued a Class 7 micro-brewery (on- and off-sale) license. The bills also (1) authorize the license holder to brew at two locations using the same license if the Comptroller determines that the second location is necessary because of insufficient space at the existing license location; (2) prohibit the holder of the license from serving or selling beer at the second brewing location; and (3) authorize the license holder to obtain a Class 2 rectifying license for the premises at the two locations.

Class B Licenses: *Senate Bill 793 (passed)* authorizes the board to issue or allow the transfer of up to two Class B beer, wine, and liquor licenses into the area of 829 through 919 E. Fort Avenue within the 46th Legislative District only if the board (1) has executed a

memorandum of understanding between the community associations in Riverside and Locust Point regarding the nature of the proposed establishment and (2) enforces the memorandum of understanding against any license holder seeking to renew or transfer the license. The cumulative number of licenses that may be issued or transferred is two. The board may not allow such a license to be transferred out of the area within the 46th Legislative District into any other area of Ward 24, Precinct 5.

Class C Licenses: *Senate Bill 1103 (passed)* authorizes the board to issue a Class C beer, wine, and liquor license in Ward 5, Precinct 1 of the 44th Alcoholic Beverages District.

Baltimore County

Refillable Containers: *Senate Bill 546/House Bill 208 (both passed)* are statewide bills that standardize the requirements for alcoholic beverages refillable containers used in the sale of draft beer, craft beer, or wine for off premises consumption. In Baltimore County, the bills authorize the Baltimore County Board of License Commissioners to issue a refillable container permit to sell draft beer in refillable containers for consumption off the licensed premises to a holder of a Class A, Class B, or Class D license.

Calvert County

Organizational Licenses: *Senate Bill 496 (passed)* authorizes the Calvert County Board of License Commissioners to issue an organizational license to a fraternal organization, volunteer fire department, or volunteer rescue squad for use on the premises that the organization, fire department, or rescue squad owns or regularly uses to hold functions. A licensee may sell beer, wine, and liquor by the drink for consumption on the licensed premises only. The annual license fee is \$500.

Premises Inspections and Penalties: *Senate Bill 495 (passed)* authorizes the Calvert County Board of License Commissioners, or its designee, to inspect each licensed premises in the county every six months, rather than requiring the board to inspect each licensed premises in the county at least once every three months. The board may suspend an alcoholic beverages license for any alcoholic beverages violation in the county or, except for bottle club violations, impose a fine of up to \$1,000 for a violation of State law or \$500 for a violation of the rules and regulations of the board. If an alcoholic beverages licensee, or an employee of the licensee, sells alcoholic beverages to a person younger than age 21, the board, for a first offense, may suspend the license for up to three days and/or impose a fine of up to \$500. For an offense occurring within three years after a prior offense, the board may suspend the license for up to 30 days and/or impose a fine of up to \$1,000. The board must consider the license class and the economic impact the suspension will have on the business of the licensee when determining the length of a suspension.

Special Event (Festival) Permit: *Senate Bill 548 (passed)* authorizes the Calvert County Board of License Commissioners to issue a Special Event (festival) beer, wine, and liquor (on-sale) permit to a Class B or Class D license holder. The applicant must demonstrate a reasonable expectation of attracting at least 500 patrons to the special event and commit to

provide additional security personnel at the event for traffic, parking, and patrol purposes as required. Subject to the board's discretion, the permit authorizes the holder to operate additional bars or service counters for the sale and service of alcoholic beverages inside or outside the licensed establishment for at least one day and not more than three consecutive days. The permit fee is \$500.

Unlicensed Establishments: *Senate Bill 340 (passed)* generally prohibits an establishment that is not licensed by the Calvert County Board of License Commissioners from giving, serving, dispensing, keeping, or allowing to be consumed on its premises, or on premises under its control or possession, any alcoholic beverages. However, a volunteer fire department, rescue squad, or emergency medical services organization may conduct no more than four events annually on their premises or premises under their control or possession to which individuals may bring and consume alcoholic beverages. A violator is guilty of a misdemeanor and subject to maximum penalties of two years imprisonment and/or a fine of \$10,000.

Refillable Container Permit: *Senate Bill 341/House Bill 1079 (both passed)* authorize the Calvert County Board of License Commissioners to issue a refillable container permit to a holder of a Class A, Class B, or Class D alcoholic beverages license.

A refillable container permit entitles the holder to sell draft beer for consumption off the licensed premises in a refillable container with a capacity of not less than 32 ounces and not more than 128 ounces. A refillable container permit applicant must complete the form that the board provides and pay an annual permit fee of \$50 if the applicant already has an off-sale privilege, or \$500 if the applicant does not have an off-sale privilege.

Caroline County

Volunteer Fire Companies: *Senate Bill 764 (passed)* authorizes Caroline County volunteer fire companies to store alcoholic beverages on the licensed premises in between licensed events if the alcoholic beverages are in a specially identified locked and secured location and are not sold or consumed except during licensed event hours for licensed event purposes. A license holder who violates these provisions is subject to a \$100 fine for the first offense and, for the second offense, a fine of up to \$500 and denial of future requests for a license for an individual event or a special multiple event license.

Carroll County

License Fee Increases: *Senate Bill 560/House Bill 156 (both passed)* phase in increases in license fees for alcoholic beverages licenses in Carroll County. The fee increases are phased in from fiscal 2015 through 2018, as shown in **Exhibit H-1**.

Exhibit H-1
Carroll County Class A Alcoholic Beverages
License Fee Increases Fiscal 2015 through 2018

<u>License Class</u>	<u>Allowed Beverages</u>	<u>Current License Fee</u>	<u>Proposed License Fee FY 2015-2017</u>	<u>Proposed License Fee Beginning FY 2018</u>
Class A	beer	\$100	\$200	\$250
Class A	beer and wine	140	340	500
Class A	beer, wine, and liquor	650	850	1,000
Class D	beer	130	250	250
Class D	beer and wine	160	250	250

Source: Department of Legislative Services

Refillable Containers: *Senate Bill 546/House Bill 208 (both passed)* are statewide bills that standardize the requirements for alcoholic beverages refillable containers used in the sale of draft beer, craft beer, or wine for off premises consumption. In Carroll County, the bills authorize the Carroll County Board of License Commissioners to issue a refillable container permit to sell draft beer in refillable containers for consumption off the licensed premises to a holder of a Class A, Class B, or Class D license.

Charles County

Alcoholic Beverages Licenses: *House Bill 300 (Ch. 95)* alters the minimum distance restriction in Charles County so that a license to sell alcoholic beverages for consumption off premises may not be granted in any building in which the nearest wall, measured in a direct line, is within 1,000 feet, rather than 500 feet, of the property line of any school accredited by the State Board of Education. The existing 500-foot restriction remains with respect to a license to sell alcoholic beverages for consumption on premises. The Act does not apply to, affect, or prohibit the renewal or transfer of any license issued prior to May 1, 2014.

Beer, Wine, and Liquor Licenses: *House Bill 248 (passed)* increases various Class B alcoholic beverages license fees in Charles County by restructuring the county's existing Class B alcoholic beverages licensing scheme and instituting extra fees for additional license privileges, such as providing outdoor table service or live entertainment. Under the bill, the Charles County Board of License Commissioners may issue a Class B-R (restaurant) on-sale beer, wine, and liquor license, a Class B-RB (restaurant/bar) on-sale beer, wine, and liquor license, a Class B-T (tavern) on-sale beer, wine, and liquor license, a Class B-N (nightclub) on-sale beer, wine, and liquor license, and a Class B-H (hotel) on-sale beer, wine, and liquor license. The bill also renames a Class BLX license to a Class B-BLX (luxury restaurant) on-sale beer, wine, and liquor license.

Population Quota in Sixth Election District: The 6th Election District of Charles County has a population of approximately 78,000 people. Of the 98 alcoholic beverages licenses issued in the 6th district, 40 licenses have off-sale privileges. **House Bill 419 (passed)** specifies that the Charles County Board of License Commissioners use the *resident* population figures of the last federal census when determining the number of off-sale alcoholic beverages licenses that may be issued within each election district. Additionally, the bill authorizes the board to issue in the 6th election district one alcoholic beverages license with an off-sale privilege per every unit of 2,700 people (instead of 1,350 people) based on the resident population figures of the last federal census.

Dorchester County

Sunday Sales: **Senate Bill 60/House Bill 167 (both passed)** authorize Class B (off-sale) beer and light wine licensees to sell beer and light wine on Sunday from 10 a.m. to midnight. The bills also expand the hours for sale of beer and light wine under a Class B (on-sale) beer and light wine license on Sunday from 10 a.m. to midnight instead of between noon and midnight. If Christmas Eve or New Year's Eve is on a Sunday, beer and light wine may be sold both on and off premises from 10 a.m. to 2 a.m. the following day.

Frederick County

Frederick County Alcoholic Beverages Act of 2014: **Senate Bill 619/House Bill 433 (both passed)** authorize the Frederick County Board of License Commissioners to issue a license for the sale of beer, wine, and liquor for consumption on the premises only to an organization located in the county that is a bona fide religious, fraternal, civic, war veterans', or patriotic organization. All net proceeds from the sale of alcoholic beverages by these organizations must be used solely for charitable purposes or to further the purposes of the organization. The bills also allow all of the bottles in a wine preservation system that the board approves to be opened at a wine sampling or tasting event in the county. However, no more than six other bottles of wine may be opened by a holder of a solicitor's permit, the holder of the beer and wine sampling or tasting license, or an employee of the license holder. A single individual may not consume more than six ounces of wine from all brands in a single day.

Country Inn Licenses: **Senate Bill 618/House Bill 472 (both passed)** authorize the Frederick County Board of License Commissioners to issue a Class B-CI (country inn) on-sale beer, wine, and liquor license for the use of an establishment that meets specified requirements in the Burkittsville (twenty-second) election district.

Farm Breweries: **House Bill 337 (passed)** is a statewide bill that authorizes a holder of a Class 8 farm brewery license to obtain a Class 7 limited beer wholesaler's license. In Frederick County, the bill removes the prohibition on the issuance of a license for the sale of alcoholic beverages for any place of business located within the following election districts if the business is a holder of a Class 8 farm brewery license: Catoctin (6th); Hauvers (10th); Jackson (16th); Linganore (19th); and Ballenger (23rd).

Garrett County

Beer Festival License: Currently, the Garrett County Board of License Commissioners may issue two beer festival licenses annually to a holder of a retail alcoholic beverages license issued by the board, a Class 5 brewery license, a Class 6 pub-brewery license, or a Class 7 micro-brewery license. The license entitles the holder to display and sell at retail beer that is manufactured and processed in the State and distributed in the State when the application is filed, for consumption on or off the premises on the days and for the hours designated for a beer festival in Garrett County. The beer festival license fee is \$100.

Senate Bill 420 (passed) alters beer festival licenses in Garrett County so that the holder of a beer festival license may display and sell at retail beer that was manufactured and processed in any state, instead of only beer that was manufactured and processed in Maryland. It also adds a Class 8 farm brewery license holder to the list of applicants eligible for a beer festival license in Garrett County.

Sunday Sales: **House Bill 690 (passed)** authorizes specified Sunday sales of alcoholic beverages for *off-premises* consumption in an election district or precinct of an election district in Garrett County in which voters approve such sales by local referendum. The referendum must take place at the November 2014 general election. The bill takes effect July 1, 2014, for the purpose of providing for the referendum. If the referendum is approved in an election district or precinct, the bill's provisions are effective December 15, 2014, in that district or precinct.

In addition, **House Bill 1097 (passed)** submits to a referendum of the qualified voters of specified election districts or precincts in Garrett County, at the November 2014 general election, a question of whether to authorize specified Sunday *on-premises* sales of alcoholic beverages in the applicable district or precinct. The Garrett County Board of License Commissioners must provide to the Department of Legislative Services, by December 1, 2014, a complete list of all election districts and precincts in Garrett County in which Sunday sales of alcoholic beverages are authorized. Those districts and precincts must then be listed in a specified location in the Annotated Code of Maryland by the publishers of the Code.

Class A2 Light Wine Licenses: **House Bill 836 (passed)** repeals the authority of the Garrett County Board of License Commissioners to issue a Class A2 light wine (on- and off-sale) license and repeals provisions related to the license.

Garrett County reported that there are no Class A2 light wine (on- and off-sale) licenses issued in the county. A local winery in the county had a license in the past, but it is no longer needed since similar privileges are now available under the State Class 4 limited winery license issued by the Comptroller. The scope of operations and activities of a Class 4 limited winery licensee were expanded under Chapter 355 of 2010, including allowing for greater flexibility to provide on- and off-premises sales.

Harford County

Class H-CC (Corporate Club/Conference Center) Beer, Wine, and Liquor License: *Senate Bill 552 (passed)* eliminates the requirements that a Class H-CC (corporate club/conference center) license only be used by a private club of at least 25 members who pay an annual membership fee and may not be used for any purpose other than for the benefit of the club. A Class H-CC license may keep for sale and sell beer, wine, and liquor, instead of beer, wine, or liquor, in a corporate dining room, in addition to a banquet room, conference room, or meeting room and other approved areas. The holder of a Class H-CC license may hold no more than four, instead of one, self-sponsored events per year in the banquet, conference, or meeting room.

Residency Requirements: *House Bill 1170 (passed)* specifies that an applicant for a Class B restaurant or Class D tavern license who is acting on behalf of a partnership, an association, a limited liability company, a sole proprietorship, or a club or corporation, whether incorporated or unincorporated, must be a resident of the State for at least one year before filing the application, must remain a resident as long as the license is in effect, and must reside within a 100-mile radius of the Town of Bel Air. An applicant acting on behalf of these same specified business entities and applying for any other alcoholic beverages license must be a resident of Harford County for at least one year before filing the application, must remain a resident as long as the license is in effect, and must reside within a 100-mile radius of the Town of Bel Air.

The bill also requires that in Harford County, in addition to other specified requirements, one of the applicants of a corporation, whether incorporated or unincorporated, or a limited liability company must be a responsible operator of the licensed establishment who has been a resident of the State for at least one year and remains a resident as long as the license is in effect and must reside within a 100-mile radius of the Town of Bel Air. A responsible operator must own at least 25% of the total business, except for an applicant for a Class B (beer, wine, and liquor) license.

Refillable Containers: *Senate Bill 546/House Bill 208 (both passed)* are statewide bills that standardize the requirements for alcoholic beverages refillable containers used in the sale of draft beer, craft beer, or wine for off premises consumption. In Harford County, the bills authorize the Harford County Board of License Commissioners to issue a refillable container permit to sell draft beer in refillable containers for consumption off the licensed premises to a holder of a Class A-1 or A-2 license, a Class B license that has off-sale privileges, or a Class D license.

Howard County

Population Restrictions on Class A Licenses: *Senate Bill 1112 (passed)* limits the number of Class A alcoholic beverage licenses of any type that can be issued by the Howard County Board of License Commissioners to one license for every 4,000 Howard County residents, as determined by the latest federal census. However, this limitation does not apply to a license issued for use in an existing shopping center or a proposed shopping center development

for which a building permit has been issued that contains 200,000 or more square feet of commercial retail space.

Beer Festivals: *House Bill 1091 (passed)* authorizes the Howard County Board of License Commissioners to issue a special beer festival license to the holder of a current retail alcoholic beverages license issued in the State, a State Class 5 brewery license, a State Class 7 micro-brewery license, or a State Class 8 farm brewery license. The holder of a special beer festival license may display and sell at retail beer for consumption on or off the licensed premises on festival days and hours. The license fee is \$50 for a one- or two-day festival. The board must approve one weekend at an unlicensed premises in Howard County for the special beer festival.

Kent County

Kent County Alcoholic Beverages Act of 2014: *Senate Bill 49/House Bill 226 (both passed)* authorize the Kent County Board of License Commissioners to issue a beer or wine tasting (BWT) license to a holder of a Class A beer and wine license or a Class A beer, wine, and liquor license. Additionally, the inspector employed by the board may serve summonses and issue citations for specified alcohol-related crimes in Kent County. The inspector must complete training in the proper use of arrest authority and pertinent police procedures as required by the board.

The Kent County BWT license allows the licensee to serve, for tasting purposes only, samples of up to two ounces of wine from a given brand and four ounces from all brands and up to two ounces of beer from a given brand and six ounces from all brands to any one person in a single day for on-premises consumption. The wine served may not contain more than 22% alcohol by volume. The license holder may not conduct a wine tasting event and a beer tasting event on the same day. The annual BWT license fee is \$200.

Montgomery County

Beauty Salon License: *House Bill 137 (passed)* authorizes the Montgomery County Board of License Commissioners to issue a special beauty salon beer and wine license to a holder of a beauty salon permit. The annual license fee is \$100. The license authorizes 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. The license may not be transferred to another location. Beer and wine may be provided during normal business hours but no later than 9 p.m. each night. Licensees are subject to specified existing alcohol awareness training requirements.

Beer Sales and Delivery to Retail Dealers: *Senate Bill 305/House Bill 132 (both passed)* authorize a holder of a Class 7 limited beer wholesaler's license or of a nonresident brewery permit to sell or deliver its own beer to a county liquor dispensary, a restaurant, or any other retail dealer in Montgomery County. The bills also authorize a county liquor dispensary, a restaurant, or any other retail dealer in Montgomery County to purchase beer directly from a holder of a Class 7 limited beer wholesaler's license or of a nonresident brewery permit.

Beer, Wine, and Liquor Licenses: Senate Bill 657/House Bill 463 (both passed) authorize the Montgomery County Board of License Commissioners to issue Class D beer, wine, and liquor licenses for on-premises consumption. The annual license fee is \$3,000. The bill establishes provisions relating to license requirements and inspections of licensed establishments. The bills also extend the time of day that holders of Class B-BWL and Class B-BWL (H-M) licenses may sell or provide alcoholic beverages.

To obtain a Class D beer, wine, and liquor license, the owner must attest in a sworn statement that gross receipts from food sales in the establishment will be at least 40% of the total gross receipts from sales of food and alcoholic beverages combined from 10 a.m. to 9 p.m. on Sundays and 9 a.m. to 9 p.m. on all other days.

The board must adopt regulations to conduct inspections to determine if the ratio is being met. The regulations must ensure (1) at least monthly physical inspections of the premises during the initial year of any licensee and (2) monthly statements submitted to the board by the licensee that show gross receipts from the sale of food and gross receipts from the sale of food and alcohol for the preceding month. The bills also extend the hours that a holder of Class B-BWL, Class B-BWL(H-M) or Class D beer, wine and liquor license may sell alcoholic beverages on certain days.

Clubhouse/Lodge License: Senate Bill 459/House Bill 269 (both passed) establish a Class B-BWL (Clubhouse/Lodge) alcoholic beverages license and authorizes the Montgomery County Board of License Commissioners to issue the license for use by specified facilities. The annual license fee is \$1,000.

The board may issue a Class B-BWL (Clubhouse/Lodge) license to the Executive Director of the Montgomery County Revenue Authority, or the executive director's designee, for use by a multi-use facility that accommodates a golf course, a restaurant, a clubhouse, a tasting bar, and the catering of events anywhere on the property. The license authorizes the licensee to (1) sell beer and wine for consumption off the licensed premises; (2) sell beer, wine, and liquor for consumption on the licensed premises; and (3) offer samples of alcoholic beverages at no charge or for a fee.

The holder of this license is not required to be located in any specified geographic location and is not required to maintain any alcohol sales to food sales ratio. The annual license fee is \$1,000.

Except under specified circumstances, a person may hold a maximum of 10 Class B beer, wine, and liquor licenses in Montgomery County under ***Senate Bill 307/House Bill 144 (both passed)***. The bills remove provisions that limit a holder of a Class B beer, wine, and liquor license in Montgomery County from obtaining additional licenses unless the license is for specified enterprise zones, cities, or business areas. The bills also remove provisions that limit the number of additional Class B beer, wine, and liquor licenses that may be obtained based on the amount of time a license holder has held his or her other licenses.

Community Performing Arts Facility Special BWL License: *Senate Bill 311/House Bill 146 (both passed)* authorize the Board of License Commissioners to issue a Special BWL Community Performing Arts Facility alcoholic beverages license under specified conditions and subject to specified requirements. The annual license fee is \$750. Under the bills, a “community performing arts facility” is any facility used for shows, live performances, theater productions, art classes, exhibits, visual art shows, weddings, banquets, and community-related activities.

To qualify for a license, the performing arts facility must have a capacity of at least 200 but no more than 1,499 people. The licensee may sell alcoholic beverages by the drink for consumption only on the licensed premises during the hours from 10 a.m. to 2 a.m. the following day. Food must be served or provided during the hours in which alcoholic beverages are sold or consumed.

Beer Festivals: Although Chapter 49 of 2005 authorized Montgomery County to conduct a wine festival under specified conditions, the county is not currently authorized to conduct a beer festival. *Senate Bill 298/House Bill 136 (both passed)* authorize Montgomery County to conduct the Montgomery County Beer Festival through a “festival organization” to be selected by the county. The bills establish various requirements and limitations regarding the festival and the nonprofit organization selected to organize the festival. “Festival organization” means a nonprofit organization that is selected by Montgomery County to organize a festival.

The festival is to be held no more than four weekends per year and is to be conducted under the supervision of the Montgomery County Department of Liquor Control.

Before a person may sell or display beer at a festival, the person must contract with the festival organization and obtain a special beer festival license from the Montgomery County Board of License Commissioners. The license fee is \$30 per day.

Micro Brewery Licenses and Class D Beer and Light Wine Licenses: *Senate Bill 310 (Ch. 55)* authorizes the holder of a Class D beer and light wine license in Montgomery County to be issued a Class 7 micro-brewery license by the Comptroller.

Proportion of Food and Alcoholic Beverages Sales: *Senate Bill 300/House Bill 142 (both passed)* decrease, from 50 to 40%, the minimum ratio of food sales to food and alcoholic beverage sales combined that restaurants and hotels must maintain in order to obtain or renew a Class B beer, wine, and liquor license in Montgomery County.

City of Takoma Park: *Senate Bill 302/House Bill 131 (both passed)* repeal the June 30, 2014 termination date of Chapter 390 of 2012, which provided an off-sale privilege for Class B beer and light wine licenses issued for hotels and restaurants in the City of Takoma Park in Montgomery County.

Town of Kensington: *House Bill 135 (passed)* authorizes the Montgomery County Board of License Commissioners to issue a special B-K alcoholic beverage license to a restaurant located at the East side of Connecticut Avenue between Warner Street and Knowles

Avenue in the Town of Kensington. A holder of the license may not serve alcoholic beverages after 11 p.m.

Licenseses of a special B-K alcoholic beverages license in Kensington may sell alcoholic beverages for consumption on the premises and must maintain a specified average daily receipts from the sale of food, not including carryout food. The location addressed by the bill is planned to be the site of an office building and a restaurant.

Prince George's County

Refillable Containers: *Senate Bill 546/House Bill 208 (passed)* are statewide bills that standardize the requirements for alcoholic beverages refillable containers used in the sale of draft beer, craft beer, or wine for off premises consumption. In Prince George's County, the Prince George's County Board of License Commissioners is authorized to issue a refillable container permit to sell draft beer in refillable containers for consumption off the licensed premises to a holder of a Class B beer, wine, and liquor license that has off-sale privileges.

Somerset County

Micro-Brewery Licenses: *Senate Bill 250/House Bill 287 (both passed)* add Somerset County to the list of jurisdictions in which a Class 7 micro-brewery license may be issued. The license may be issued to a holder of a Class B beer, wine, and liquor (on-sale) license for use on the premises of a restaurant. The bills also give a micro-brewery licensee in Somerset County the off-sale privilege to sell beer brewed under the license to customers for consumption off the licensed premises in refillable containers that are sealed by the licensee at the time of each refill.

St. Mary's County

Refillable Containers: *Senate Bill 546/House Bill 208 (both passed)* standardize the requirements for alcoholic beverages refillable containers used in the sale of draft beer, craft beer, or wine for off premises consumption. In St. Mary's County, the St. Mary's Alcohol Beverage Board is authorized to issue a refillable container permit to sell draft beer in refillable containers for consumption off the licensed premises to a holder of a Class A, Class B, or Class D license.

Washington County

Restaurant Seating Capacity and License Quota: *Senate Bill 692/House Bill 322 (both passed)* reduce the required minimum seating capacity in the definition of a "restaurant" in Washington County from 75 to 50 persons for a Class P alcoholic beverages (on-sale) license. The bills also exclude Class P licenses from being factored in calculating Washington County's "population ratio quota" for alcoholic beverage licenses.

Worcester County

Senate Bill 1079 (*passed*) authorizes the board to issue a Class D beer, wine, and liquor license within the corporate limits of the towns of Berlin and Snow Hill.

Part I

Financial Institutions, Commercial Law, and Corporations

Financial Institutions

Money Transmission – 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.

To address concerns associated with these fraudulent transfers, *House Bill 723 (passed)* requires 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 bill also requires 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 bill 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.

Mortgage Loan Originator Licensing – Expedited Licensing

A “mortgage loan originator” is an individual who, for compensation or gain, or in the expectation of compensation or gain, takes a loan application or offers or negotiates terms of a mortgage loan. Generally, an individual may not engage in the business of mortgage loan origination unless the individual holds a valid license. Federal law requires a state to prohibit an individual from engaging in the business of a loan originator with respect to any dwelling or residential real estate unless the individual (1) registers as a loan originator through, and obtains a unique identifier from, the Nationwide Mortgage Licensing System Registry (NMLSR) and (2) obtains and maintains a valid loan originator license from the state, except as otherwise permitted. Exceptions to the license requirement include (1) an individual who is an employee of a financial institution and registered with NMLSR and (2) a specified individual who is an employee of a government or housing finance agency.

Senate Bill 1091 (passed) provides 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 bill requires the Commissioner of Financial Regulation 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 bill also requires 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 bill.

Interest on Escrow and Specific Purpose Savings 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 at a specified minimum rate. In 2013, the Federal Reserve Board discontinued tracking and publishing the six-month average dealer bid rate on certificates of deposit which had been used to determine minimum interest rates for escrow and special purpose accounts. *Senate Bill 583/House Bill 735 (both passed)* replace 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. The bill provides that the new

interest rate applies retroactively to escrow accounts and special purpose savings accounts in existence on or after January 1, 2014.

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 is 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) prohibits 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) establishes a registration process, exemptions from registration, various consumer protections including limits on the fees that may be charged for services and disclosures that must be included in a debt settlement services agreement, and penalties for violations of the Act.

Chapters 280 and 281 also require (1) 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; and (2) the commissioner, in consultation with the Consumer Protection Division, 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 terminates on June 30, 2015.

Senate Bill 160/House Bill 704 (both passed) extend the termination date of the Maryland Debt Settlement Services Act by one year to June 30, 2016. The bills also extend (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.

Uniform Laws

Remittance Transfers

Senate Bill 522/House Bill 564 (both passed) alter the applicability of the provisions of the Maryland Uniform Commercial Code (UCC) 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 the 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 so that these laws continue to apply to commercial wire transfers, including wholesale remittance transfers, while consumer remittance transfers are now covered by federal laws. In response to the NCCUSL recommendations, *Senate Bill 522/House Bill 564* require the UCC provisions to apply to a funds transfer that is a “remittance transfer,” unless the remittance transfer is an “electronic fund transfer” as those terms are defined in the EFTA. To the extent the applicable UCC provisions governing fund transfers are inconsistent with the federal EFTA, the federal law governs. According to NCCUSL, without the changes made by the bills 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.

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 are on the rise across the country. In response to the increase in fraudulent filings, *Senate Bill 404 (Ch. 58)* requires 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 are individuals. The Act does 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 is erroneously or fraudulently filed. The filing office determines the form of the notice. The Act applies to financing statements that must be filed if the local law of Maryland governs 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.

Patent Infringement

A growing problem in the area of intellectual property is the issue of persons who make an assertion of patent infringement against another in bad faith, known colloquially as “patent trolls.” *Senate Bill 585/House Bill 430 (both passed)* prohibit a person from making an assertion of patent infringement in bad faith and establish factors for a court to consider as evidence of whether a person has made an assertion in bad faith or in good faith. The bills grant to the Attorney General and the Division of Consumer Protection of the Office of the Attorney General the same authority that they have to, under the Maryland Consumer Protection Act, adopt regulations, conduct investigations, and bring civil and criminal actions.

In addition to any action by the division or the Attorney General, *Senate Bill 585/House Bill 430* authorize 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 has 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 may 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 includes a claim for relief arising under federal law is exempted from the legislation.

Commercial Law – Consumer Protection

Interference with Internet Ticket Sales

Ticket scalpers often use software tools known as “bots” to bypass the security measures of websites that facilitate ticket sales for major events. Bots are robotic software programs designed to allow users to buy tickets online automatically on a repetitive basis. The use of bots allows the user to jump in front of individual consumers online and purchase tickets in bulk. This is particularly an issue in the promotion of concerts and other performance events that are in high demand because bot use can cause the event to sell out quickly. As a result, individual consumers may only be able to purchase tickets at higher prices on the resale market, including tickets resold by the bot users.

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. *Senate Bill 154 (Ch. 42)* prohibits 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 is used to ensure an equitable ticket buying process. The Act applies 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. A violation of the Act is an unfair or deceptive trade practice under the Maryland Consumer Protection Act (MCPA), subject to MCPA’s civil and criminal penalty provisions.

Office of the Attorney General – Consumer Affairs Satellite Office in Prince George’s County

The Office of the Attorney General (OAG) Consumer Protection Division is responsible for enforcing MCPA and investigating the consumer complaints of any unfair and deceptive trade practices. OAG has 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, OAG has no satellite office in the Washington metropolitan area.

Senate Bill 508/House Bill 480 (both passed) require OAG to establish a consumer affairs satellite office in Prince George's County by October 1, 2014. The office must provide assistance to consumers who wish to file complaints or receive consumer counseling. In determining where to locate the office, the bills require OAG to give priority to a site that is centrally located in the Washington metropolitan area. By December 31, 2014, OAG must report to the Governor and the General Assembly on the operations of the consumer affairs satellite office, including the number of consumers served.

Consumer Behavior and Shopping Habits – Monitoring

A number of retailers have been testing technology that uses the Wi-Fi or other signals of a customer's cellular phone or similar device to track the customer's shopping behavior. *Senate Bill 950/House Bill 924 (both failed)* would have prohibited a merchant from using a wireless Internet signal or a cellular phone to monitor the behavior or shopping habits of consumers unless the merchant displayed, at each entrance to the merchant's business premises, a notice clearly and conspicuously disclosing that the merchant was using the tracking technology.

Corporations and Associations

Corporations and Real Estate Investment Trusts

Senate Bill 713/House Bill 916 (both passed) alter various provisions of Maryland's corporation and real estate investment trust (REIT) laws, including provisions relating to the authority of a Maryland corporation and a REIT to renounce a business opportunity; stock dividends and splits; the redemption of shares; director qualifications; holdover directors; voting agreements; exemptions to merger procedures; and the contents of articles of consolidation, merger, share exchange, or transfer.

Authority of a Corporation to Renounce a Business Opportunity

The bills authorize a Maryland corporation to renounce, in its charter or by resolution of its board of directors, any interest or expectancy of the corporation 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 developed by or presented to its directors or officers.

Stock Dividends and Stock Splits

The bills repeal 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

A corporation registered as an open-end company under the Investment Company Act of 1940 may redeem shares of its stock if the board authorizes the redemption and the charter expressly provides for the redemption. An open-end company also may redeem shares of its stock from a stockholder if (1) the charter does not expressly prohibit the redemption of shares of its stock; (2) the aggregate net asset value of the shares to be redeemed from the stockholder is, as of the date of the redemption, \$1,000 or less; and (3) a specified written notice of the redemption is provided to the stockholder of record. The bills increase, from \$1,000 to \$2,000, the aggregate net asset value of the shares that may be redeemed by an open-end company in the absence of an express prohibition in the corporation's charter.

Directors

The bills require that each nominee for director of a corporation 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 bills establish a specified 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.

The bills also clarify specified board voting procedures and allow 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 bills authorize 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. The bills establish 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 bills, 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 specified conditions are met, including:

- the shares of the subject corporation are registered under the Securities and Exchange Act of 1934 immediately prior to the execution of the agreement to merge by the subject corporation;

- the agreement to merge expressly provides that the merger is governed by a specified provision of the Maryland General Corporation Law;
- an acquiring entity consummates a tender or exchange offer for any and all of the outstanding shares of the subject corporation that otherwise would entitle the holder of the outstanding shares to vote on the merger on the terms provided in the agreement to merge;
- following the consummation of the offer, the acquiring entity owns at least that percentage of the shares, and of each class or series of the shares, of the subject corporation that otherwise would be required to approve the merger under the Maryland General Corporation Law and the charter of the subject corporation;
- the acquiring entity merges with or into the subject corporation; and
- the outstanding shares of each class or series of shares of the subject corporation not cancelled in the merger are converted in the merger into, or into the right to receive, the same amount and kind of cash, property, rights, or securities paid for shares of the class or series of shares of the subject corporation on consummation of the offer.

The bills require certain entities to approve the proposed merger and require 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

The bills authorize 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 bills also authorize 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 bills repeal 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

The bills clarify that a REIT is a separate legal entity and require that a declaration of trust be filed for record with the State Department of Assessments and Taxation before a REIT is formed. The bills also (1) authorize a REIT to renounce, in its declaration of trust or by resolution of its board of trustees, any interest or expectancy of the 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 REIT or developed by or presented to its trustees or officers and (2) alter 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.

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 or IndieGoGo.com, have been established to facilitate the crowdfunding of various charitable or artistic projects.

Senate Bill 811/House Bill 1243 (both passed) facilitate crowdfunding by exempting investments under \$100 from Maryland securities registration and filing requirements. The bills exempt 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 bills establish 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

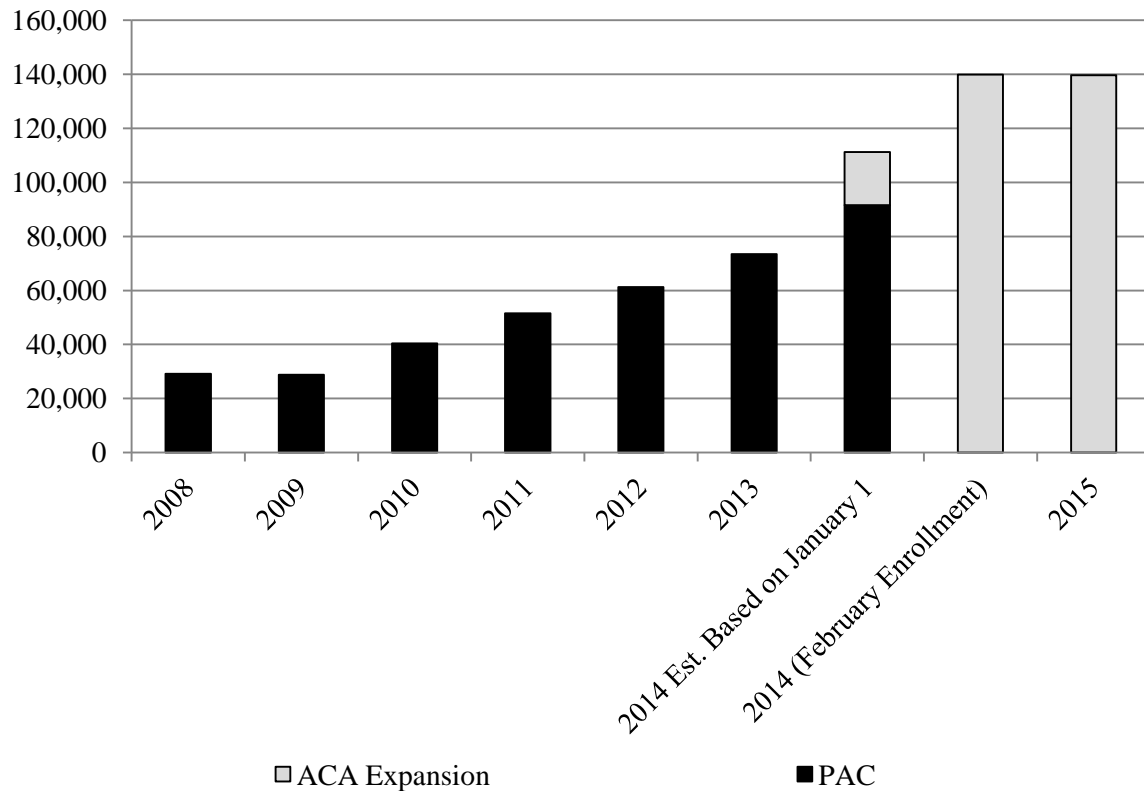
Medicaid

Budget

The fiscal 2015 budget for Medicaid, after adjusting for cost containment, increases by almost \$839 million (11.5%) over the fiscal 2014 working appropriation. Major drivers of growth include:

- The annualization of fiscal 2014 costs for the expansion of Medicaid up to 138% of the federal poverty level as allowed for under the federal Patient Protection and Affordable Care Act (ACA) which adds \$495 million, all federal funds. This increase is expected to grow further based on the actual costs associated with serving this population (higher than budgeted), as well as higher than projected enrollment (see **Exhibit J-1**). As shown in Exhibit J-1, enrollment in the new ACA expansion eligibility category in February 2014 was already at the anticipated fiscal 2015 level.
- Provider rate increases total \$290 million, predominantly a rate increase for managed care organizations (MCO) (5.8% for fiscal 2015).

Exhibit J-1
Enrollment in the PAC and the ACA Expansion Medicaid Eligibility Category
Fiscal 2008-2015



ACA: Affordable Care Act

PAC: Primary Adult Care

Note: The PAC program (a program with limited Medicaid benefits) ended on January 1, 2014. All PAC enrollees were moved in the ACA expansion enrollment category.

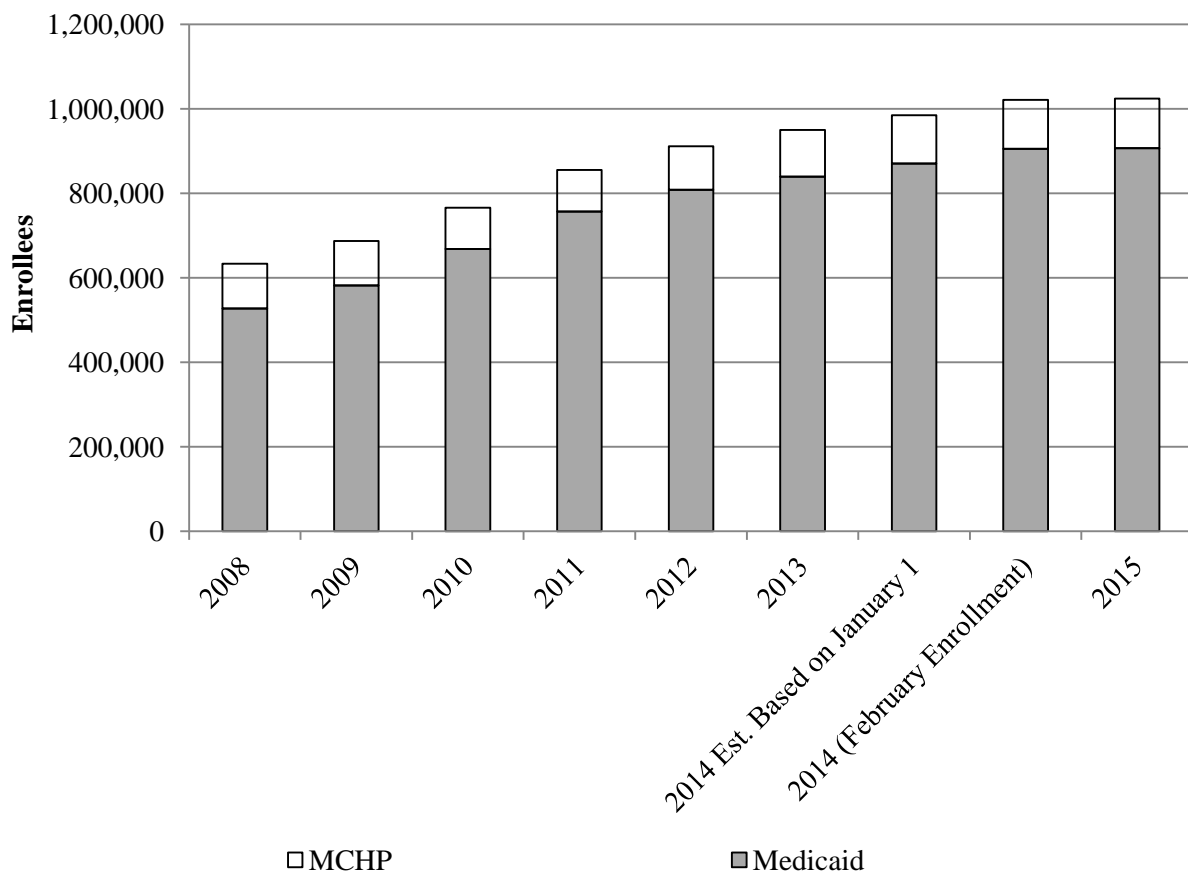
Source: Department of Health and Mental Hygiene; Department of Legislative Services

There are a number of factors which point to the Medicaid budget being potentially underfunded in fiscal 2015 including:

- significant uncertainty over enrollment trends, trends complicated by the State's decision to extend Medicaid redeterminations by a six-month grace period, effective January 1, 2014. This action was necessitated by the inability of the Maryland Health Benefit Exchange's enrollment and eligibility determination system to do those redeterminations as required under its contract with the now-replaced prime contractor, Noridian. As shown in **Exhibit J-2**, Medicaid enrollment, even after excluding the ACA

expansion population, has also spiked in recent months, again to the point that enrollment in fiscal 2014 is already at anticipated fiscal 2015 levels.

Exhibit J-2
Enrollment in Medicaid (Excluding the ACA Expansion)
By Medicaid Eligibility Category
Fiscal 2008-2015



ACA: Affordable Care Act
MCHP: Maryland Children's Health Program

Source: Department of Health and Mental Hygiene; Department of Legislative Services

- whether costs savings and favorable fee-for-service trends assumed in the budget will materialize/continue; and

- whether an assumed additional \$40 million in Cigarette Restitution Fund support will be available as a result of a successful appeal of all or part of a recent 2013 arbitration ruling.

Telemedicine

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. *Senate Bill 198/House Bill 802 (both passed)* require 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 MCOs. The Department of Health and Mental Hygiene (DHMH) is also authorized to reimburse for services delivered through different telemedicine models, including electronically sending medical images and home health monitoring, subject to the limitations of the State budget and only to the extent authorized by federal law. DHMH may specify by regulation the types of providers eligible to receive reimbursement.

Waiver Consolidation

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. *House Bill 590 (passed)* makes the statutory changes necessary to consolidate these waivers. Eligibility for waiver enrollees is 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 new State Plan option established under the federal ACA. Participants may now choose whether to receive their case management services through local Area Agencies on Aging or several private providers.

Miscellaneous Health Care Programs

Prescription Drug Monitoring Program

Maryland's Prescription Drug Monitoring Program (PDMP) was established by Chapter 166 of 2011 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. In 2013, the Department of Legislative Services (DLS) conducted a sunset evaluation of the program. 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. [*House Bill 255 \(Ch. 92\)*](#) implements those recommendations.

Further changes to PDMP were made by [*House Bill 1296 \(passed\)*](#). The bill authorizes PDMP, in accordance with regulations adopted by the Secretary of the Department 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.

Community Integrated Medical Home Program

Maryland is 1 of 25 states to receive a State Innovation Models (SIM) grant under the federal 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). [*House Bill 1235 \(passed\)*](#) establishes 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 the Maryland Health Care Commission (MHCC) and DHMH. The bill also establishes 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 and the Secretary of the Department of Health and Mental Hygiene, in consultation, must appoint the members of the advisory board and determine the frequency and location of meetings.

Public Health Programs for Children

The Program for Hearing-Impaired Infants was established in 1985 to provide hearing screening of newborns and early identification and follow-up of infants that may be at risk for hearing loss. The goals of the program are to screen all newborns before they are one month of age, identify babies with hearing loss by three months of age, and initiate early intervention for

babies with hearing loss no later than six months of age. *Senate Bill 103 (Ch. 30)* renames the program to be the Early Hearing Detection and Intervention Program. The related advisory council is renamed to be the Early Hearing Detection and Intervention Advisory Council and changes are made to the council's membership and meeting requirements. The Act requires the Secretary to establish a toll-free telephone line to communicate information about hearing loss and services for infants with hearing loss or who are at risk for hearing loss. The advisory council must counsel DHMH on the development of protocols to assist hospitals, health care providers, and audiologists in conducting universal newborn hearing screening and follow-up hearing evaluations of infants.

The Program for Crippled Children was established in 1957 to (1) develop and improve services for finding crippled children; (2) provide medical, surgical, corrective, and other services and care; and (3) provide facilities for diagnosis, hospitalization, and aftercare. *Ch. 30* repeals the purposes of the program and replaces them to reflect the current manner in which services are delivered. The purpose of the program is to provide reimbursement for medical, diagnostic, corrective, and other services and care to children and youth up to age 21 who have or are suspected of having special health care needs. Additionally, obsolete language referring to "crippled children" is replaced with the term "children with special health care needs."

Behavioral Health Integration

DHMH has been examining the issue of integrating substance use disorder and mental health care in recent years 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.

House Bill 1510 (passed) establishes 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 the Department of Health and Mental Hygiene may require the programs to be granted accreditation by an approved accreditation organization as a condition of licensure. 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. *Senate Bill 620/House Bill 592 (both passed)* alter the standard for approval for involuntary medication by a CRP by removing the “danger to the individual or to others” language. Under the bills, 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 (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 (both failed)* would have established procedures and requirements for assisted outpatient treatment for individuals with severe mental illnesses. Instead of making those substantive changes, *Senate Bill 882/House Bill 1267 (both passed)* require the Secretary of the Department 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.

Developmental Disabilities

Developmental Disabilities Administration

Recent 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). DHMH has executed a contract with a national firm specializing in turnaround and interim management services in order to address DDA's operational challenges. DDA has started to implement administrative and financial reforms to address these challenges.

The Director of DDA has headed DDA since it was established in 1986. Since fiscal 2009, the director has reported to the Deputy Secretary for Behavioral Health and Disabilities. *Senate Bill 606 (passed)* creates a Deputy Secretary for Developmental Disabilities to head DDA and eliminates the position of Director of DDA. The existing Deputy Secretary for Behavioral Health and Disabilities is renamed the 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 current payment system, adopted in 1987 and codified in 1994, is prospective in nature; that is, the system estimates the costs that a provider will incur in the coming fiscal year to serve its clients, and DDA 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 prospective payments. *House Bill 1238 (passed)* requires 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 current DDA payment system is repealed effective on the date that the new payment system regulations take effect.

House Bill 295 (passed) not only increases the minimum wage, it also includes a mandated rate increase for DDA-funded community providers (3.5% for four years beginning in fiscal 2016). For a more detailed discussion of this issue, see the subpart "Labor and Industry" within Part H – Business and Economic Issues of this *90 Day Report*. Given this mandated funding increase, *House Bill 1238* 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 Program

Senate Bill 418 (Ch. 59) lowers 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.

Down Syndrome

DHMH reports that between 2009 and 2013, there has been an average of 71 cases of Down syndrome per year. *Senate Bill 654 (passed)* requires DHMH to identify up-to-date, evidence-based, written information about Down syndrome. This information must be provided to health care facilities and providers, who may provide the information to expectant parents who receive a positive prenatal test result for Down syndrome and parents of a child diagnosed with Down syndrome.

Medical Marijuana

Chapter 403 of 2013 established the Natalie M. LaPrade Medical Marijuana Commission and Fund. Among other things, the commission is required to annually issue a request for applications for academic medical centers to operate medical marijuana compassionate use programs. The commission is developing policies, procedures, guidelines, and regulations to implement programs for the medical use of marijuana beginning in July 2014. *Senate Bill 923/House Bill 881 (both passed)* expand 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.

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, *Senate Bill 923/House Bill 881*, in addition to making other changes related to the commission, require 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, *Senate Bill 364 (passed)* makes 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 *90 Day Report*.

Commissions

The Maryland Community Health Resources Commission (MCHRC) was established by Chapter 280 of 2005 to strengthen the safety net for low-income, uninsured, and underinsured Marylanders. The safety net consists of “community health resources” which include federally qualified health centers, local health departments, smaller community-based clinics, and providers. Through community assessments, MCHRC helps communities develop more coordinated, integrated systems of community-based care, redirect nonemergency care from emergency rooms to other health care providers, and assist individuals in establishing medical homes. *Senate Bill 1040/House Bill 1431 (both passed)* extend the termination date of MCHRC by 10 years from June 30, 2015, to June 30, 2025.

The Maryland Health Care Commission (MHCC) is an independent State agency located within DHMH. MHCC’s mission is to plan for health system needs, promote informed decision making, increase accountability, and improve access in a rapidly changing health care environment by providing timely and accurate information on availability, cost, and quality of services to policymakers, purchasers, providers, and the public. *House Bill 105 (Ch. 83)* authorizes MHCC to award grants and make agreements with grantees or payees. In awarding funds, MHCC must (1) use a competitive process that affords interested persons an opportunity to submit a proposal for funding and (2) evaluate proposals using a panel of internal and external evaluators. Additionally, MHCC must provide information on its website that is easily accessible to the public about funds to be awarded and how to submit a proposal. The Act requires MHCC to submit an annual report to the General Assembly listing all funds awarded.

Statistics and Records

The Secretary of the Department of Health and Mental Hygiene is required to establish appropriate methods and the necessary forms for accurate registration of vital records. There is no requirement for electronic recordkeeping. The paper system requires input from different sources which results in a single piece of paper being ferried between information providers. Death certificates must be filed within 72 hours. *House Bill 661 (passed)* requires the Secretary, on or before January 1, 2015, to establish a process by which death certificates can be filed

electronically. The Secretary must also educate physicians, physician assistants, and nurse practitioners regarding the process.

A birth certificate must be filed in the State for a child born in the State or for a child born on a common carrier if the child is first removed from the carrier in the State. Also, if a birth in the State occurs outside of an institution, the Secretary of the Department of Health and Mental Hygiene is required to verify the birth. *Senate Bill 105 (Ch. 31)* alters from 72 hours to five days the time period within which the birth certificate must be filed and, if required, the Secretary must verify the birth.

A health care provider must provide a medical record within a reasonable time after a person in interest requests in writing to either receive a copy of the medical record or to see and copy the medical record. A health care provider may require a person in interest or any other authorized person who requests a copy of a medical record to pay a fee for the record, which generally is limited to the reasonable cost of providing the record. Except for an emergency request from a unit of State or local government concerning a child protective services case or adult protective services case, a health care provider may withhold copying the medical record until the fee is paid. However, a provider may not refuse to provide the records because of unpaid fees for medical services. Under *House Bill 399 (passed)*, a health care provider is prohibited from charging a person in interest, except for an attorney appointed in writing by a person in interest, a fee of more than \$20 (adjusted annually for inflation) for a copy of each 100 pages or a portion of 100 pages of a medical record of an individual enrolled in the Maryland Medicaid program.

County Health Officers

House Bill 874 (passed) clarifies the process by which a county nominates an individual for health officer and the process by which an individual is removed as health officer. The governing body must establish a process, in consultation with the Secretary of the Department of Health and Mental Hygiene, which includes the requirements for recruiting, interviewing, and recommending applicants to fill the position of health officer. The bill also provides for the confidentiality of information concerning the removal of a health officer and requires any meeting relating to the removal be closed.

Local health departments are becoming increasingly reliant on fee-for-service revenue collections to support operational costs. Several local health departments retain collections received from those fees under local ordinances. *Senate Bill 104 (passed)* codifies the authority of county health officers and the Baltimore City Commissioner of Health to retain collections received from fees, with some specified exceptions, but requires the annual reporting of these collections to the Secretary of the Department of Health and Mental Hygiene. The bill also extends the authority to health officers for local health departments to waive charges for services when it is in the best interest of public health.

Miscellaneous Public Health Issues

House Bill 1282 (*passed*) authorizes the establishment of local drug overdose fatality review teams in counties. The purpose of the local teams is to prevent drug overdose deaths by promoting cooperation and coordination among agencies involved in investigations of drug overdose deaths; developing an understanding of the causes and incidence of drug overdose deaths in the county; developing plans for and recommending changes within the agencies represented on the team to prevent drug overdose deaths; and advising DHMH on changes to law, policy, or practice to prevent drug overdose deaths. The bill specifies the membership for local teams and the duties for local teams, including reporting and collaboration requirements. The bill establishes 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. The bill also establishes privacy provisions and establishes that violation of those provisions is a misdemeanor and subject to a maximum fine of \$500 and/or imprisonment for up to 90 days.

Tris (1, 3-dichloro-2-propyl) phosphate (TDCPP) is one of several phosphorus-based flame retardants referred to as “TRIS” chemicals that is commonly added to certain plastics, fabrics, and foams, including those used in certain child care products. 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 tris (2-chloroethyl) phosphate. **House Bill 229** (*passed*) adds child care products containing more than one-tenth of 1% (by mass) of TDCPP to this prohibition.

The AIDS Prevention Sterile Needle and Syringe Exchange Pilot Program in Baltimore City, established by Chapter 360 of 1994, provides 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. **House Bill 354** (*passed*) repeals the requirement that the program provide clean needles and syringes on a one-for-one basis. The bill also requires 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.

Health Occupations

Dentistry

State Board of Dental Examiners

House Bill 657 (*passed*) adds 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 bill authorizes 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. *House Bill 100 (passed)* makes permanent the authority of a licensed dental hygienist to practice in a long-term care facility under the general supervision of a dentist, and *House Bill 101 (passed)* does likewise for the monitoring of a patient to whom nitrous oxide has been administered.

Environmental Health Specialists

Environmental health specialists work in diverse practice areas and are largely employed by local health departments and State agencies. *House Bill 1258 (passed)* requires the Board of Environmental Health Specialists in the Department of Health and Mental Hygiene (DHMH) to place a licensed environmental health specialist on inactive status or on nonrenewed status for up to four years – subject to reactivation – under specified conditions. Additionally, the bill requires the board to adopt regulations to establish a seasonal environmental health specialist-in-training program for individuals to be temporarily employed as environmental health specialists.

Massage Therapists

The regulation of massage therapy in Maryland is differentiated by the setting in which it is practiced. If outside a health care facility, it is deemed to be nontherapeutic massage, and the individual must be a registered massage practitioner. Otherwise, a practitioner must be a licensed massage therapist. *House Bill 1157 (passed)* redefines “health care facility” as “health care setting” and clarifies terminology by repealing references to the practice of nontherapeutic massage and replacing them with the practice of massage therapy in a setting that is not a health care setting. The bill also alters the educational requirements for (1) licensure to practice massage therapy or (2) registration to practice massage therapy.

Morticians and Funeral Directors

Unannounced Inspections

Senate Bill 586/House Bill 1031 (both passed) establish 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 bills, 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.

Pre-need Contracts

Pre-need contracts allow consumers to purchase funeral goods and services for him 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. *Senate Bill 415/House Bill 593 (both passed)* specify 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.

Senate Bill 648/House Bill 1042 (both passed) establish 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 is 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 are altered.

Nursing

Electrology Practice Committee

Senate Bill 320/House Bill 251 (both passed) lower the number of committee members for the Electrology Practice Committee within the State Board of Nursing and reduce the number of committee members who must be licensed electrologists or licensed electrology instructors.

Nurses, Nursing Assistants, Medication Technicians, and Electrologists

Senate Bill 849/House Bill 908 (both passed) require the State Board of Nursing, beginning January 1, 2015, to establish a rap back program through which the Criminal Justice Information System reports all new and additional criminal history information to the board for an applicant who has been fingerprinted for a criminal history records check (CHRC) required by the board. The bills also make 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.

Pharmacists and the Regulation of Pharmacies

State Board of Pharmacy

Senate Bill 228 (Ch. 46) repeals the requirement that the officers of the board (president, secretary, and treasurer) be elected from among the board's pharmacist members only.

Registered Pharmacy Interns

An individual must be licensed by the board before the individual may practice pharmacy in the State. However, a pharmacy student practicing in an experiential learning program under the supervision of a licensed pharmacist is exempt from this requirement under current law. *Senate Bill 854/House Bill 1218 (both passed)* add an additional requirement for this exemption – specifically, that an individual be registered and approved by the board as a registered pharmacy intern before practicing pharmacy under the direct supervision of a licensed pharmacist. Pharmacy interns must meet certain qualifications and follow specified procedures for registration and biennial renewal and are limited in their permitted actions. Licensed pharmacists may supervise at most two registered pharmacy interns simultaneously.

Access to Pharmacy Services

Senate Bill 257 (passed) establishes the Task Force to Study Access to Pharmacy Services in Maryland to study the availability of pharmacy services for patients when they are discharged from the hospital. The task force must report its findings by December 31, 2014.

Sterile Compounding and Sterile Drug Products

Compounding can serve an important public health need if a patient cannot be treated with a Food and Drug Administration (FDA) approved medication. However, compounded drugs are not FDA-approved, and poor compounding practices can result in contamination or medications that do not contain the strength, quality, or purity required. In recent years, compounding has come under increased scrutiny by FDA because of the emergence of firms with pharmacy licenses making and distributing drugs outside the bounds of traditional pharmacy compounding that operate more like drug manufacturers than pharmacies.

House Bill 1088 (passed) authorizes 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, **Senate Bill 1108 (passed)** specifies 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 bill also requires the Secretary of the Department of Health and Mental Hygiene to convene a workgroup to study national safety standards for the acts excluded from the sterile compounding facility permit requirement and to report to the Governor and specified legislative committees on the results of the study and the Secretary’s recommendations for appropriate oversight. The report is due by December 15, 2014.

Exclusions from Maryland Pharmacy Act

Dentists: Under the Maryland Pharmacy Act (enacted by Chapter 267 of 2012), the Division of Drug Control (DDC) must inspect the office of a dentist, physician, or podiatrist who holds an initial dispensing permit within six months of receiving notice of the initial permit issuance, and at least one more time within the duration of the permit (which is five years). Permit holders must pay fees to DDC to offset inspection costs.

Senate Bill 413/House Bill 301 (both passed) permit 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. Products may only be dispensed to a dentist’s patient, and the dentist must properly record and label the product. Additionally, **Senate Bill 412/House Bill 303 (both passed)** permit 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.

Dispensers of Devices and Equipment: **Senate Bill 852/House Bill 1029 (both passed)** exempt 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, from the requirements of the Maryland Pharmacy Act.

Physicians and Allied Health Professions

Physicians

An applicant for a physician license must pass an examination required by the board. *House Bill 959 (passed)* specifies an otherwise qualified applicant who passes the examination after having failed the examination or any part of the examination three or more times may qualify for a license only if the applicant meets specified criteria. Additionally, the definition of “board certified” is expanded to increase the number of certifying boards by which a physician may be certified to include the Royal College of Physicians and Surgeons of Canada and the College of Family Physicians of Canada.

Perfusionists

Chapter 588 of 2011 (the Maryland Perfusion Act) required the State Board of Physicians to license and regulate the practice of perfusion and established a Perfusion Advisory Committee (PAC) within the board. *House Bill 692 (passed)* (1) expands the civil fine authority of the board over licensed perfusionists; (2) alters the circumstances under which the board must reinstate a license to a perfusionist; (3) provides for an extension of a temporary license issued to certain applicants prior to taking the national certifying examination; (4) alters the requirements regarding display of a license; (5) alters the membership requirements of PAC; and (6) corrects references to the Commission on Accreditation of Allied Health Education Programs with the current name of the organization.

Psychologists

Senate Bill 225/House Bill 113 (both passed) require that an individual be registered rather than approved by the State Board of Examiners of Psychologists before the individual may practice as a psychology associate in the State.

Podiatrists

Senate Bill 162/House Bill 272 (both passed) expand 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 bills require hospitals to consider the training, education, and experience of the podiatrist when developing these provisions.

New Licensees

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. *Senate Bill 694/House Bill 150 (both passed)* require 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

Senate Bill 314/House Bill 402 (both passed) require naturopathic doctors to be licensed to practice by the State Board of Physicians by March 1, 2016, and establish 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” is 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.

Sunset Evaluation and Related Legislation

Approximately 70 entities, including each of the boards regulated under the Health Occupations Article, are subject to periodic evaluation conducted by Department of Legislative Services (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.” In 2013, DLS conducted a preliminary evaluation of the State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech Language Pathologists, and recommended waiving the full evaluation for the board. The General Assembly reauthorized the board for an additional 10 years through *House Bill 258 (Ch. 93)*.

Criminal History Records Checks

Seven health occupations boards require CHRCs. *House Bill 401 (passed)* requires 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 bill also creates new grounds for disciplinary action for each respective health occupation if an applicant fails to submit to a CHRC.

Cease and Desist Orders and Injunctive Relief

In response to ongoing efforts to address the issue of unlicensed practitioners, several bills authorize various boards to issue cease and desist orders, seek injunctive relief, and/or impose fines or penalties. Two health occupations boards (nursing home administrators and physicians) are authorized to issue cease and desist orders under existing law.

Senate Bill 379/House Bill 304 (both passed) authorize 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 are 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. The bills also authorize a licensed acupuncturist to provide supervision to a licensed clinical professional counselor performing auricular detoxification.

Senate Bill 380 (Ch. 56) authorizes 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 fines 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.

Senate Bill 453/House Bill 403 (both passed) allow 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.

Senate Bill 448 (Ch. 61) provides 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 current criminal fine for these violations is increased to a maximum of \$5,000. Additionally, the board is 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.

Finally, ***Senate Bill 587/House Bill 791 (both passed)*** authorize 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 is 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.

Health Statistics and Records

House Bill 399 (passed) prohibits a health care provider from charging a person of interest, except for an attorney appointed in writing by a person of interest, a fee of more than \$20 (adjusted annually for inflation) for a copy of each 100 pages or a portion of 100 pages of a medical record of an individual enrolled in the Maryland Medicaid program. For a more detailed discussion of this issue, see the subpart “Public Health – Generally” within Part J – Health and Human Services of this *90 Day Report*.

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, which will replace the State’s all-payer, rate-regulated hospital financing system. Under the model, Maryland will transition from the current waiver 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 3 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 5 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 5-year period.
- **Reduction of Hospital Readmissions:** Maryland will commit to reducing its Medicare readmission rate over 5 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 5 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.

House Bill 298 (passed) alters State law governing the Health Services Cost Review Commission (HSCRC) to comply with provisions of the Maryland all-payer model, increases HSCRC's user fee cap from \$7 million to \$12 million, and requires 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.

Under **House Bill 298**, 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.

Certificate of Need

Exceptions for Certain Veterans Facilities

Senate Bill 89 (Ch. 18) establishes an exception to the requirement for a certificate of need for a comprehensive care facility owned and operated by the Maryland Department of Veterans Affairs (MDVA) that restricts admissions to individuals who meet MDVA residency requirements and are (1) honorably discharged veterans; (2) former members of a reserve component of the U.S. Armed Forces; or (3) nonveteran spouses of eligible veterans.

Voluntary Relinquishment for Cardiac Surgery Services

Senate Bill 891 (Ch. 73) requires regulations adopted by the Maryland Health Care Commission (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 agree to voluntarily relinquish its authority to provide cardiac surgery services if the hospital fails to meet the applicable standards established by MHCC. This voluntary relinquishment requirement is already in place for hospitals with respect to emergency or elective percutaneous coronary intervention services.

Miscellaneous

Workplace Safety Assessment and Safety Programs

Senate Bill 483/House Bill 710 (both passed) require 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,

which must 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

House Bill 963 (passed) requires 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. *House Bill 963* also establishes the Planning Committee to Implement Improved Access to Sexual Assault Medical Forensic Examinations in Maryland. The planning committee must submit a report on its findings and recommendations by December 1, 2015.

Perpetual Care of State-owned Cemeteries

Senate Bill 577/House Bill 404 (both passed) require State-owned cemeteries that are located on the grounds of a State facility, including the former Crownsville Hospital Center and the former Rosewood Center, to be provided perpetual care. Perpetual care activities must be performed in consultation with the Maryland Historical Trust, and DHMH must report annually, beginning January 1, 2015, on the perpetual care provided for these facilities. *Senate Bill 577/House Bill 404* also specify that public thoroughfare provisions apply to State-owned cemeteries.

Health Insurance

Health Reform Implementation

Maryland Health Insurance Plan Access for Bridge Eligible Individuals

On October 1, 2013, the Maryland Health Benefit Exchange (MHBE) launched the Maryland Health Connection (MHC), the State's online insurance marketplace established under the federal Patient Protection and Affordable Care Act (ACA), to compare and enroll individuals in health insurance and determine their eligibility for Medicaid and other assistance programs, federal tax credits, and cost-sharing reductions. From inception, the website experienced significant technological problems hindering enrollment in coverage offered through MHC.

Senate Bill 134 (Ch. 1) expands the purpose of the Maryland Health Insurance Plan (MHIP) to include providing access to health benefits for "bridge-eligible individuals" – individuals who are eligible for enrollment in MHBE and provide evidence that they have attempted to obtain insurance through MHBE and were unsuccessful in enrolling in coverage. The Act provides access to health benefits on a prospective basis, as well as on a retroactive basis, beginning no earlier than January 1, 2014.

To provide access to benefits to these individuals, the Act repeals a requirement to close MHIP enrollment as of December 31, 2013. Enrollment in MHIP must be closed, however, to

any bridge-eligible individual who has not applied for enrollment in MHIP by March 31, 2014. The MHIP board may extend enrollment of bridge-eligible individuals beyond March 31, 2014, if the board determines that such individuals continue to be unsuccessful in enrolling in coverage through MHBE. Enrollment of a bridge-eligible individual terminates on the effective date of enrollment in a qualified health plan through MHBE. At the time of writing, 106 enrollees had taken advantage of the program.

Revision of State Law to Implement and Conform to Federal Health Care Reform

Under ACA, a number of insurance reforms took effect on January 1, 2014, including guaranteed issue and renewal of policies. *Senate Bill 96 (Ch. 23)* alters State insurance law to implement and conform to ACA and corresponding federal regulations. Among other changes, the bill authorizes the Insurance Commissioner to enforce requirements regarding guaranteed availability of coverage, repeals obsolete provisions regarding conversion rights for group health insurance products, modifies requirements for wellness programs offered under group health insurance products, and establishes additional events that trigger enrollment periods in the individual and Small Business Health Options Program (SHOP) exchanges. The bill also establishes fees for a SHOP exchange enrollment permit.

Pediatric Dental Essential Health Benefits

ACA requires nongrandfathered health benefit plans to cover pediatric dental care as 1 of the 10 required essential health benefits. This requirement extends to health plans offered to individuals and small employers outside MHBE. However, in February 2013, the U.S. Department of Health and Human Services issued guidance specifying circumstances under which a health benefit plan is not required to offer pediatric dental coverage.

Consistent with this guidance, *House Bill 693 (passed)* exempts a health benefit plan offered outside MHBE to individuals or small employers from the requirement to provide pediatric dental essential health benefits. To be exempt, a health insurance carrier must disclose that the health benefit plan does not provide the full range of pediatric dental essential health benefits and be reasonably assured that the enrollee has obtained full coverage of pediatric dental essential health benefits through a stand-alone dental plan certified by MHBE. To be certified, a stand-alone dental plan must be reviewed and approved by the Maryland Insurance Administration (MIA) as meeting specified requirements, such as covering the State benchmark pediatric essential health benefits. Health benefit plans that do not provide pediatric dental essential health benefits must request and provide specified information in its application completed by a purchaser.

Prescription Drugs

Step Therapy or Fail-first Protocols

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. *Senate Bill 622/House Bill 1233 (both passed)* establish 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. The Maryland Health Care Commission (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.

Specialty Drugs

Senate Bill 874/House Bill 761 (both passed) prohibit 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 bills, 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 bills also specify 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.

Maximum Allowable Cost Pricing

Maximum allowable cost (MAC) generally refers to a PBM-generated list of prescription drugs that includes the upper limit or maximum amount that a PBM will pay for generic drugs and brand-name drugs that have generic versions available (multisource brands). Each PBM establishes its own MAC list based on varying criteria. *Senate Bill 952/House Bill 793 (both passed)* require a PBM to include the sources used to determine MAC pricing in each contract with a pharmacy. A PBM must update pricing information at least every seven days and provide a means for contracted pharmacies to promptly review pricing updates. A PBM must maintain a procedure to eliminate products from any MAC list. Before placing a prescription drug on a MAC list, a PBM must ensure that the drug meets specified criteria. Each contract between a PBM and a pharmacy must include a specified process to appeal, investigate, and resolve disputes regarding MAC pricing. If an appeal is upheld, a PBM must make the change in the MAC no later than one business day after the date of determination on the appeal and permit the appealing contracting pharmacy to reverse and rebill the claim and any subsequent similar claims.

Senior Prescription Drug Assistance Program

The Senior Prescription Drug Assistance Program (SPDAP) provides Medicare Part D premium and coverage gap assistance to moderate-income Maryland residents who are eligible for Medicare and are enrolled in a Medicare Part D prescription drug plan. *House Bill 106 (Ch. 84)* extends the termination date of SPDAP by two years to December 31, 2016. The current \$14 million cap on the subsidy required for SPDAP is extended through fiscal 2017.

Chemotherapy Coverage

Chapters 4 and 5 of 2012 prohibit 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 that is administered intravenously or by injection. *Senate Bill 641/House Bill 625 (Chs. 67 and 68)* extend the applicability of the chemotherapy provisions to the new plans offered to individuals and small employers both within and outside of the MHBE.

Confidential Communications

Senate Bill 790 (Ch. 72) requires the Maryland Insurance Commissioner to develop and make available a standardized form for an insured or enrollee to use to request confidential communications from a health insurance carrier. Carriers must accept the standardized form but may also accept any other form of written request for confidential communications. The Act also specifies that certain written notices from an insurer to a claimant regarding denial of a claim and certain annual summary explanations of benefits are subject to confidential communications requirements under the federal Health Insurance Portability and Accountability Act privacy rule.

Payments to Providers

Health Maintenance Organizations

Chapter 664 of 2009 altered the rates that a health maintenance organization (HMO) must pay to noncontracting providers. Other than trauma physicians for trauma care, an HMO must pay no less than the greater of the following rates for an evaluation and management service: (1) 125% of the average rate the HMO paid as of January 1 of the previous calendar year in the same geographic area, for the same covered service, to similarly licensed contracting providers or (2) 140% of the Medicare rate. For other services, an HMO must pay 125% of the average rate the HMO paid as of January 1 of the previous calendar year in the same geographic area to a similarly licensed contracting provider for the same covered service. In calculating the rate to be paid for an evaluation and management service, an HMO must calculate the average rate paid to similarly licensed providers under written contract with the HMO for the same covered service using a specified calculation. Chapter 664 included a five-year termination provision.

Senate Bill 416/House Bill 437 (both passed) repeal the termination provision and make these payment formulas permanent.

Incentives for Health Care Practitioners

Senate Bill 884/House Bill 1127 (both passed) alter the circumstances under which health insurance carriers may provide bonuses or other incentive-based compensation. Carriers are authorized to provide bonuses and incentive-based compensation to a “set of health care practitioners” (a group practice, clinically integrated organization, or accountable care organization). Carriers may provide bonuses or other incentive-based compensation if the bonus or compensation does not create a disincentive to the provision of medically appropriate or medically necessary health care services. The bonus or other incentive-based compensation must promote the provision of preventive health care services or may reward a health care practitioner or a set of health care practitioners, based on satisfaction of performance measures, if certain specified items are agreed on in writing by the carrier and the health care practitioner or set of health care practitioners. Acceptance of a bonus or other incentive-based compensation must be voluntary. A carrier may not require a health care practitioner or a set of health care practitioners to participate in the carrier’s bonus or other incentive-based compensation program as a condition of network participation.

Medicare Marketing Rules

Senate Bill 95 (Ch. 25) requires insurance producers to comply with the federal Centers for Medicare and Medicaid Services’ Medicare Marketing Guidelines, including prohibitions against door-to-door solicitation, approaching Medicare beneficiaries in common areas, and telephone or electronic solicitation, when soliciting or advertising the sale of Medicare Advantage, Medicare Advantage Prescription Drug, Medicare Prescription Drug Part D, or Section 1876 Cost plans. Commission of a prohibited act is defined as an unfair and deceptive act or practice in the business of insurance.

Health Care Provider-carrier Workgroup

House Bill 779 (passed) requires MHCC to establish a health care provider-carrier workgroup to resolve disputes on issues over which no State agency has statutory or regulatory authority. By January 1, 2016, and each year thereafter, MHCC staff must submit a report to MHCC and specified committees of the General Assembly.

Workforce Development for Community Health Workers

Senate Bill 592/House Bill 856 (both passed) require the Department of Health and Mental Hygiene and MIA to jointly establish a stakeholder workgroup on workforce development for community health workers (CHW). Among other things, the workgroup must study reimbursement and payment policies for CHWs through the Maryland Medical Assistance Program and private insurers. The workgroup must report its findings and recommendations to specified committees of the General Assembly by June 1, 2015.

Social Services

The Elderly

Protection from Financial Abuse, Financial Exploitation, and Fraud

House Bill 723 (*passed*) requires 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 *90 Day Report*.

The Disabled

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 these operational challenges. A number of bills make changes to DDA’s organizational structure and payment policies. **Senate Bill 606** (*passed*) creates a Deputy Secretary for Developmental Disabilities to head the DDA and eliminates the position of Director of DDA. **House Bill 1238** (*passed*) requires the Developmental Disabilities Administration to conduct an independent cost-driven, rate-setting study to set provider rates for community-based services. The bill repeals the current DDA payment system effective on the date that the new payment system regulations take effect. **Senate Bill 418** (*Ch. 59*) lowers 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 **Senate Bill 606**, **House Bill 1238**, or **Senate Bill 418**, see subpart “Public Health – Generally” within this Part J – Health and Human Services of this *90 Day Report*.

Children

Children, Youth, and Family Services

Each county maintains a Local Management Board (LMB) that is tasked with implementing a local interagency service delivery system for children, youth, and families. LMBs 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. **House Bill 904** (*passed*) requires 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 corporation.

Prekindergarten Services

House Bill 297 (passed) expands prekindergarten services to additional eligible four-year-old children from families whose income is no more than 300% of the federal poverty guidelines (FPG). For a further discussion of this issue, see the subpart “Primary and Secondary Education” within Part L – Education of this *90 Day Report*.

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. *House Bill 1307 (passed)* requires the Social Services Administration within the Department of Human Resources (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. By December 31, 2014, the Secretary of DHR must report to the Senate Judicial Proceedings Committee and the House Appropriations Committee on how DHR has implemented the bill’s provisions.

Child Care Centers

Senate Bill 716/House Bill 1276 (both passed) require the Maryland State Department of Education to adopt specific regulations for child care centers that promote proper nutrition and developmentally appropriate practices. The regulations must 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.

Residential Child Care Programs

DHR and the Department of Juvenile Services must issue an official certification of public need for the location and establishment of a residential child care program, before a residential child care program is issued a license, an existing or previously licensed program is relocated, an existing site is expanded, or the number of placements in a program is increased. *House Bill 1522 (passed)* allows a residential child care program to relocate to another site on a temporary basis without a statement of need if:

- the site of the existing licensed residential child care program is in a state of disrepair that necessitates rehabilitation for the health, safety, and well-being of the residents;
- the temporary site meets the requirements of the residential child care program’s license;

- the temporary site is located within the same jurisdiction as, or within 10 miles of, the site undergoing rehabilitation; and
- the rehabilitation of the existing site will be completed within 180 days or, if not completed within 180 days, will be completed within a period of time determined by the licensing agency, on request of the licensee, not to exceed an additional 180 days.

The Homeless

Chapters 544 and 545 of 2013 established the Task Force to Study Housing and Supportive Services for Unaccompanied Homeless Youth to compile information on and identify the unique needs of unaccompanied homeless youth, identify gaps in the programs and resources currently available to meet those needs, and collect and compile 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). *Senate Bill 794/House Bill 794 (both passed)* establish 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 bills require 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. *Senate Bill 796 (passed)* repeals the Governor's Advisory Board on Homelessness and establishes an Interagency Council on Homelessness within the Executive Branch. The Interagency Council on Homelessness must, among other things:

- coordinate State policy and working relationships among State, local, and nonprofit agencies concerning efforts to remedy and prevent homelessness;
- coordinate data sharing between local Continuums of Care (regional or local planning bodies that coordinate housing and services funding for homeless families and individuals);

- determine comprehensive and effective collaborative strategies and best practices for remediation and prevention of homelessness in the State, in particular addressing the differing needs of the State's geographic areas;
- review and analyze the need for and availability of affordable and accessible housing resources to address the needs of homeless individuals throughout the State; and
- recommend changes necessary to alleviate or prevent homelessness, including making recommendations to the General Assembly and appropriate State agencies and organizations regarding effective policies, effective distribution of resources, and access to available services and programs.

Further, *Senate Bill 795/House Bill 813 (both passed)* establish a Joint Committee on Ending Homelessness comprised of five members of the Senate of Maryland and five members of the House of Delegates. The bills charge the committee with:

- studying issues relating to homelessness, including housing, income, health care, education, government supports, and veterans experiencing homelessness;
- consulting with governmental agencies, community-based organizations, and other stakeholders to identify State policies, programs, and actions that should or could prevent, mitigate the effects of, and end homelessness in Maryland;
- reviewing and making recommendations to align State statutes, regulations, programs, services, and budgetary priorities with State policies and actions that should or could prevent, mitigate the effects of, and end homelessness in Maryland; and
- reporting to the General Assembly by December 1 of each year on the committee's work and any recommendations.

Part K

Natural Resources, Environment, and Agriculture

Natural Resources

Wildlands, Public Recreation, and Forests

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. “Wildlands” are limited areas of land or water which have either (1) retained their wilderness character, although not necessarily completely natural and undisturbed; (2) have rare or vanishing species of plant or animal life; or (3) similar features of interest worthy of preservation for use by present and future residents of the State. Generally, the wildland areas must be devoted to public purposes for recreational, scenic, scientific, educational, conservation, and historical use.

The Secretary of the Department of Natural Resources (DNR) may review areas under the Secretary’s jurisdiction as to their suitability for preservation as State wildlands and report findings to the Governor. The Governor, in turn, makes recommendations to the General Assembly with respect to the designation or reclassification of wildland areas or alteration of boundaries. Such additions or changes can only be made by the General Assembly. The Secretary must provide specified notice to the public and relevant State and local officials and hold a public hearing at a location convenient to the area affected prior to submitting recommendations to the Governor.

There are currently 29 separate wildlands designated in statute, consisting of approximately 44,000 acres. The most recent areas added under Chapter 174 of 2002 were Savage Ravines Wildland and South Savage Wildland in Garrett County. Since the designation of these wildlands, DNR has acquired additional lands, completed an inventory of old growth forests, and mapped both high conservation forests and environmentally sensitive areas on DNR-managed lands. In fall of 2013, DNR conducted nine public hearings in each county with a proposed site.

Senate Bill 336/House Bill 296 (both passed) expand 14 wildland areas and add 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.

Off-road and Off-highway Vehicles

DNR allows off-road vehicles only on designated trails on department-owned land. “Off-road vehicle” means a motorized vehicle designed for or capable of cross-country travel on land, water, snow, ice, marsh, swampland, or other natural terrain. It includes four-wheel drive or low-pressure tire vehicles, automobiles, trucks, motorcycles, and related two-wheel vehicles, farm-type tractors, earth-moving or construction equipment, lawn mowers, snow blowers, garden or lawn tractors, or golf carts. An off-road vehicle may not be used where its operation will damage the wildland character of the property or where the noise from its operation will be audible at or interfere with the use of a picnic or camping area open to public use.

Senate Bill 471/House Bill 420 (both passed) prohibit DNR from establishing an off-road vehicle trail on State-owned property located in Sideling Hill in Washington County, including the Sideling Hill Wildlife Management Area and the areas of Sideling Hill that are located to the north and south of Interstate 68. Additionally, DNR must review and evaluate these areas as to their suitability for preservation as a State wildland.

In order to encourage a landowner to make land, water, and airspace above the land and water areas available to the public for any recreational and educational purpose, certain protections from liability are established in statute for those landowners that do so. ***House Bill 660 (passed)*** expands the applicability of specified responsibility and liability provisions applicable to cross-country skiing and the use of snowmobiles authorized by a landowner on the landowner’s real property in Garrett County to apply statewide to both cross-country skiing and the use of off-highway vehicles in general. An “off-highway vehicle” means a motor-assisted or motor-driven vehicle that is (1) designed for or capable of cross-country travel on or directly over land, snow, or other natural terrain and (2) not intended for use on public roads. For a further discussion of ***House Bill 660***, see the subpart “Civil Actions and Procedures” within Part F – Courts and Civil Proceedings of this *90 Day Report*.

Program Open Space

Program Open Space, established in 1969 and administered by DNR, provides funds for State and local acquisition and development of public outdoor recreational sites, facilities, and open space. Funding for Program Open Space, as well as for the Rural Legacy Program and the Maryland Agricultural Land Preservation Foundation, comes from the State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another. A portion of the funds available to Program Open Space 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.

House Bill 1312 (passed) authorizes DNR to use acquisition funds to enhance public access to existing recreational areas and open space and modifies 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. DNR and subdivisions are required to consider whether it is feasible to provide and enhance public access to recreational areas and open space.

The Budget Reconciliation and Financing Act (BRFA) of 2014, **Senate Bill 172 (passed)**, redirects \$69.1 million in transfer tax funding for land preservation programs (Program Open Space – State, Program Open Space – Local, the Rural Legacy Program, and the Maryland Agricultural Land Preservation Program) to the general fund in fiscal 2015. In combination with actions taken in the BRFA of 2013, Chapter 425, 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. For a more detailed discussion of transfer tax issues, see the subpart “Transfer Tax” within Part A – Budget and State Aid of this *90 Day Report*.

Tree Experts

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. 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.

House Bill 582 (Ch. 101) requires 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.

Chesapeake Bay

Chesapeake Bay Critical Area

The Chesapeake Bay Critical Area Protection Program was established by Chapter 794 of 1984 to minimize damage to water quality and wildlife habitat by fostering more sensitive development activity along the shoreline of the Chesapeake Bay and its tributaries. In 2002, the program was expanded to include the Atlantic Coastal Bays.

In general, State law specifies that the prosecution of a misdemeanor or a prosecution or suit for a fine, penalty, or forfeiture must be instituted within one year after the offense was committed. **Senate Bill 73/House Bill 58 (both passed)** require a criminal prosecution or a suit for a civil penalty for an offense that occurs in the Chesapeake Bay Critical Area in

Talbot County to be brought within three years if the criminal prosecution or civil penalty suit is for a violation of a local law that relates to environmental protection or natural resource conservation, including a local law regulating grading, sediment control, stormwater management, zoning, construction, or health and public safety. The three-year statute of limitations begins to run once the local authorities in fact knew or reasonably should have known of the violation. The bills apply prospectively to offenses occurring on or after the bills' October 1, 2014 effective dates. For a further discussion of *Senate Bill 73/House Bill 58*, see subparts "Civil Actions and Procedures" within Part F – Courts and Civil Proceedings and "Criminal Procedure" within Part E – Crimes, Corrections, and Public Safety of this *90 Day Report*.

Chesapeake Bay Trust

The Chesapeake Bay Trust is a private, nonprofit grant-making organization established by the General Assembly in 1985 to promote public awareness and participation in the restoration and protection of the water quality, aquatic resources, and land resources of the bay and other aquatic resources and land resources of the State. The trust awards grants to community-led environmental education and habitat restoration projects through a portfolio of programs and manages the Chesapeake Conservation Corps Program as a special initiative. The trust is governed by a board of 19 trustees. Board members that are not *ex officio* members serve four-year terms and are limited to two terms.

Among its powers and duties, the trust is authorized to "solicit and accept any gift, grant, legacy, or endowment of money from the federal government, the State government, local government, or any private source in furtherance of the Trust." However, elsewhere in the law governing the trust, it is stated that "[e]xcept as otherwise provided ... the Trust may not solicit or accept any gift, bequest, or lease of real or personal property." Additionally, the Public Ethics Law prohibits officials or employees of the State from soliciting or accepting gifts in most circumstances. If the trust is considered an agency of the State, it is required to follow the Public Ethics Law unless specifically exempted.

Senate Bill 62 (Ch. 10) alters the term limit for members of the Chesapeake Bay Trust's Board of Trustees that are not *ex officio* members from two terms to two *consecutive* terms. The Act also repeals the prohibition on the trust soliciting or accepting any gift, bequest, or lease of real or personal property.

House Bill 129 (Ch. 85) exempts the trustees and employees of the Chesapeake Bay Trust from the State Public Ethics Law. Instead, the Act requires the board of the trust to adopt provisions to govern the public ethics of the trustees and employees relating to conflicts of interest for nonprofit organizations. A copy of these provisions must be kept on written file and made available for public inspection at the principal office of the Chesapeake Bay Trust. For a further discussion of this issue, see the subpart "Ethics" within Part C – State Government of this *90 Day Report*.

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund

Chapter 6 of the 2007 special session established the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (trust fund). The trust fund is funded 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.

The BRFA of 2014, [*Senate Bill 172*](#), redirects \$8.0 million of short-term vehicle rental revenues from the trust fund to the general fund in fiscal 2014 and an additional \$6.2 million in fiscal 2015, and transfers \$2.4 million of the balance in the trust fund to the general fund in fiscal 2014. In combination with actions taken in the BRFA of 2011, Chapter 397, a total of \$21.9 million in fiscal 2014 and \$14.3 million in fiscal 2015 trust fund money is either redirected or transferred to the general fund in order to support the operating budget. For a more detailed discussion of short-term vehicle rental revenues, see the subpart “Budget Reconciliation and Financing Legislation” within Part A – Budget and State Aid of this *90 Day Report*.

Northeast Maryland Waste Disposal Authority

The Northeast Maryland Waste Disposal Authority was created in 1980 as a public instrumentality of the State. The authority’s mission is to plan and develop waste management systems that meet the highest environmental standards while providing the most efficient and reliable waste disposal services possible. Eight jurisdictions (Baltimore City and Anne Arundel, Baltimore, Carroll, Frederick, Harford, Howard, and Montgomery counties) currently participate in the authority. Chapter 267 of 2008 authorized Cecil County to become a participating county in the authority. [*House Bill 1506 \(passed\)*](#) authorizes Wicomico County to become a participating county in the Northeast Maryland Waste Disposal Authority.

Hunting and Fishing

Hunting and Wildlife Management

Deer Management in Charles and St. Mary’s Counties

Because white-tailed deer thrive in habitat composed of woods and openings, suburban development has caused deer populations to increase throughout much of the State. Higher deer populations, particularly in suburban areas, can increase the number of negative interactions between deer and humans, such as deer-vehicle collisions and damage to planted vegetation. According to the Department of Natural Resources (DNR), regulated hunting is one of the most cost-effective mechanisms for controlling deer populations.

In addition to standard hunting licenses and stamps, DNR’s Wildlife and Heritage Service 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. *Senate Bill 966 (passed)* authorizes additional deer hunting under a deer management permit in Charles and St. Mary's counties and prohibits DNR from requiring a holder of a deer management permit in those counties from applying for renewal more than once every three years. The bill also establishes a program to train rifle shooters to hunt deer in order to control the deer population in those counties. DNR must give the holders of deer management permits priority when accepting individuals into the program. Finally, the bill establishes 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.

Sunday Hunting

There are three seasons to hunt deer in Maryland: bow hunting season, firearms season, and muzzle loader season. Wild turkey may be hunted in the fall in Allegany, Garrett, and Washington counties and in the spring in all counties. With specified exceptions, hunting game birds or mammals on Sundays is prohibited.

In the 2014 session, additional exceptions to the ban on Sunday hunting were established in several counties. *Senate Bill 472/House Bill 406 (both passed)* authorize 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 for Sunday hunting in Allegany, Garrett, and Washington counties. *Senate Bill 473/House Bill 432 (both passed)* authorize DNR to allow a person to hunt deer on a Sunday on private property and certain public land in Frederick County from the first Sunday in October through the second Sunday in January of the following year, inclusive.

Hunting Safety Zones

A hunting safety zone is an area surrounding a dwelling house, residence, church, or other building or camp occupied by human beings, within or into which a person, other than an owner, an occupant, or a person with advanced permission of the owner or occupant, may not shoot or discharge any firearm or other deadly weapon while hunting. In general, this safety zone extends 150 yards from a building or camp, although Carroll, Frederick, and Harford counties have a reduced safety zone applicable only to archery hunters. *Senate Bill 309/House Bill 138 (both passed)* establish a reduced safety zone of 100 yards for archery hunters in Montgomery County.

Possession of Handguns

The black bear is the largest terrestrial mammal native to Maryland. Currently, Maryland has a resident black bear population in the four westernmost counties (Allegany, Garrett, Frederick, and Washington), with the highest bear densities in Garrett and western Allegany counties. In response to concerns about the threat of bear attacks on bow hunters in this region, *Senate Bill 231 (passed)* eases restrictions on carrying a handgun while bow hunting. The bill prohibits DNR from preventing a licensed bow hunter from openly carrying a handgun that the hunter is otherwise authorized to carry if the bow hunter is (1) at

least 21; (2) hunting in deer management Region A; and (3) carrying the handgun for personal protection. Additionally, the bow hunter may not use the handgun to kill wildlife wounded by a vertical bow or crossbow.

Fishing and Fisheries Management

Sport Fisheries Advisory Commission

The Sport Fisheries Advisory Commission was created in 1973 to provide advice to DNR on recreational fishing matters. The membership of the commission is designed to reflect the diverse angling interests and characteristics of the waters of the State. *House Bill 154 (passed)* adds a sixteenth member to the Sport Fisheries Advisory Commission. The new member must be a representative of the Tidal Fisheries Advisory Commission, which advises DNR on commercial fishing matters. However, the new member may not be the person who acts as the representative of the Sport Fisheries Advisory Commission on the Tidal Fisheries Advisory Commission.

Recreational Striped Bass Fishery

Unlike commercial fishing license holders, who must submit detailed harvest reports to DNR, recreational fishing license holders are not required to report their catches. Instead, the National Marine Fisheries Service, under the Marine Recreational Information Program (MRIP), uses in-person intercept surveys and phone surveys to generate recreational harvest estimates. DNR is currently involved in a review of how MRIP can be improved with respect to Maryland's recreational fishery.

In concert with the ongoing MRIP review, *House Bill 1148 (passed)* requires DNR to conduct a study on methods of obtaining more accurate harvest data for the recreational striped bass fishery. The study must (1) examine the benefits that more accurate harvest data for the recreational striped bass fishery would have on the scientific and management capabilities of DNR with respect to the entire striped bass fishery; (2) consider the types of information and level of detail that would be most beneficial for DNR to obtain; (3) consider the advantages, disadvantages, and feasibility of implementing various methods for obtaining more accurate harvest data for the recreational striped bass fishery; (4) recommend methods for obtaining more accurate harvest data for the recreational striped bass fishery; and (5) recommend any enforcement measures that would need to be implemented to support any recommended methods for obtaining more accurate striped bass harvest data.

Commercial Fishing and Seafood Operations

Maryland's "right-to-farm" laws protect agricultural and silvicultural operations from nuisance actions under certain circumstances. *House Bill 1153 (passed)* extends these legal protections to commercial fishing and seafood operations. For a more detailed discussion of this bill, see the subpart "Civil Actions and Procedures" within Part F – Courts and Civil Proceedings of this *90 Day Report*.

Fisheries Regulations

In its review during the 2013 interim of proposed DNR regulations on behalf of the Joint Committee on Administrative, Executive, and Legislative Review (AELR), the Department of Legislative Services raised concern about whether fisheries regulations that authorized DNR to make certain fisheries management changes (including changes to fishing seasons and catch limits) by public notice rather than by regulation were consistent with statute. While the Counsel to the General Assembly, in a letter to the Senate Chair of the AELR Committee, viewed the proposed regulations in question as legally sufficient, the counsel suggested that the General Assembly consider clarifying DNR's authority to adopt these regulations. *Senate Bill 145/House Bill 145 (both failed)* would have provided such clarification. The bills would have authorized DNR to adopt regulations allowing specified fisheries management changes to be made by public notice, consistent with current practice. The issue was referred to interim study by the House Environmental Matters Committee.

Recreational Licenses

Recreational Incentives Pilot Program

Recreational hunting and fishing are essential revenue generators for DNR. Proceeds from the sale of recreational hunting licenses fund a variety of wildlife management initiatives, including surveys, research, conservation measures, hunter recruitment and training, hunting programs, nuisance and emergency response, and enforcement. Similarly, recreational fishing license and registration fees support a variety of activities related to the scientific investigation, protection, propagation, and management of the State's fishery resources. In fiscal 2013, DNR received \$7.8 million and \$6.7 million in special fund revenue from recreational fishing licenses and hunting licenses, respectively.

Recreational fishing and hunting license sales have declined in recent years. DNR reports that resident hunting license sales decreased by 5% between 2007 and 2012, while the number of recreational anglers dropped from an average of 530,000 in the mid-90s to 303,000 in 2012. *Senate Bill 93 (Ch. 22)* aims to reverse this trend by creating a Recreational Incentives Pilot Program to determine whether recreational license sales can be increased by offering incentive discounts to individuals who have not purchased specified recreational fishing or hunting licenses within the previous three years. The Act requires DNR to develop and carry out a plan to implement the pilot program that (1) identifies eligibility criteria; (2) establishes amounts for the incentive discounts; and (3) includes a marketing strategy. Incentive discounts may not exceed 50% of the underlying license fee. A report on the operation and results of the pilot program is due to the Governor and the General Assembly by September 30, 2017.

Denials and Suspensions

House Bill 1174 (passed) makes provisions of the Family Law Article governing the denial or suspension of licenses for failure to pay child support applicable to recreational hunting and fishing licenses. The bill also requires the Department of Human Resources to request an exemption from the federal government that would allow the State to collect only the last

four digits of a recreational hunting or fishing license applicant's Social Security number, instead of the whole Social Security number, on the license application. For a more detailed discussion of this bill, see the subpart "Family Law" within Part F – Courts and Civil Proceedings of this 90 Day Report.

Environment

Water Quality

Local Stormwater Remediation Fees

As a result of Chapter 151 of 2012, beginning July 1, 2013, Baltimore City and nine counties were required to begin assessing stormwater remediation fees and implementing programs supported by the new fee revenues held in local watershed protection and restoration funds. The fees attracted significant controversy and led to the introduction of numerous bills in the 2014 legislative session to repeal the fees or establish exemptions or modifications to the fees. For example, *Senate Bill 464/House Bill 50 (both failed)*, *Senate Bill 5/House Bill 97 (both failed)*, and *House Bill 895 (failed)* each would have repealed the requirement to establish the fees and funds. Additionally, *Senate Bill 316/House Bill 55 (both failed)*, *House Bill 952 (failed)*, and *Senate Bill 277/House Bill 324 (both failed)* would have exempted specific counties (Anne Arundel, Baltimore, and Frederick counties, respectively) from the requirement to assess stormwater remediation fees.

Although no legislation to repeal or exempt a jurisdiction from the obligation to establish a watershed protection and restoration fund and program passed, the BRFA of 2014, *Senate Bill 172 (passed)*, authorizes Carroll and Frederick counties to enter into a memorandum of understanding with the Maryland Department of the Environment (MDE) to develop an alternative source of financing, instead of a stormwater remediation fee, for the purpose of meeting the requirements of each jurisdiction's federal stormwater permit.

Several other bills would have made other modifications to one or more of the local stormwater remediation fees or limited the effect of the fees on certain property owners. For example, *Senate Bill 315 (failed)* would have prohibited Anne Arundel County from setting a stormwater remediation fee that generates revenues that would exceed the county charter tax limitation. *House Bill 1139 (failed)* would have required credits against a local fee to apply to both residential and nonresidential property owners and would have mandated the establishment of fee credits of 25%, 50%, 75%, and 100%. *Senate Bill 317 (failed)* would have created a personal income tax deduction for 100% of the fees paid by a business or individual. Finally, *Senate Bill 359 (failed)* would have altered the definition of an "impervious surface" by generally excluding areas covered by gravel, and thereby potentially limiting the areas subject to a fee.

Bay Restoration Fund

The main goal of the Bay Restoration Fund (BRF) is to provide grants to owners of wastewater treatment plants to reduce nutrient pollution to the Chesapeake Bay by upgrading the systems with enhanced nutrient removal (ENR) technology and to support septic system upgrades and the planting of cover crops. Originally, grants and loans made from funds within the Septics Account of BRF were used to cover the cost of repairing, replacing, or upgrading a septic system, or for covering the difference in cost between a new conventional system and one utilizing the best available technology for nitrogen removal.

Legislation enacted in 2008 and 2011 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 providing grants or loans for connecting a property served by a septic system to an existing ENR facility.

MDE indicated that these and other existing provisions of law relating to the use of the Septics Account were too restrictive to accommodate the demand for various legitimate projects that could achieve the same environmental benefits as septic system upgrades. *House Bill 11 (Ch. 80)* gives local governments more flexibility in using Septics Account funds to address their septic system needs. The Act expands the uses of the Septics Account by (1) providing grants or loans for connecting a property served by an onsite sewage disposal (septic) system to an existing biological nutrient removal 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 specified sewer connection projects located outside of a priority funding area.

In 2010, MDE completed its phase out of the administration of septic system grants, leaving administration of the program to local governments instead. Thus, grant funds are provided by MDE to county health departments and other delegated entities, which, in turn, implement a local grant program for eligible property owners. Regulations adopted in September 2012 further increased the administrative burden on local health departments by requiring BAT for additional septic systems and requiring that such systems be maintained and operated for the life of the system.

House Bill 12 (passed) alleviates some of the burden on local governments for these additional plan review, construction inspection, and operation and maintenance tracking duties. The bill requires that up to 10% of the funds in the Septics Account be distributed to the local public entities delegated administration authority by MDE in order to cover reasonable administrative costs.

Financing of Drinking Water and Water Quality Projects

The Drinking Water Revolving Loan Fund was created in 1993 to provide below-market-rate loans for drinking water projects to facilitate compliance with national primary drinking water standards. The fund receives federal capitalization grants and other funding from the U.S. Environmental Protection Agency, including \$10.4 million in new federal funds in the fiscal 2014 budget. *Senate Bill 101 (Ch. 28)* expands the authorized uses of the

fund to include providing financial assistance in the form of grants, negative interest loans, forgiveness of principal, subsidized interest rates, and any other form of financial assistance authorized or required under various federal laws to ensure that the State can take advantage of all forms of federal assistance offered.

The Water Quality Financing Administration (WQFA) in MDE provides financial assistance for wastewater treatment plants (WWTPs) in Maryland through BRF and several smaller financial assistance programs. According to WQFA, between fiscal 2006 and 2013, about \$1.53 billion in total financial assistance has been provided to WWTPs, of which more than 98% was provided to major WWTPs with a capacity of at least 500,000 gallons per day. *House Bill 937 (passed)* requires MDE to ensure the fair and equitable distribution of financial assistance from these funds among major WWTPs and minor WWTPs (with a capacity of less than 500,000 gallons per day). However, the bill does not otherwise alter separate provisions of law that specifically control the distribution of WQFA-administered funds, such as BRF revenues.

Water Pollution Enforcement

The State water pollution control laws generally regulate discharges of pollutants to waters of the State. A person who violates the water pollution control laws, or any regulation, order, or permit issued under these laws, is subject to injunctive actions and administrative, civil, and criminal penalties. MDE may impose a maximum administrative penalty of \$5,000 per violation (each day a violation occurs is a separate violation) and \$50,000 total. *Senate Bill 564/House Bill 834 (Chs. 65 and 66)* increase, from \$5,000 to \$10,000, the maximum administrative penalty per violation, and increase, from \$50,000 to \$100,000, the maximum total penalty that may be imposed on a person for water pollution control violations.

Solid and Hazardous Waste Management

Recycling and Composting

The Maryland Recycling Act requires all counties and Baltimore City to recycle 20% or 35% of their waste generated, depending on the jurisdiction's population, and establishes a statewide recycling rate goal of 55% by 2020 with a waste diversion goal of 60%. Counties have flexibility to determine the best way to reach these required recycling rates. The county recycling plan, revised on a triennial basis, must address several issues, such as implementation of recycling from apartment and condominium buildings, the feasibility of composting mixed solid waste, methods for the separate collection and composting of yard waste, and methods of financing county recycling efforts, among numerous other issues.

Senate Bill 781 (passed) requires the organizer of a special event with more than 200 attendees and that meets certain other requirements to provide for the collection of recyclable materials at the event, including through the placement of clearly distinguished recycling bins. The bill also requires each county, as part of their currently required recycling plans, to address the collection and recycling of recyclable materials from special events by October 1, 2015. The bill establishes a civil penalty of \$50 per day for a violation of the

requirement to provide for recycling at special events, which is to be paid to the local government that enforced the violation.

Generally recognized benefits of composting include diverting waste from landfills; reducing emissions of methane, a greenhouse gas; and providing an inexpensive source of natural fertilizer. *House Bill 878 (passed)* establishes 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 for postconstruction stormwater management. For a more detailed discussion of this issue, see the subpart “Transportation” within Part G – Transportation and Motor Vehicles of this *90 Day Report*.

Oil Cleanup and Reimbursement Funds

The Maryland Oil Disaster Containment, Clean-Up and Contingency Fund (Oil Fund) was established in 1986 to provide funding to MDE’s oil pollution prevention programs, such as permitting, enforcement, and oil spill response. A fee of 0.75 cents was imposed on each barrel of oil transferred into the State; after the expiration of several temporary fee increases enacted by the General Assembly, the fee reverted 3.0 cents per barrel.

The General Assembly also established the Oil Contaminated Site Environmental Cleanup Fund (Reimbursement Fund) in 1993 to reimburse underground storage tank owners and later, for heating oil tank owners, for costs incurred during site cleanups. The Reimbursement Fund is similarly supported by the oil transfer fee, which through several successive enactments, had risen to 1.75 cents per barrel. However, since July 2010, no portion of the oil transfer fee has supported the Reimbursement Fund.

During the 2013 legislative session, after a bill to increase the oil transfer fee failed, budget reconciliation legislation transferred \$3.5 million from the Reimbursement Fund to the Oil Fund in order to ensure sufficient funding for both programs. In the absence of a long-term source of funding, however, MDE indicated that substantial cuts to its oil pollution programs would likely be needed. In response, *Senate Bill 678 (passed)* increases the oil transfer fee to 8.0 cents per barrel until July 1, 2017, and reduces the fee to 5.0 cents per barrel after that date. Of this fee, 0.25 cents per barrel are credited to the Reimbursement Fund. The bill also allows owners of heating oil tanks to continue to apply for assistance from the Reimbursement Fund through June 30, 2017, and makes several changes to MDE reporting requirements for its oil pollution prevention programs.

Climate Change

Coast Smart Construction and Ocean Acidification

Due to ongoing concerns about the vulnerability of the State’s infrastructure to sea level rise and coastal flooding, in December 2012, Governor O’Malley issued the Climate Change and Coast Smart Construction Executive Order. Among other things, the executive order directed State agencies, when they propose new or reconstruct or rehabilitate certain State structures, to consider the risk of coastal flooding and sea level rise.

In response to the executive order, in February 2013 DNR convened a Maryland Climate Change and Coast Smart Construction Working Group. The working group's final report was issued in January 2014 and recommended the use of several planning principles, a policy framework, and siting and design guidelines to guide what, where, and how State infrastructure investment decisions are made within vulnerable areas. *House Bill 615 (passed)* establishes a Coast Smart Council within DNR and, among other things, requires the council to develop specified "Coast Smart" siting and design criteria to address sea level rise and coastal flood impacts on capital projects.

Beginning July 1, 2015, if a State capital project includes the construction of a structure or the reconstruction of a structure with substantial damage, the structure must be constructed or reconstructed in compliance with those siting and design criteria. The council must adopt initial criteria by June 30, 2015. Until then, the bill establishes the General Assembly's intent that new structures or the reconstruction or rehabilitation of substantially damaged structures comply with the guidelines and requirements of the executive order.

Ocean acidification describes a process by which rising levels of carbon dioxide emitted into the atmosphere dissolve into the oceans and increase the acidity of the water. The effects of this acidification are numerous and complex, and include coral bleaching and the dissolving of calcium carbonate structures that are essential for many marine organisms. According to a recent issue of the *Chesapeake Quarterly*, a publication of the Maryland Sea Grant, even less is understood about acidification of estuaries such as the Chesapeake Bay than about ocean acidification. *House Bill 118 (passed)* establishes the Task Force to Study the Impact of Ocean Acidification on State Waters. The task force must analyze the best available science regarding ocean acidification and the potential effects of acidification on the ecology of State waters and fisheries and make recommendations regarding potential strategies to mitigate the effects of acidification.

Agriculture

Nutrient Management

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. The tool is used when phosphorus levels in the soil exceed a threshold established in regulation by the Maryland Department of Agriculture (MDA). Modification of the phosphorus site index tool is part of the State's Phase II Watershed Implementation Plan, which details how and when the State will achieve the Chesapeake Bay Total Maximum Daily Load goals established by the U.S. Environmental Protection Agency.

Accordingly, during 2013, MDA proposed regulations to replace the phosphorus site index tool with a phosphorus management tool that reflects updated science. Due to concerns raised during the public comment period, MDA withdrew the regulations in November 2013,

indicating that the department planned 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.

In response to the concerns raised by the agricultural community relating to the proposed phosphorus management tool, several bills were introduced during the 2014 session. *Senate Bill 27/House Bill 193 (both failed)* generally would have required MDA to prepare a full economic impact analysis prior to making any change to a phosphorus risk assessment tool or index. Similarly, *Senate Bill 963/House Bill 284 (both failed)* would have required MDA to conduct a specified study of efforts to manage and reduce phosphorus pollution from agricultural sources in the State, including an economic impact analysis of the phosphorus management tool developed by MDA to replace the phosphorus site index. The bills also would have, among other things, prohibited implementation of regulations replacing the phosphorus site index with the phosphorus management tool until after the 2015 regular General Assembly session.

In lieu of the proposed bills, the fiscal 2015 budget includes 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 and 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. In order to enable MDA to fully utilize its budgeted funding, *Senate Bill 127 (Ch. 36)* gives MDA discretion to determine the amount of funding provided to match funding contributed by the commercial poultry producer industry and repeals the \$10 per ton limit for poultry manure. The Act also modifies 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.

Fertilizer Content, Labeling, and Application

The Maryland Commercial Fertilizer Law governs the registration, labeling, and application of commercial fertilizers for use on agricultural and nonagricultural land in the State. Chapters 484 and 485 of 2011, the Fertilizer Use Act of 2011, among other things, expanded the State's regulation of the nitrogen and phosphorus content, labeling, and application of fertilizers used on turf.

Senate Bill 70 (Ch. 11) changes the definitions of “guaranteed analysis” and “organic fertilizer” under the Maryland Commercial Fertilizer Law to make the Maryland definitions consistent with uniform standards established through the Association of American Plant Food Control Officials. The Act also modifies the definition of “soil conditioner” to include soil conditioner that is distributed, as well as intended or offered for sale, to reflect MDA’s practice of registering products that are transferred from commercial processors to commercial farms where no sale actually occurs. In addition, the Act clarifies provisions of the Fertilizer Use Act of 2011 restricting the types and amounts of nitrogen application that may result from fertilizer application to turf.

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 U.S. Department of Agriculture’s Federal Farmland Protection Program. As of the end of fiscal 2013, MALPF had cumulatively purchased 2,102 easements covering 285,902 acres.

Value of Easement

Senate Bill 71 (Ch. 12) prohibits 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. **Senate Bill 259/House Bill 861 (both passed)** authorize MALPF to approve the use of land subject to an agricultural easement for the generation of electricity by a facility using an “authorized renewable energy source” if, among other things, the facility occupies no more than 5% or five acres, whichever is less, of the land subject to the easement, including specified permanent roads or structures. An “authorized renewable energy source” is defined as solar, wind, or anaerobic digestion of poultry litter or livestock manure if placed on fallow land. 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 depending on the turbines’ proximity to the Patuxent River Naval Air Station.

The bills prohibit MALPF from approving the use of land subject to an agricultural easement for the generation of electricity by a facility using an authorized renewable energy source after June 30, 2019. However, if approved by MALPF prior to July 1, 2019, the land may still be used for the approved purpose.

In addition, a facility owner who uses land subject to an easement for the generation of electricity in accordance with the bills, on operation of the facility, must remit an annual payment of 5% of any lease payment paid to the landowner to the Maryland Agricultural Land Preservation Fund. A lease executed by a facility owner and a landowner must include provisions requiring removal of a facility that is no longer intended to be used to generate electricity. Further, a landowner who is in violation of federal, State, or local laws regarding the operation of the facility is in violation of the easement and is subject to specified civil penalties.

The bills take effect July 1, 2014, and apply to any easement acquired by MALPF before, on, or after the effective date. MALPF must adopt implementing regulations and report to specified legislative committees by December 1, 2018, on the implementation of the bills.

Departmental Fees

Chapters 523 and 524 of 2013 established the Pesticide Information and Reporting Workgroup to address various issues relating to data on pesticide use. In its January 2014 Interim Report, the workgroup recommended that MDA contract with the U.S. Department of Agriculture's National Agricultural Statistics Service, as it has in the past, to undertake a redeveloped statewide survey relating to pesticide use for the years 2014 and 2015. The workgroup's interim report also recommended increasing the annual registration fee for pesticides by \$10, with the additional funds to be used exclusively to fund surveys and data collection on pesticide use.

Senate Bill 700/House Bill 621 (both passed) implement the workgroup's recommendation to increase the annual registration fee for pesticides from \$100 to \$110. The bills also increase the terminal registration fee for discontinued pesticides from \$100 to \$110. At least \$10 of each annual registration fee and each terminal registration fee must be used only for MDA activities relating to the collection, analysis, and reporting of data on pesticide use in the State. In addition, the bills specify that money expended from the State Chemist Fund for MDA activities relating to the collection, analysis, and reporting of data on pesticide use is supplemental to and not intended to take the place of funding that otherwise would be appropriated for such activities.

Part L

Education

Primary and Secondary

State Education Aid

State Aid to Public Schools

State aid for primary and secondary education will increase by \$144.8 million in fiscal 2015 to almost \$6.1 billion, 2.4% more than fiscal 2014 aid. State aid provided directly to the local boards of education increases by \$134.4 million, or 2.6%, and the State's share of teachers' retirement costs, which is paid on behalf of the local school systems, increases from \$728.1 million to \$738.6 million, representing an increase of 1.4%. Appropriations to support teachers' retirement costs are paid directly into the State's pension fund and do not pass through local school system budgets.

Fiscal 2014 to 2015 changes in major State education aid programs are shown in **Exhibit L-1**. The foundation program totals \$2.9 billion in fiscal 2015, an increase of \$32 million over fiscal 2014, or 1.1%. The increase is attributed to enrollment growth of 0.5%, or 4,300 new full-time equivalent students, and a 0.5% increase in the per pupil foundation amount. Fiscal 2015 is the final year in which the inflation rate used to increase the per pupil foundation amount is capped in statute at 1.0%. As discussed further below, the fiscal 2015 budget includes an increase of \$18.5 million for the second of a five-year phase in of a change to the net taxable income (NTI) amount used to calculate wealth-based education formulas enacted by Chapter 4 of 2013. It also includes \$4.3 million to expand prekindergarten for four-year-olds, contingent on enactment of *Senate Bill 332 (Ch. 2)*, which is discussed further below. In addition, the General Assembly restricted \$595,085 for special grants to small school systems with declining enrollments, contingent on the enactment of *Senate Bill 534/House Bill 814 (both passed)*, to restore 50% of a reduction in total direct education aid, which are also discussed further below.

The largest increase is \$55.7 million in compensatory education funding in fiscal 2015, which equates to a 4.7% increase over fiscal 2014. Due to the economic recession and the

corresponding decline in income for many households, 13,919 more students qualify for free and reduced price meals (FRPM). The limited English proficiency (LEP) formula increases by \$4.2 million, which represents a 2.2% increase over fiscal 2014 and is based on 678 more LEP students. The special education formula increases by \$2.7 million, or 1.0%, due to the 0.5% increase in the foundation per pupil amount and an increase of 391 students since fiscal 2014. Transportation funding in fiscal 2015 increases by \$3.9 million and includes funds to support a 1.0% increase to student transportation. For more information on education aid by local school system, see subpart “Aid to Local Government” within Part A – Budget and State Aid of this 90 Day Report.

Exhibit L-1
State Aid for Education
Fiscal 2014 and 2015
(\$ in Thousands)

<u>Program</u>	<u>2014</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Foundation Program	\$2,850,479	\$2,882,444	\$31,966	1.1%
Net Taxable Income Grant	8,325	26,860	18,535	222.6%
Geographic Cost Adjustment	130,790	132,685	1,895	1.4%
Supplemental Grant	46,496	46,620	124	0.3%
Special Grants	0	595	595	
Compensatory Education Program	1,195,985	1,251,676	55,691	4.7%
Special Education Program	269,309	271,966	2,657	1.0%
Limited English Proficiency	193,428	197,652	4,224	2.2%
Guaranteed Tax Base	52,317	59,390	7,073	13.5%
Student Transportation	254,528	258,380	3,851	1.5%
<i>Bridge to Excellence Subtotal</i>	<i>\$5,001,658</i>	<i>\$5,128,268</i>	<i>\$126,610</i>	<i>2.5%</i>
Nonpublic Special Education	109,819	110,655	835	0.8%
Prekindergarten Expansion	0	4,300	4,300	
Other Programs	84,244	86,852	2,609	3.1%
<i>Direct Aid Subtotal</i>	<i>5,195,721</i>	<i>5,330,075</i>	<i>134,354</i>	<i>2.6%</i>
Teachers' Retirement	728,116	738,575	10,459	1.4%
Grand Total	\$5,923,837	\$6,068,650	\$144,813	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 mathematic (STEM); autism waiver; Judy Hoyer; and teacher development. Excludes State Retirement Agency administrative fee for teachers' retirement.

Source: Department of Legislative Services

Maintenance of Effort and 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 a 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. This is known as the NTI Adjustment Grant. Chapter 6 of 2012 requires 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. Because the education effort calculation relates to the NTI amount, the Budget and Reconciliation Act (BRFA) of 2014, *Senate Bill 172 (passed)*, clarifies that, for purposes of local 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.

Nonpublic Placements

Most students with disabilities receive special education services in the public schools. However, if an appropriate program is not available in the public schools, a student may be placed in a private school offering more specialized services. As introduced in the BRFA of 2014, any increase in the rates for payments to providers of nonpublic placements would have taken effect January 1, 2015. However, this provision was struck from the final bill and budget language was added making rate increases effective July 1, 2014.

Maryland School for the Blind

BRFA of 2014 includes a provision that authorizes 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 in fiscal 2015. The school received an additional \$1.0 million in the fiscal 2014 budget, bringing its general funds to \$19.4 million in fiscal 2015 before the transfer of special funds.

State Aid to Nonpublic Schools

The budget includes \$6.0 million in special funds from the Cigarette Restitution Fund for the Aid to Nonpublic Schools Program, which is the same amount provided in fiscal 2014. Similarly, the per pupil distribution amount also remained unchanged.

State Grant to Counties with Declining State Aid

Senate Bill 534/House Bill 814 require 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 \$595,085 from the Early College Innovation Fund under the Maryland State Department of Education (MSDE) to be used to fund the grant in fiscal 2015: \$464,103 for Garrett County and \$130,982 for Kent County. Projections of the State education aid suggest that no county will qualify for a grant under the bill in fiscal 2016 or 2017 by virtue of a 1% annual decrease in direct education aid, even after factoring in fiscal 2015 grants to Garrett and Kent counties under the bill.

School Construction

Public School Construction

Capital Funding: The Public School Facilities Act of 2004 (Chapters 306 and 307) established a State goal to provide \$2.0 billion in State funding over eight years to address deficiencies, or \$250 million per year through fiscal 2013. 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. Between fiscal 2006 and 2014, the State invested \$2.6 billion. The fiscal 2015 budget includes \$275 million in general obligation (GO) bonds for public school construction.

Exhibit L-2 shows the amount of school construction funding that has been recommended by the Interagency Committee on Public School Construction (IAC). This includes the allocation of the first 75% of funds that were approved by the Board of Public Works (BPW) in February 2014. The IAC's recommendations for the 90% allocation of GO bonds are also shown. These additional funds plus the remaining 10% of school construction funds, or \$27.5 million, that IAC has yet to recommend contingency funds that may be available will be approved by BPW after May 1, 2014.

Qualified Zone Academy Bonds: *Senate Bill 218 (passed)* authorizes \$4.6 million in Qualified Zone Academy Bonds (QZAB) to be issued by December 31, 2014. QZABs are an alternative bond program that the federal government authorizes with bond holders receiving federal tax credits in lieu of interest.

Prevailing Wage: *Senate Bill 232/House Bill 727 (both passed)* lower, 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 Carroll and Calvert counties, under the bill 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 bills 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.

Exhibit L-2
Fiscal 2015 Public School Construction Funding
(\$ in Thousands)

LEA	IAC/BPW Approved 75%	90% Additional IAC Recommendation	90% Recommendation	Fiscal 2014 Air Conditioning Initiative
Allegany	\$1,600	\$2,500	\$4,100	-
Anne Arundel	18,800	7,408	26,208	-
Baltimore City	17,085	10,476	27,561	-
Baltimore County	19,830	7,836	27,666	\$3,939
Calvert	613	-	613	-
Caroline	-	-	-	-
Carroll	3,915	-	3,915	-
Cecil	2,884	1,610	4,494	-
Charles	6,140	830	6,970	344
Dorchester	568	100	668	-
Frederick	11,311	2,537	13,848	-
Garrett	-	-	-	-
Harford	10,106	2,880	12,986	-
Howard	14,000	4,026	18,026	-
Kent	600	217	817	-
Montgomery	22,000	6,540	28,540	-
Prince George's	19,828	7,833	27,661	-
Queen Anne's	3,707	804	4,511	-
St. Mary's	7,106	532	7,638	-
Somerset	2,113	639	2,752	-
Talbot	-	-	-	384
Washington	5,918	633	6,551	-
Wicomico	8,381	1,071	9,452	1,022
Worcester	-	-	-	-
MD School for the Blind	10,995	1,528	12,523	-
Unallocated			27,500	
Total	\$187,500	\$60,000	\$275,000	\$5,689

Note: Caroline, Garret, and Worcester counties did not request funding this year. Does not include contingency funds from previously authorized and unexpended funds that may be reallocated.

Source: Public School Construction Program; Department of Legislative Services

Public and Nonpublic Aging Schools

The fiscal 2015 capital budget includes \$6.1 million in funds for the Aging Schools Program and \$3.5 million for the Nonpublic Aging Schools Program. The Nonpublic Aging Schools Program, which was established in the fiscal 2014 capital budget, provides grants for school construction projects eligible under the Aging Schools Program, including school security

improvements to nonpublic schools that are also eligible for the Aid to Nonpublic Schools Program. The eligibility requirements and distribution of grants were changed in the fiscal 2015 capital budget. Excluding preschools, eligible nonpublic schools may receive up to \$100,000 if the following three criteria are met as required in the capital budget bill:

- at least 20% of a school's students are eligible for the FRPM program;
- tuition charged to students is less than the statewide average per pupil expenditure for public schools as calculated by MSDE; and
- the school has a facility with an average age of at least 50 years.

Schools meeting one of the three criteria may receive up to \$25,000. Schools meeting two of the three criteria may 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, which is required to receive Aging Schools Program funds, may receive up to \$5,000.

Statewide Education Policy

The General Assembly considered and passed bills relating to, among other topics, early childhood education, the common core State standards, the Partnership for Assessment of Readiness for College and Careers (PARCC), health and safety, students with disabilities, collective bargaining, and libraries.

Early Childhood Education

Prekindergarten Expansion: The Bridge to Excellence in Public Schools Act (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), which is the income eligibility criterion for the FRPM program. 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 expands prekindergarten services to additional eligible four-year-old children from families whose income is no more than 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 includes \$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.

Infants and Toddlers Program: In 2010, the federal Individuals with Disabilities Education Act (IDEA) allowed states to make early intervention services available to children beyond their third birthday through Individualized Family Service Plans (IFSP). In response to this federal flexibility, on February 1, 2010, Maryland began offering families of eligible children the choice to continue to receive early intervention services through an IFSP or to begin services through an Individualized Education Program (IEP) when the child is three years old. This choice, known as the Extended IFSP Option, is available only to children who are already receiving early intervention services at their third birthday and who have been found to be eligible for preschool special education services through an IEP. ***House Bill 428 (passed)*** codifies the expanded eligibility for the Maryland Infants and Toddlers Program by allowing a child to participate in the program until the beginning of the school year following a child's fourth birthday.

State Early Childhood Advisory Council: ***House Bill 461 (passed)*** codifies 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. By December 1, 2015, the council must submit a statewide strategic report on the recommendations and findings of the council, including the quality and availability of early childhood education and development programs, the coordination of federal and State funding, and the improvements to State early learning standards. After submission of the report, the council must continue to meet periodically to review implementation of the report's recommendations and any changes in State and local needs after submission of the report.

Implementing the Common Core and PARCC Assessments

The new State curriculum known as the Maryland College and Career-Ready Standards (MCCRS), which is aligned with the Common Core State Standards (CCSS), is intended to reflect college and workplace expectations and is being fully implemented statewide in the 2013-2014 school year. In addition, the new assessments aligned with the CCSS, called PARCC, are being field tested in spring 2014 as the State prepares to replace most of the Maryland School Assessments (MSAs) with the PARCC assessments in the 2014-2015 school year and most High School Assessments (HSAs) 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.

Maryland College and Career-Ready Standards and PARCC Implementation Review Workgroup: The MCCRS and PARCC Implementation Review Workgroup, established by [*House Bill 1164 \(passed\)*](#), addresses some of the concerns with the implementation of the MCCRS and the PARCC assessments. The workgroup, which is to be staffed by MSDE, is tasked with submitting preliminary and final reports of its findings and recommendations 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. The preliminary report is due August 15, 2014, and the final report is due by December 31, 2014.

Technological Readiness: In addition to the implementation of MCCRS, there are 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. [*Senate Bill 988/House Bill 1388 \(both passed\)*](#) require 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 1 gigabit per 1,000 students by fiscal 2020 and offer support and training programs for classroom teachers to use educational technology tools.

Use of Student Growth on State Assessments: A related challenge to implementing MCCRS and transitioning to the PARCC assessments involves local school systems using student growth data, a portion of which is based on State assessments, in a teacher's or principal's performance evaluation. Maryland's current federal Elementary and Secondary Education Act (ESEA) 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, in the ESEA waiver extension request submitted on March 27, 2014, MSDE requested a delay of this requirement until the 2016-2017 school year in order to be responsive to the complexity and change inherent in new standards. ***Senate Bill 676/House Bill 1167 (both passed)*** prohibit 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 bills also clarify that the model performance evaluation criteria for teachers and principals are the *default* model performance evaluation criteria.

Federal Flexibility Waivers: A school that fails to meet certain benchmarks required by No Child Left Behind (NCLB), the most recent authorization of the ESEA, may endure strict penalties for noncompliance. Due to the strict penalties of NCLB, the U.S. Department of Education (USDE) offered states an opportunity to apply for waivers from certain provisions of NCLB. In order to receive a flexibility waiver, states have to outline their plans to improve instruction and student academic achievement on certain topics. ***House Bill 1001 (passed)*** requires MSDE to submit a proposed waiver request from specific provisions of ESEA to the Legislative Policy Committee (LPC) of the General Assembly before submitting the request to the USDE. The bill also requires MSDE to allow LPC at least 30 days after the committee receives the proposed waiver request to review and comment on the proposed waiver request. The bill takes effect June 1, 2014, and does not apply to the waiver extension request discussed above that MSDE recently submitted to USDE.

In addition, there were several bills that attempted to rescind the State's adoption of CCSS, stop administration of State assessments that are not aligned to the MCCRS, or change the implementation timeline for the MCCRS and the PARCC assessments. Had any of these bills passed, the State may have risked losing up to \$281 million in federal funds annually due to lack of compliance with NCLB or Maryland's ESEA flexibility waiver. ***House Bill 76 (failed)*** would have prohibited the State Board of Education and the local boards of education from establishing educational policies, curriculum guides, and courses that are based on CCSS and would have required the State to take all necessary action to rescind the adoption of the CCSS. Similarly, ***House Bill 764 (failed)*** would have prohibited the State Board of Education from taking any further action to implement MCCRS and would have required the State board to

implement the Maryland Content Standards and the Maryland Voluntary State Curriculum (the standards and curriculum of the State before CCSS). *Senate Bill 165/House Bill 117 (both failed)* would have required MSDE to request a waiver from USDE from certain provisions of ESEA that require MSDE to administer MSAs in spring 2014. *Senate Bill 408/House Bill 925 (both failed)* would have required each county board of education to determine the implementation timeline for the CCSS.

Health and Safety

Cardiac Health and Safety: Sudden cardiac arrest is the leading cause of death for student athletes. *House Bill 427 (passed)* requires MSDE to develop and implement a program to provide sudden cardiac arrest awareness to coaches, school personnel, students, and parents in collaboration with the Department of Health and Mental Hygiene (DHMH), each local board of education, and other experts and stakeholders.

Chapter 203 of 2006 required each local board of education to develop and implement a high school automated external defibrillator (AED) program. *House Bill 812 (passed)* requires all middle schools to meet the requirements of the high school AED programs developed by each local board of education. Therefore, each middle school is required to have an AED on-site and an individual trained in the operation and use of an AED present at all middle school-sponsored athletic events.

Senate Bill 503/House Bill 1366 (both passed) require public high school students to complete, as part of the health or physical education curriculum, instruction in cardiopulmonary resuscitation (CPR) that includes hands-only CPR and the use of an AED beginning with students entering grade 9 in the 2016 school year. Each local board has to provide instruction, as part of the health or physical education curriculum, in CPR that includes hands-only CPR and the use of an AED in every public school that enrolls students in any of the grades 9 through 12 beginning in the 2015-2016 school year.

Student Health: *House Bill 1332 (passed)* establishes 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, including concussions and shoulder, orthopedic ankle, and anterior cruciate ligament (ACL) injuries; study effective methods of reducing these injuries; compare the rate of these injuries to those incurred by male high school athletes; review statutes and regulations from other states on programs designed to prevent a higher rate for females; establish protocols and standards for clearing a female athlete to return to play following an injury, including treatment plans; and make specified recommendations. 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.

House Bill 883 (passed) requires the Office of Public Health Services (OPHS) in DHMH to conduct a study of safe and healthy school hours for Maryland public schools. In conducting the study, OPHS must review the science on the sleep needs of children and adolescents, including the effects of sleep deprivation on academic performance and benefits of sufficient sleep; review and study how other school systems have implemented alternative school day

starting times and how various activities in those school systems were impacted and scheduled around the changes; and make recommendations regarding whether public schools should implement a starting time of no earlier than 8:00 a.m. OPHS must consult with specified entities and individuals and report its findings and recommendations to the Governor and the General Assembly by December 31, 2014.

Chapter 223 of 2007 required BPW to adopt regulations establishing criteria designed to enhance indoor air quality in relocatable classrooms that were purchased or leased with State or local funds after October 1, 2007; however, these regulations were never developed. *Senate Bill 238/House Bill 628 (both passed)* revise one of the requirements relating volatile organic compounds and applies all of the indoor air quality requirements to relocatables constructed after July 1, 2014. The State currently owns 146 relocatable classrooms but has not purchased any new ones in at least 30 years.

School Vehicles: *Senate Bill 58/House Bill 440 (both passed)* prohibit 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 is required to have photo identification that identifies the local school system or transportation company that employs the individual as a school vehicle attendant.

Students with Disabilities

IDEA requires that a student with a disability be provided a free appropriate public education in the least restrictive environment, in accordance with an IEP specific to the individual needs of the student. The parent of a child with a disability is a member of the IEP team that is responsible for developing and reviewing a child's IEP and for revising to the IEP.

Parental Notice: *House Bill 413 (passed)* requires 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 bill also requires 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.

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 benefits. Resulting from the workgroup, *Senate Bill 701/House Bill 798 (both passed)* require 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.

Senate Bill 120 (passed) adds the Department of Labor, Licensing, and Regulation and the Department of Public Safety and Correctional Services to the list of public agencies that must request that the local school superintendent appoint a parent surrogate if a child is suspected to have a disability and is (1) a ward of the State; (2) an unaccompanied homeless youth; or (3) has unknown or unavailable parents. The bill also requires that these agencies make certain efforts to identify or locate the child's parents over the course of 15 business days.

Physical Education Programs: Chapters 464 and 465 of 2008 required the State Board of Education and local boards of education to ensure that students with disabilities have equal opportunities to participate in mainstream physical education and athletic programs in public schools. The State board and each local board of education must also ensure that adapted, allied, or unified physical education programs are available. 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. ***Senate Bill 857/House Bill 922 (both passed)*** require 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.

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. The Fairness in Negotiations Act was scheduled to terminate June 30, 2015. Recently, 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, ***Senate Bill 1066/House Bill 1181 (both passed)*** repeal the scheduled termination of the Fairness in Negotiations Act and require 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.

Summer Career Academy Pilot Program

Senate Bill 876/House Bill 811 (both passed) establish a 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.

For summer 2015, each local superintendent from an eligible local school system may select up to 60 eligible students to participate in the program, and up to 100 students may be selected to participate for summers 2016 and 2017. A student participating in the program must receive a stipend for the summer that is proportional to the time worked up to \$4,500, and, on

successful completion of the program, may choose to receive a \$500 grant or a \$2,000 scholarship for higher education in the State.

Funds for the program are as provided in the State budget. If in a given year sufficient funds are not provided to fully fund the stipends and completion grants or scholarships, MSDE must reduce the number of students participating in the program accordingly.

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. *House Bill 222 (passed)* adds first degree burglary and animal cruelty to the list of crimes that law enforcement agencies must report to school officials. For further discussion of *House Bill 222* see the subpart "Juvenile Law" within Part E – Crimes, Corrections, and Public Safety of this *90 Day Report*.

Middle School Task Force

The Southern Regional Education Board (SREB) published a comprehensive report in 2011 titled *A New Mission for the Middle Grades*. *House Bill 265 (passed)* establishes the 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 set forth in the SREB report would be feasible and appropriate to implement in the State. If the task force concludes that the findings and recommendations set forth in the SREB report 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.

Libraries

The State provides assistance to public libraries through a formula that determines the State and local shares of a minimum per capita library program. The State also provides funds to libraries designated as resource centers including the State Library Resource Center (SLRC) in Baltimore City and to regional resource centers, including the Eastern Resource Center in Salisbury, the Southern Resource Center in Charlotte Hall, and the Western Resource Center in Hagerstown. *Senate Bill 430 (passed)* increases the per capita funding amount that must be provided to each regional resource center and to each county public library system participant in the State's library program beginning in fiscal 2016.

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. *Senate Bill 419 (passed)* establishes a minimum State funding amount for LBPH. The bill

requires annual State funding under the formula to equal an amount equivalent to at least 25% of the State funding received by the SLRC.

Currently, the Division of Library Development and Services (DLDS) of MSDE is responsible for providing specialized library services to the blind and other physically handicapped individuals in the State. Chapters 540 and 541 of 2012 established a Task Force to Study the Establishment of a Deaf Culture Library. *House Bill 653 (passed)* largely reflects the nine strategic initiatives recommended by the task force. The bill requires DLDS to establish the Deaf Culture Digital Library as the primary information center on deaf library resources in the State. The bill also requires DLDS to, among other things, 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.

Local Education Policy

Selection and Removal of Board Members

The Baltimore County Board of Education is one of four appointed school boards in the State. There are 17 elected school boards in the State and three counties have hybrid boards, which include elected and appointed members. *Senate Bill 290/House Bill 1453 (both passed)* restructure the Baltimore County Board of Education from a 12-member appointed board to a 12-member hybrid board consisting of one 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 bills alter the date of expiration for the terms of specified members, reduce member terms from five to four years, and set term limits. In appointing members to the board, the Governor must ensure, to the extent practicable, that the total makeup of the county board reflects gender, ethnic, and racial diversity.

The bills also establish a Baltimore County School Board Nominating Commission, consisting of 1 member appointed by the Governor in consultation with the county executive from each of the 8 legislative districts that are located in whole or in part in Baltimore County, 1 at-large member appointed by the County Executive, and 10 members appointed by specified local affiliates of education and community organizations. The commission must reflect the cultural, geographic, ethnic, and racial diversity of Baltimore County. 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.

An elected member of the Baltimore County Board of Education must be at least 21 years old, have resided in the school board district for at least two years, and be a registered voter in

the county before the election. The office is deemed vacant if the member does not maintain district residency. If a district boundary line is changed, an incumbent who resides outside of the district as a result of the change may serve the remainder of the current term. Each nonstudent board member receives annual compensation of \$100. A student member who completes a full term must be granted a \$100 higher education scholarship. Board members are also entitled to allowances for travel and other expenses as budgeted by the county.

Under Chapter 147 of 2013, which revised the governance of the Prince George's County public school system and established a hybrid school board, the Prince George's County Executive must appoint a qualified individual to fill the vacancy of a seat that was held by an elected member of the Prince George's County Board of Education for the remainder of the term. A two-thirds vote of the Prince George's County Council is required to reject such an appointment. *House Bill 1017 (passed)* requires 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.

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 and 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. *House Bill 1033 (passed)* alters 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.

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. *Senate Bill 383/House Bill 343 (both passed)* repeal 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 bills also repeal 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.

Compensation of Board Members

The Charles County Board of Education consists of seven elected voting members and one nonvoting student member. *Senate Bill 203/House Bill 209 (both passed)* increase the salaries of the nonstudent members of the board beginning with their next term of office on January 1, 2015. The annual salary of the board's chair increases from \$5,000 to \$7,000, and the salary of the other six nonstudent members, including the vice chair, increases from \$4,000 to \$6,000. The amount each nonstudent member, other than the chair, receives annually for travel and expenses increases from \$600 to \$800 beginning January 1, 2015. The annual compensation for travel and expenses for the chair remains \$1,500. After submitting expense vouchers and supporting receipts, 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. The student member must submit supporting receipts in addition to expense vouchers to qualify for reimbursement for expenses connected with official duties approved by the county board. A student member who completes a full (one-year) term on the county board is entitled to a \$1,000 higher education scholarship.

The Howard County Board of Education consists of seven elected members and one student member. *House Bill 1093 (passed)* increases the annual salaries of elected members of the board beginning with their next term of office. The terms of four members will begin in December 2014, and the terms of three members will begin in December 2016. The salary of the board's chair increases from \$14,000 to \$17,000, and the salary of the other six elected members, including the vice chair, increases from \$12,000 to \$15,000. The bill 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, which must be paid directly to the educational institution the student attends and is not considered compensation for the purpose of calculating taxable income. In addition, the student member is entitled to reimbursement for travel and other expenses, on submission of expense vouchers.

Compensation of County Superintendents of Schools

In each county, with certain exceptions for Baltimore City and Prince George's County, a county superintendent of schools must devote full time to public school business and is entitled to compensation as set by the county board of education. The salary of a county superintendent may not be decreased during the superintendent's term of office. A county superintendent serves for a four-year term, beginning July 1. The appointment of a county superintendent must be approved in writing by the State Superintendent of Schools. *Senate Bill 747/House Bill 87 (both passed)* prohibit 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 bills authorize the county superintendent to use the 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.

Use of Public School Facilities

Each county board of education must encourage the use of public school facilities for community purposes. A county board must give priority to qualifying nonprofit child care programs for use of appropriate public school facilities; may make space available for the child care programs; and may lease, for up to 20 years, public school property for construction and operation of a child care center if the county board determines that the property will not be needed for public school use during the term of the lease. Each county board may permit the use of public school facilities for religious or other lawful 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. *Senate Bill 477/House Bill 350 (both passed)* authorize 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.

School Bus Operation

A conventional school bus generally may be operated for up to 12 years, unless the bus fails to meet applicable safety standards. In 10 counties (Calvert, Caroline, Cecil, Charles, Dorchester, St. Mary's, Somerset, Talbot, Wicomico, and Worcester), a conventional school bus may be operated for up to 15 years. Conventional school buses may also be operated beyond the 12-year limit if (1) the State Superintendent of Schools grants approval; (2) the bus is maintained under a preventive maintenance plan that is approved by the Motor Vehicle Administration (MVA) and the Department of State Police and includes a 12-year inspection and subsequent semiannual inspections; (3) any structural repairs to the bus meet or exceed the manufacturer's original manufacturing standards, as certified by an independent expert approved by MVA; and (4) the bus is properly equipped with specified safety features. *Senate Bill 901/House Bill 1034 (both passed)* add Kent County and Queen Anne's County to the list of counties in which a conventional school bus may be operated for up to 15 years before these requirements apply.

Higher Education

Funding

State support for higher education in the fiscal 2015 budget totals nearly \$1.9 billion, an increase of \$117.8 million, or 6.7%, over fiscal 2014, as shown in **Exhibit L-3**. Public four-year institutions receive the bulk of the new State funds, totaling approximately \$113.7 million, which includes new general funds and Higher Education Investment Funds.

Exhibit L-3
State Support for Higher Education
Fiscal 2014 and 2015

	<u>FY 2014</u>	<u>FY 2015¹</u>	<u>\$ Change FY14-15</u>	<u>% Change FY 14-15</u>
University System of Maryland	\$1,153,707,220	\$1,259,034,848	\$105,327,628	9.1%
Morgan State University	80,576,903	87,492,640	6,915,737	8.6%
St. Mary's College	19,908,997	21,353,058	1,444,061	7.3%
MHEC Special Grants ²	8,421,725	9,660,250	1,238,525	14.7%
Community Colleges ³	281,311,317	297,325,898	16,014,581	5.7%
Baltimore City Community College	42,239,662	41,831,621	-408,041	-1.0%
Independent Institutions	41,291,975	44,422,240	3,130,265	7.6%
MHEC Administration	6,372,879	6,274,007	-98,872	-1.6%
MHEC Student Financial Aid	117,620,773	101,811,547	-15,809,226	-13.4%
Total	\$1,751,451,451	\$1,869,206,109	\$117,754,658	6.7%

MHEC: Maryland Higher Education Commission

¹Fiscal 2015 includes a 2% cost-of-living adjustment effective January 1, 2015, and does not reflect a reduction related to abolishment of vacant regular full-time positions in Section 43 of the budget bill.

²Special grants funded with State general and special funds are included, which primarily pass through to higher education institutions.

³Community College funds include the Senate John A. Cade formula, other programs, and fringe benefits.

Note: Includes general funds and Higher Education Investment Funds. Reflects supplemental pension contribution savings and other across-the-board budget reductions (except Section 43) in fiscal 2014 and 2015.

Source: Maryland State Budget Books; Department of Legislative Services

University System of Maryland and Morgan State University

The University System of Maryland (USM) and Morgan State University (MSU) receive increases of \$105.3 million, or 9.1%, and \$6.9 million, or 8.6%, respectively, over fiscal 2014. This accounts for supplemental pension contribution savings in fiscal 2014 and 2015, as well as other across-the-board reductions. Funds are included to provide a 2.0% cost-of-living allowance (COLA) in January 2015 to be transferred from the Department of Budget and Management's budget. For the fifth consecutive year, the budget assumes a resident undergraduate tuition rate increase of 3.0% at all USM institutions except Salisbury University, which will again increase tuition 6.0% to align its resident tuition with rates charged by its peer institutions. The budget includes funds for USM equivalent to an additional 2.0% increase in the tuition rate. MSU receives funds to hold resident tuition at the fall 2013 level. However, tuition

increases are contingent upon the approval of USM's and MSU's Boards of Regents. Fund balance transfers to the general fund in fiscal 2014 of \$31.0 million from USM and \$2.0 million from MSU were included in the Budget Reconciliation and Financing Act (BRFA) of 2014.

St. Mary's College of Maryland

St. Mary's College of Maryland (SMCM) has one of the highest public four-year tuition rates in the country. The budget includes a new \$1.5 million Stabilization Grant for SMCM within the Maryland Higher Education Commission (MHEC). This funding was restricted by the General Assembly to be transferred only to SMCM to reduce tuition beginning in fall 2014, with legislative intent that this new funding be included in SMCM's statutory funding formula for fiscal 2016 State support, as long as future tuition increases are no more than 3%. This follows legislation enacted in 2013 that froze fall 2013 and 2014 tuition at the fall 2012 rate.

Community Colleges

Overall, funding for community colleges increases \$16.0 million over fiscal 2014. This figure includes the Senator John A. Cade Funding Formula, which consists of direct grants and other miscellaneous grants, including funds for English for Speakers of Other Languages (ESOL) and State-paid retirement programs. Compared to the fiscal 2015 allowance, the Cade formula declines about \$2.2 million due to the formula being rerun to account for some reductions the Governor and the General Assembly made to public four-year institutions. However, compared to the Governor's proposal in the BRFA of 2014, community colleges receive \$2.4 million more than they would have in fiscal 2015. Under the legislative appropriation, funding for the Cade formula totals \$242.7 million, an increase of \$13.7 million, 6.0%, over fiscal 2014, and retirement aid totals \$54.6 million, an increase of \$2.3 million, or 4.3%, over fiscal 2014.

The Cade formula's statutory percentage was set to decrease from 19.7% in fiscal 2015 to 19.0% in fiscal 2016 and 2017 and then increase to 29.0% in fiscal 2023. The BRFA of 2014 modified the statutory percentages used in the Cade formula in fiscal 2016 through 2019 so that instead the percentage incrementally increases each year. Beginning in fiscal 2016, the percentages are now set at 20.0%, then 20.5%, 21.0%, and 22.0%. In fiscal 2020, the formula reaches 23.0%, as was previously set in statute. The modified percentages in the BRFA increase State support to community colleges by about \$58.8 million from fiscal 2016 through 2019.

The BRFA of 2014 also included a separate provision that requires counties supporting a Cade formula-funded community college to meet maintenance of effort in local funding support in order for their community college to receive a hold harmless grant from the State. Hold harmless grants provide financial support to community colleges whose aid decreases abruptly relative to other community colleges by providing the same amount of State support as in the prior year. Without this BRFA provision, a local government may decrease, or rebase, local support to a community college without risking any decrease in State funding. One community college was projected to receive a hold harmless grant under the Governor's proposed fiscal 2015 budget; however, changes made to the budget by the General Assembly mitigated the

need for a hold harmless grant. With community college enrollments projected to decrease, several community colleges could qualify for hold harmless grants in the next few years.

Baltimore City Community College (BCCC), Maryland's only State-operated community college, has a separate statutory funding formula. In fiscal 2015, due to a decline in student enrollment, BCCC's formula funding decreased to \$39.6 million. However, a hold harmless clause in current law maintains direct State support at the fiscal 2014 level of \$40.9 million, plus ESOL funding of \$0.9 million. While BCCC received additional State support for the COLA in fiscal 2014, no State support was budgeted for the fiscal 2015 COLA. For this reason, total State support for BCCC in fiscal 2015 appears to decline by about \$0.4 million, which is the size of the one-time COLA budget amendment BCCC received in fiscal 2014.

Independent Institutions

Independent institutions receive \$44.4 million through the Joseph A. Sellinger Formula in fiscal 2015, an increase of 7.6% from fiscal 2014. This is about \$0.4 million lower than the fiscal 2015 allowance due to the Sellinger formula being rerun to account for some reductions the Governor and General Assembly made to public four-year institutions, an action identical to the position taken with the Cade formula for community colleges. Compared to the Governor's original fiscal 2015 budget plan, Sellinger funding is \$3.4 million higher than it would have been. The budget accounts for the expected closure of the National Labor College in fiscal 2014, which is not included in fiscal 2015 Sellinger funding calculations.

Similar to the Cade formula, the Sellinger formula's statutory percentage was set to decrease from 9.4% in fiscal 2015 to 9.0% in fiscal 2016 and 2017, and then increase to 15.5% by fiscal 2021. The BRFA of 2014 modified the statutory percentages used in the Sellinger formula in fiscal 2016 through 2020 so that instead, the percentage increases incrementally each year. Beginning in fiscal 2016, the percentages are now set at 9.6%, then 10.1%, 10.5%, 10.8%, and 11.1%. In fiscal 2021, the formula reaches the full statutory percentage, 15.5%, as was previously set in statute. The modified percentages in the BRFA increase State support to independent institutions in fiscal 2016 through 2018, but decrease State support in fiscal 2019 and 2020. Overall, State support from fiscal 2016 to 2020 is forecasted to be about \$0.6 million less than in the current baseline.

Capital Funding

Capital funding for public four-year institutions totals \$251.0 million for fiscal 2015, including \$32.0 million in academic revenue bonds authorized by [*Senate Bill 998 \(passed\)*](#). Community colleges receive \$65.4 million for the Community College Facilities Grant Program and independent institutions receive \$9.0 million in capital funding for fiscal 2015. For more information on authorized capital projects, see the subpart "Capital Budget" within Part A – Budget and State Aid of this *90 Day Report*.

Financial Aid

Student financial aid programs receive a total of \$101.8 million in the fiscal 2015 budget, a \$15.8 million, or 13.4%, decrease from fiscal 2014 due to one-time appropriations from the Need-based Student Financial Assistance Fund (NBSFAF). The largest State need-based aid program, the Delegate Howard P. Rawlings Educational Excellence Awards, receives \$13.9 million less than in the prior year. MHEC is working to spend down the accumulated balance in NBSFAF, which includes canceled or unspent financial aid award funds that are carried forward from prior years, by first budgeting \$4.0 million in the fiscal 2014 appropriation and then adding a further \$10.0 million through a deficiency appropriation for additional fiscal 2014 awards. This additional, one-time \$14.0 million makes 2014 to 2015 comparisons misleading. The NBSFAF balance is approximately \$3.5 million before any fiscal 2014 award cancellations, which have averaged from \$8.0 million to \$10.0 million annually over the past three years; thus, additional financial aid funds could be made available in fiscal 2015.

Fiscal 2015 will be the final year of funding for the Distinguished Scholars program, the State's only merit-based award.

Student Financial Assistance

Scholarships

Several HOPE Scholarship programs were established in Maryland beginning in 1998 for students who committed to pursuing careers in science and technology, teaching, and other subjects as well as for nontraditional students. A phase out of the HOPE scholarships began in fiscal 2005, and although award renewals were maintained for those already receiving the scholarships, no HOPE scholarships have been awarded to new recipients since fiscal 2004.

To provide an incentive for students to earn an associate's degree from a community college before enrolling in a four-year institution, [*Senate Bill 785/House Bill 1215 \(both passed\)*](#) rename the Community College Transfer Scholarship Program to be the 2+2 Transfer Scholarship Program. The eligibility criteria, service obligation requirements, and amount of the award are altered from the previous HOPE Scholarship for Nontraditional Students. Under the new program, a student must 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) on a 4.0 scale while at the community college, and must demonstrate financial need, defined as a federally calculated expected family contribution of \$10,000 or less as reported on the student's Free Application for Federal Student Aid (FAFSA). If the State budget does not include at least \$2.0 million for the scholarship in any fiscal year, the bills 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.

In order to receive an award, an applicant must also 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, beginning with the fall 2014 semester. Each annual award must be for \$1,000, unless it is for a student who enrolls in a science, teaching, engineering,

computer science, mathematics, or nursing program at a four-year institution, in which case the award must be \$2,000. The award renewal requirements are changed so that the scholarship may be used for tuition and mandatory fees for three years of study, or six semesters of study, whichever is longer.

Senate Bill 666/House Bill 1432 (both passed) create the Teacher Fellows for Maryland Scholarship Program from the previous Maryland Teacher Scholarship, which was part of the HOPE scholarships. The Teaching Fellows for Maryland Scholarship 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.

In memory of Delegate Ruth M. Kirk, ***House Bill 1222 (passed)*** establishes the Ruth M. Kirk Public Social Work Scholarship within the existing Workforce Shortage Student Assistance Grants administered by MHEC. Ruth M. Kirk (February 2, 1930 to June 17, 2011) was elected seven times to the House of Delegates and served a total of 28 years representing west and west central Baltimore City.

Tuition Assistance

Two pieces of 2014 legislation expand tuition assistance. ***Senate Bill 455/House Bill 482 (both passed)*** expand 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 current law. An unaccompanied homeless youth is a child or youth who (1) is not in the physical custody of a parent or guardian; (2) is a homeless child or youth, as defined by the federal McKinney-Vento Homeless Assistance Act; and (3) qualifies as an independent student under the federal College Cost Reduction and Access Act, as verified by a financial aid administrator. There is not an accurate estimate of the number of individuals who would qualify or apply for this tuition assistance. The tuition waiver for both foster care and unaccompanied homeless youth applies regardless of any other scholarship or grant that a student receives.

Similarly, ***Senate Bill 610 (passed)*** expands 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. An individual who receives tuition assistance, equal to 50% of the cost of in-state tuition, can meet the active service requirement for two years for undergraduate education and four years for graduate courses by transferring to another active duty, reserve, or National Guard Unit in Maryland or another state. Disbanded units are rare; however, if an individual is required to

move out of state to remain in active service, *Senate Bill 610* also allows the individual not to be penalized by having to pay back the tuition assistance received.

Loan Repayment Assistance

The State has several programs that provide higher education loan repayment assistance in exchange for certain service commitments to help ensure that sufficient numbers of primary care physicians, dentists, and professionals are serving in underserved areas of the State or are serving low-income families. The State's loan repayment assistance programs are the Janet L. Hoffman Loan Assistance Repayment Program (LARP), the Maryland Loan Assistance Repayment Program for Physicians, and the Maryland Dent-Care Loan Assistance Repayment Program. To qualify for these programs, individuals must be employed full time in State or local government or in a nonprofit organization that assists low-income, underserved residents or underserved areas in the State. For each of the programs, the Office of Student Financial Assistance (OSFA) within MHEC makes financial aid awards to assist in the repayment of loans.

Janet L. Hoffman Loan Assistance Repayment Program: For LARP, eligible fields of employment include lawyers, nurses, nurse faculty members, physical and occupational therapists, social workers, speech pathologists, physician assistants, and teachers who have received a resident teacher certificate from the Maryland State Department of Education after completing an approved alternative teaching preparation program. Priority is given to individuals who have graduated from an institution of higher education in the last three years and priority employment fields established by law are legal services and nursing. Awards are capped at \$10,000 per year.

Historically, payments under LARP and other similar programs have been made on an annual basis. However, *House Bill 546 (passed)* requires OSFA to adopt regulations for LARP to establish a procedure and schedule for the monthly or annual payment of the amount of loan assistance provided to the eligible account, as appropriate, to assist an eligible individual in meeting loan forgiveness program requirements. Providing a monthly payment option will assist LARP participants in qualifying for the federal Public Service Loan Forgiveness Program (PSLF). PSLF is intended to encourage individuals to enter and continue to work full time in public service jobs. Under the program, an individual may qualify for forgiveness on the remaining balance due on William D. Ford Federal Direct Loan Program loans after making 120 monthly payments on those loans while employed full time by certain public service employers. In addition to PSLF, the federal government offers loan forgiveness programs for teachers, volunteers, military members, and health professionals.

Additionally, *House Bill 546* requires an eligible individual to apply to federal loan forgiveness programs for which the individual may qualify and requires an eligible individual to notify OSFA if the individual receives other loan repayment assistance.

Senate Bill 784 (passed) expands eligibility for LARP to include a licensed clinical alcohol and drug counselor, a licensed clinical marriage and family therapy counselor, or a licensed clinical professional counselor whose practice is located in a high-need geographic area

of the State as determined by DHMH if the individual is employed by certain tax-exempt organizations, institutions, associations, societies, or corporations.

Maryland Loan Assistance Repayment Program for Physicians: Physician assistants are health care professionals licensed to practice medicine with physician supervision, and they are becoming more predominant as primary care providers who can help lighten the patient load for primary care physicians. Approximately 2,600 physician assistants are located in Maryland.

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. Additionally, MLARP makes financial aid awards to assist in repaying loans owed by a medical resident specializing in primary care who agrees to practice for at least two years as a primary care physician for a nonprofit organization or government agency in a geographic area of the State that has been federally designated. Awards are capped at \$35,000 per year for a four-year commitment.

House Bill 459 (Ch. 99) expands eligibility for MLARP to physician assistants and renames the program as the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants. Additionally, the definition of “primary care” is expanded to include women’s health. Federal funding, requiring a 50% State match, is available through the federal Health Resources and Services Administration (HRSA) for physician assistants who provide primary care, including women’s health. Under HRSA guidelines, the approved primary care areas are adult, family, pediatric, psychiatry, mental health, geriatrics, and women’s health. By expanding the provider category to physician assistants under MLARP, DHMH hopes to maximize and access all of the HRSA federal matching funds available for this purpose. A previous lack of qualified applicants resulted in an inability to expend all of the available HRSA matching funds.

Financial Information Regarding the Cost of Higher Education

In July 2012, the federal government released the *Financial Aid Shopping Sheet*, which was designed to provide easy to understand financial data about the cost of higher education to prospective students. By January 2013, all USM institutions, SMCM, and MSU, along with more than 500 colleges and universities nationwide, had committed to adopting the *Financial Aid Shopping Sheet* by the 2013-2014 academic year. Additionally, several Maryland community colleges report using the *Financial Aid Shopping Sheet*, or providing the information contained on the *Financial Aid Shopping Sheet*.

In an effort to address the public institutions of higher education in the State that have not committed to using the *Financial Aid Shopping Sheet*, ***Senate Bill 74/House Bill 18 (both passed)*** require, beginning with the 2014-2015 academic year, public institutions of higher education to provide all first-time, full-time undergraduate freshmen with information on the cost of higher education at the institution by completing and mailing or providing electronically the information contained on the *Financial Aid Shopping Sheet*. The shopping sheet or the

information contained on the sheet must be mailed or provided electronically at the same time that an award of federal financial aid is sent to a student.

Student Debt – Income Tax – Subtraction Modification

Under the federal income tax law, if an individual borrows money from a commercial lender and the lender later cancels or forgives the debt, the cancelled amount of debt is required to be reported as income under certain circumstances. This income is referred to as cancellation of debt (COD) income under the Internal Revenue Code and is taxable as ordinary income. However, only taxable COD income must be reported and Section 108(f) of the Internal Revenue Code specifies the circumstances under which the discharge of student loan indebtedness is a taxable event. In general, the discharge of student loan indebtedness can be excluded if the discharge was contingent upon the borrower working for a specific number of years in certain professions. Discharged student loan debt comprises about one-fifth of all COD income.

Senate Bill 630/House Bill 264 (both passed) create 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. Taxpayers claiming the subtraction modification must provide the Comptroller a copy of a notice stating that a loan has been discharged due to total and permanent disability or death. The bill takes effect July 1, 2014, and applies to tax year 2014 and beyond. For a more detailed discussion of this issue, see the subpart “Income Tax” within Part B – Taxes of this *90 Day Report*.

Regulating Online Distance Education Programs

Chapters 595 and 596 of 2012 addressed online distance education programs in Maryland and defined a “fully online distance education program in the State” as a program in which (1) 100% of the program is offered through electronic distribution of instruction to one or more sites other than the principal location of an institution; or (2) 51% or more of the program is offered through electronic distribution of instruction to one or more sites other than the principal location of an institution and MHEC has determined that the portion of the program offered at a location in the State, if any, does not require a certificate of approval for the institution to operate, do business, or function in the State.

However, MHEC advises that the definition under the 2012 legislation is difficult to explain and justify to institutions of higher education seeking to register. MHEC also reports 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.

Senate Bill 110 (passed) alters the definition of “fully online distance education program in the State” to reflect technological advances and to simplify the definition. Under the bill, a “fully online distance education program in the State” is defined as a program originating outside the State offered by an out-of-state institution in which a student domiciled in Maryland enrolls

and where 51% or more of the program is offered through electronic distribution. Additionally, the bill adds a definition so that an “out-of-state institution” is defined as an institution of higher education whose primary campus exists outside Maryland and whose authority to grant degrees is conferred by another state. The bill also repeals the definition of “distance education” and authorizes 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.

Economic Development and Technology

RISE Zone Program

Senate Bill 600/House Bill 742 (both passed) establish the Regional Institution Strategic Enterprise (RISE) Zone Program. The purpose of the RISE Zone Program is to access the assets of higher education institutions and nonprofits that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located. Beginning July 1, 2015, a qualified institution may apply with a county, municipal corporation, or the economic development agency of a county or municipal corporation to the Department of Business and Economic Development (DBED) for designation of an area as a RISE zone. A qualified institution includes (1) public and private four-year institutions of higher education and community colleges; (2) a nonprofit organization that is affiliated with a federal agency; or (3) a regional higher education center. In order to be designated as a RISE zone, an institution must meet specified statutory requirements and minimum qualifications set by DBED.

The RISE Zone Program provides income and property tax credits to qualifying businesses that locate in a RISE zone and entitles those businesses to priority consideration for assistance from the State’s economic development and financial assistance programs. For a further discussion of *Senate Bill 600/House Bill 742*, see the subpart “Economic Development” within Part H – Business and Economic Issues of this *90 Day Report*.

Maryland E-Nnovation Initiative Program

Senate Bill 601/House Bill 741 (both passed) establish the Maryland E-Nnovation Initiative Program. This program allows the constituent institutions of USM, SMCM, MSU, BCCC, and private nonprofit institutions of higher education in the State to create research endowments and, upon securing matching private donations and approval, receive Maryland E-Nnovation Initiative Funds distributed to the endowments. A total of \$51.0 million must be provided over six years for the program beginning in fiscal 2016. Endowment proceeds must be expended to further basic and applied research in scientific and technical fields of study that offer promising and significant economic impacts and the opportunity to develop clusters of technological innovation in the State. For a more detailed discussion of this issue, see the subpart “Economic Development” within Part H – Business and Economic Issues of this *90 Day Report*.

Maryland Technology Internship Program

A Maryland Technology Internship Program to connect college and university students, recent graduates, and veterans with small innovative businesses in the high-growth technology sector through internships is created through *House Bill 1317 (passed)*. The University of Maryland Baltimore County must administer the program, although students statewide can apply. The Governor must include in the State budget funds for the reimbursement of internship stipends and the administration of the program. Money awarded 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 and \$1,200 for the second semester. The award may not total more than \$3,000 annually for each intern.

Technology Accessibility

The Department of Disabilities, in cooperation with the National Federation of the Blind, must study accessibility concepts in computer science, information systems, and information technology programs in higher education under *Senate Bill 446/House Bill 396 (both passed)*. A preliminary report is due by December 15, 2015, and a final report is due by June 30, 2017.

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