



**LEGISLATIVE  
HANDBOOK SERIES**

**VOLUME  
II**  


**GOVERNMENT SERVICES IN MARYLAND**

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# **Government Services in Maryland**

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## Foreword

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The activities of Maryland's State government and 180 local governments have a significant role in the lives of the State's 5.9 million residents. In fiscal 2013, more than \$52 billion was disbursed from State and local treasuries to provide services which promote public health and safety; social welfare; environmental and consumer protection; transportation, housing, and economic development opportunities; and support the education of Maryland's young people.

The purpose of this volume is to acquaint legislators with the many activities of State and local government. While not conceived as a legal or fiscal reference, this volume provides a programmatic overview of government services, providing information on the relationship between the levels of government and insight into the delivery of these services to citizens.

This is the second of nine volumes of the 2014 Legislative Handbook Series prepared prior to the start of the General Assembly term by the Office of Policy Analysis within the Department of Legislative Services. Numerous analysts assisted in preparing the material for this volume: Laura Atas, Sara Baker, Caroline Boice, Jennifer Chasse, Guy Cherry, Jodie Chilson, Richard Duncan, Stacy Goodman, Sally Guy, Garret Halbach, Kate Henry, Tiffany Johnson, Jason Kramer, Andrew Lantner, Laura Lodge, Steven McCulloch, Jordan More, April Morton, Marie Razulis, Jolshua Rosado, Stephen Ross, David Smulski, Jody Sprinkle, Laura Vykol, and Tonya Zimmerman. Still more analysts assisted in the review of the volume: Jennifer Botts, Tami Burt, Patrick Frank, Rachel Hise, Erin Hopwood, Theodore King, Ryane Necessary, Douglas Nestor, Simon Powell, Claire Rossmark, Erika Schissler, Robert Smith, and Dana Tagalicod. Trevor Owen prepared the local government spending data. Theresa Tuszynski prepared the State spending data. Lesley Cook coordinated preparation of the volume and reviewed the entire volume. Additional review of the volume was provided by Linda Stahr and John Rohrer, who also contributed to the data analysis. The manuscript was prepared by Mindy McConville and Theresa Silkworth.

The Department of Legislative Services trusts that this volume will be of use to persons interested in the services provided by Maryland State and local governments.

Karl S. Aro  
Executive Director  
Department of Legislative Services  
Maryland General Assembly

Annapolis, Maryland  
November 2014



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# Chapter 1. Overview of State and Local Government

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Public services in Maryland are provided through State, county, and municipal governments. The level of government with responsibility for the funding and delivery of public services varies by program. In some cases, collaboration among levels of government is integral, while other services are the sole responsibility of a specific level of government. The six most common funding/service delivery models in the State are:

- ***Federal/State Partnerships:*** These are jointly funded and State administered. Health insurance for the poor and most social welfare programs are prime examples of federal/State partnerships with the federal government providing 50% or more of the funding and placing certain restrictions on the use of the funds.
- ***State/Local Partnerships:*** These are jointly funded and locally administered. The relationship between the State and local governments often mirrors the federal/State relationship, with the State playing a key role in funding an activity while the service is actually delivered locally. Public education and libraries are prime examples of this type of collaboration.
- ***State Regulated and Locally Administered:*** Alcoholic beverage control and enforcement of certain environmental health activities are local functions. The State, however, has established the regulatory framework within which the programs operate and has delegated responsibility for enforcing the laws to the local governments.
- ***State Funded and Administered:*** Most economic development and business regulation programs in the State are developed, administered, and funded by the State.
- ***Locally Funded and Administered:*** Fire services, solid waste management, and zoning are almost entirely the responsibility of local governments, with the State providing small grants and limited technical support.
- ***Dual Delivery Systems:*** Some services including police, jails, and parks and recreation have both State and local components. There are, for example, State, county, and municipal parks.

While these are the most common models, there are exceptions. For instance, local governments are required to house State prisoners in local jails. The State may assist with the costs to local governments in exchange for this cooperation, but that still means that local governments may not have full use of their jails to address local law enforcement problems. In other cases, the federal government provides 100% of the funding and develops most of the program guidelines but expects the State or local government to administer the program.

In addition to summarizing the role each level of government plays in delivering services, this chapter focuses on the general organization of State and local government in Maryland and on the division of responsibility for funding various programs. A brief discussion of the role of each level of government by function is presented in Appendix 1. For more information on the organization of local government, see *Volume VI – Maryland Local Government* of the Legislative Handbook Series.

## **Structure**

### **State Government**

The Maryland Constitution establishes the framework for Maryland's Legislative, Judicial, and Executive branches. Legislative power is exercised by the General Assembly, which consists of a 47-member Senate and a 141-member House of Delegates serving four-year terms. Judicial power is exercised through a four-level court system consisting of two appellate courts, a court of general jurisdiction (the circuit courts), and a court of limited jurisdiction (the District Court). Executive power is divided between the Governor, Attorney General, and Comptroller, all of whom are elected by the public, and a State Treasurer chosen by the General Assembly. Meeting as the Board of Public Works, the Governor, Comptroller, and State Treasurer have special responsibilities for contracts and other financial matters. The Governor is the State's chief executive officer.

The Executive Branch is the largest branch of government with responsibility for administering programs and implementing public policy as outlined in statute. In Maryland, as in most states, the Executive Branch is structured by major agencies, usually reflecting the type of program services. The current structure is reflective of a comprehensive reorganization, begun in 1969, when over 200 agencies, boards, commissions, and divisions were combined into departments composed of functionally related agencies. The initial reorganization effort was completed in the mid-1970s. Subsequent reorganizations have created several new departments and renamed others.

Another reorganization within the State of Maryland occurred in higher education. In 1988, five University of Maryland campuses merged with the six State colleges and universities into the University of Maryland System (renamed the University System of Maryland in 1997), governed by a board of regents. Morgan State University and St. Mary's College of Maryland remain under separate governing boards. The higher education reorganization also saw the creation of the Maryland Higher Education Commission from the former State Board of Higher Education and the State Scholarship Board.

## **Local Government**

Local governments in Maryland have evolved significantly since the establishment of the State's first county in 1637. At that time, local governments served mostly as administrative arms of the State. Through the subsequent granting by the State of home rule powers, county and municipal governments have been able to enact local laws that address the unique needs and challenges confronting their citizens.

There are several different types of local governments in Maryland: 23 counties (including commission counties, charter home rule counties, and code home rule counties); Baltimore City (a municipality that is usually treated legally as a county because it derives its home rule powers under Article XI-A of the Maryland Constitution, the same article under which charter counties derive their home rule powers); 156 municipalities (which derive their home rule powers under Article XI-E of the Maryland Constitution); and dozens of special districts. Special districts are created by State or local law to address special goals or needs within a small geographic area or to deal with issues and problems that cross county boundaries. Examples of special districts include: the Village of Friendship Heights (a special taxing district in Montgomery County created by the State); Crofton (a special community benefit district in Anne Arundel County created by the county); and the Washington Suburban Sanitary Commission (a bi-county agency created by the State to provide water and sewer services to most parts of Montgomery County and Prince George's County).

Exhibit 1.1 lists the major jurisdictions of the State and notes the number of municipalities in each county.

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**Exhibit 1.1**  
**Local Governments in Maryland**  
**2014**

<u>Major Jurisdiction</u>	<u>Number of Municipalities</u>
Allegany County	7
Anne Arundel County	2
Baltimore City	-
Baltimore County *	0
Calvert County	2
Caroline County	10
Carroll County	8
Cecil County	8
Charles County	3
Dorchester County	9
Frederick County	11
Garrett County	8
Harford County	3
Howard County	0
Kent County	5
Montgomery County	19
Prince George's County	27
Queen Anne's County	6
St. Mary's County	1
Somerset County	2
Talbot County	4
Washington County	9
Wicomico County	8
Worcester County	4
<b>Total</b>	<b>156</b>

\* There are no municipalities located wholly within Baltimore County; however, a small part of the Town of Hampstead (Carroll County) falls within Baltimore County's boundaries.

Source: *Overview of Maryland Local Governments*, Department of Legislative Services

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## **Delivery of Services**

### **State Role**

State government is involved with the delivery of almost every public service in Maryland. In many instances, the State's role is limited to providing oversight and/or funding for a locally delivered service, while in other cases the State acts as a direct service provider. Government services that are provided exclusively by the State include four-year higher education, health insurance for the indigent, welfare, most social services, corrections (long-term incarceration), State highway maintenance and construction, and enforcement of worker safety.

The State and local governments both act as direct service providers with respect to enforcing environmental standards, administering Maryland's judicial system, offering police services, developing and maintaining recreational programs, and promoting economic and community development. The division of responsibilities between the State and local governments in these areas is clearly delineated with respect to most of the services. In areas such as police protection, the division of labor is often less formal with variations found in different parts of the State.

The State's role is limited to oversight and/or funding for public education, libraries, community colleges, fire and rescue services, water and sewerage systems, and solid waste management. In these areas, the counties, municipalities, or quasi-governmental agencies act as the direct service provider.

The State provides various types of assistance to county governments to help offset the cost of the delivery of local services. State funds for specific locally provided services are discussed in the chapters which follow; however, the State does provide general grants that are not tied to a specific service. For example, the State's disparity grant program provides noncategorical State aid to low-wealth jurisdictions for county government purposes. The program reflects the State's policy to improve fiscal equity among jurisdictions by making less affluent jurisdictions less dependent on their own tax base to fund public services. Specified counties also receive assistance from a mandated distribution of video lottery terminal revenues. A portion of video lottery terminal revenues, 5.5%, is designated for local government impact grants. These grants are distributed to the jurisdictions in which a video lottery terminal facility is located (Baltimore City and Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties). Local impact grants must be used for improvements in the communities in the immediate proximity to the video lottery terminal facilities and may be used for specified purposes including infrastructure improvements, facilities, public safety, sanitation, economic and community development, and other public services and improvements.

## **County Role**

All counties and Baltimore City are responsible for providing certain services or facilities for their citizens. These services tend to have a more direct impact on people's daily lives than services provided by the State. The basic types of these services and facilities are highlighted below. Services marked with an \* are required or governed under State law.

- **General Government:** This grouping includes executive and legislative control, election supervision\*, financial administration (budgeting and accounting), legal support, planning, zoning, and personnel administration.
- **Judicial Support\*:** Functions include the Orphans' Court, State's Attorney, and judicial activities of the sheriff. This category also includes funding for the operations of the circuit courts.
- **Public Safety:** This grouping includes law enforcement, fire protection, corrections, building inspection, animal control, and traffic engineering.
- **Public Education\*:** Public schools (K-12) are funded through the Baltimore City and county boards of education that operate under State law.
- **Community Colleges\*:** The institutions operate under State law but are funded with a combination of State and local funds.
- **Public Libraries:** Although not required to do so by State law, all counties and Baltimore City have established a public library system usually governed by a library board.
- **Transportation:** Baltimore City maintains all roads within its borders except certain interstates. The counties are responsible for maintenance and upkeep of local roads.
- **Health Services\*:** Counties and Baltimore City operate the State-required and -regulated county health departments and approve the structure of State-authorized core service agencies (which coordinate services for the mentally ill).
- **Human Services:** While the local role in delivering social services varies by jurisdiction, most counties and Baltimore City administer area agencies on aging. These agencies coordinate the delivery of State and local services to older Maryland residents.

- ***Economic and Community Development:*** Counties and Baltimore City engage in varying levels of economic and community development.
- ***Public Works:*** Alcoholic beverage control\*, sewerage, water supply, storm drain maintenance, and solid waste collection and disposal are generally the responsibility of counties and Baltimore City.

## **Municipal Role**

The services delivered by municipalities are less uniform than those provided by the counties and Baltimore City. No municipality exercises all the powers available to it or provides every possible service. The most comprehensive array of services is typically provided by the most populated municipalities: Annapolis, Bowie, Frederick, Gaithersburg, Hagerstown, and Rockville. While having a relatively small year-round population, Ocean City, one of the mid-Atlantic region's most popular resort areas, is another municipality that provides a significant number of services to residents and visitors.

Exhibit 1.2 indicates the services provided or functions undertaken most frequently by municipalities. Trash collection, street lighting and repair, snow removal, and residential and commercial building code enforcement are among the most commonly provided municipal functions. Electronic access to municipal services is becoming more common as about 88% of municipal corporations have websites. Many municipal websites offer online services such as the ability to view the newsletter online, pay bills, become licensed, apply for permits, or register for recreational programs. Other governmental functions are rarely provided at the municipal level – such as operation of ice rinks, airports, public transportation systems, and municipal golf courses. These services are offered in 10% or less of municipalities in Maryland.

## **Federal Role**

The federal role with respect to the delivery of services is generally limited to oversight and funding. Much of the funding provided by the federal government, however, comes with conditions attached and reporting requirements to ensure these services are delivered in line with federal priorities. While the conditions are traditionally referred to as mandates, they are not true mandates because State and local governments are not required to participate in the programs. Nevertheless, from the State and local perspective, the federal conditions often have the impact of mandates because the federal dollars are needed as the catalyst to create programs designed to improve health, welfare, and safety.

**Exhibit 1.2**  
**Twenty-five Services Most Commonly Provided by Municipalities**  
**2014**

<u>Service</u>	<b>Service Provided by</b>			
	<b>At Least <u>2/3</u></b>	<b>At Least <u>1/2</u></b>	<b>At Least <u>1/3</u></b>	<b>At Least <u>1/4</u></b>
Trash/Refuse Collection	✓			
Street Lights	✓			
Snow Removal	✓			
Street Maintenance	✓			
Residential Housing Code Enforcement	✓			
Website	✓			
Commercial Building Code Enforcement	✓			
Newsletter (Print)		✓		
Facility Rentals		✓		
Police Protection		✓		
Public Works Department		✓		
Planning/Zoning Department		✓		
Recycling – Leaf		✓		
Recycling – Curbside		✓		
Cable Access Television			✓	
Publicly Owned Parking			✓	
Wastewater Treatment Plant			✓	
Newsletter (Electronic)			✓	
Stormwater Management			✓	
Roadside Tree Care			✓	
Licensing of Rental Housing			✓	
Parks and Recreation Department				✓
Grant Writing Staff				✓
Community Alert System				✓
Community or Senior Center				✓

Source: *Municipal Services Survey Results 2014*, Maryland Municipal League; Department of Legislative Services

## **Funding**

In fiscal 2013, more than \$52 billion was spent through State and local budgets on the provision of the governmental services described in this volume; an additional \$10.7 billion was spent by the federal government on Medicare. As shown in Exhibit 1.3, which excludes Medicare, State spending accounted for the greatest share of that total, at approximately 41%. The State is the primary source of funding for financial administration, judicial functions, transportation services, and business regulation, in particular. On the other hand, local governments are the primary financiers of public safety, public libraries, and public works. The costs of public education, natural resources management, and economic development are shared between the State and local governments. The federal government is the primary source of funding for health services in Maryland, largely due to its support of the Medicare and Medicaid programs, as well as for housing and community development activities, workforce training programs, and human services programs. In higher education, tuition and fees, as well as other nongovernmental revenues, provide more than one-half of all funding.

This volume of the Legislative Handbook Series has attempted to distinguish between own-source spending at the local level and spending associated with federal and State grants. There are difficulties, however, in determining the share of federal spending at the local level that passes through the State budget versus funds that are received directly from the federal government. As such, the summary charts may not fully capture as federal spending, all such federal funds, and federal spending in Maryland may be underestimated.

Exhibit 1.3 depicts the percentage of costs for each major public service that is borne by the different levels of government and shows the aggregate expenditures on each service. While this chart may underestimate in some service areas the degree to which federal spending finances public services, it does provide a general sense of the different funding mixes that are used to support the various types of government programs. Additional detail on the roles of the State, local, and federal governments in financing and delivering public services is provided in Chapters 2 through 16.

**Exhibit 1.3**  
**State, Local, and Federal Spending on Government Services in Maryland**  
**As a Percentage of Total Spending on the Service**  
**Fiscal 2013**  
**(\$ in Millions)**

	<u>Total</u>	<u>State</u>	<u>Local</u> <sup>1</sup>	<u>Federal</u>	<u>Other</u> <sup>2</sup>
Legislative/Executive/General Government	\$1,543	18%	79%	4%	0%
Financial Administration	506	60%	40%	0%	0%
Courts and Related Offices	865	69%	30%	1%	0%
Public Safety	5,041	31%	65%	4%	0%
Public Education	12,335	48%	46%	6%	0%
Higher Education	6,675	25%	5%	17%	53%
Public Libraries/Television	304	24%	63%	1%	11%
Transportation	5,455	63%	20%	17%	0%
Health Services <sup>3</sup>	10,166	52%	2%	46%	0%
Human Services	3,173	33%	8%	59%	0%
Housing and Community Development	1,010	16%	21%	63%	0%
Economic Development and Business Regulation	399	76%	23%	1%	0%
Labor and Workforce Development	426	30%	8%	62%	0%
Natural and Historic Resources Management	1,399	47%	45%	8%	0%
Public Works	2,231	0%	100%	0%	0%
Miscellaneous/Unallocated <sup>4</sup>	1,072	15%	85%	0%	0%
<b>Total</b>	<b>\$52,599</b>	<b>41%</b>	<b>32%</b>	<b>20%</b>	<b>7%</b>

<sup>1</sup>Local funding represents own-source spending rather than the total spending reported by local governments. Federal and State grants were assumed to have been expended in the year they were received. Moreover, State grants reported by local governments were assumed to have been accounted for in the State budget. Likewise, most federal grants reported by local governments were assumed to have been passed through the State budget rather than provided directly to the local government; consequently, federal funding may be underestimated.

<sup>2</sup>Other includes tuition and fees collected by higher education institutions; higher education revenues from private gifts, grants, and contracts; endowment income at higher education institutions; sales and services revenues at higher education institutions; gifts, grants, and fees for public libraries and public television; and certain fees used to finance health programs.

<sup>3</sup>Excludes \$10.7 billion in federal Medicare spending which does not pass through State or local budgets.

<sup>4</sup>Miscellaneous spending includes State disparity grant payments; local impact grants from video lottery terminal revenue; and local personnel expenditures such as pension, health insurance, and Social Security payments that a county and/or municipality has not allocated to another expenditure category above.

Source: Governor's Budget Books, Fiscal 2015; *Uniform Financial Reports*; Department of Legislative Services

## **Chapter 2. Legislative/Executive Direction and State Administration**

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The overall responsibility for establishing the framework for delivery of government services to the citizens of Maryland rests with the elected State and local legislative bodies. The legislative bodies pass laws impacting the full range of government services, provide for the statutory structure and organization of the State and local governments, and establish policies to be implemented and enforced by the elected chief executive at the State, county, or municipal level. The chief executives have the responsibility for delivering government services. They rely on staff from a network of administrative agencies for fact finding and recommendations on how best to deliver government services and to address policy priorities established through the political process.

### **Legislative Direction**

At the State level, the 188-member Maryland General Assembly is the lawmaking body. At the local level, county and city councils and county commissioners perform the legislative function. In many cases, the local legislative body also assumes executive responsibilities and may assign day-to-day management of the local government to a county or city manager or administrator.

### **Maryland General Assembly**

The lawmaking powers of the State are vested in the General Assembly, consisting of the 47-member Senate and the 141-member House of Delegates. The legislature passes laws necessary to protect the health, welfare, and safety of the citizens of Maryland; approves the annual State budget; and provides for revenues to support the budget. Further, the legislature provides for the statutory structure and organization of the State and local governments and proposes amendments to the Constitution of Maryland. The Senate, and in some instances the House of Delegates, confirms appointments made by the Governor.

In addition to its legislative functions, the General Assembly elects the State Treasurer, may impeach certain public officials, and may exercise broad investigative powers.

The General Assembly meets annually in a 90-day session in Annapolis beginning on the second Wednesday in January and running through early April. Extended sessions or special sessions may be called by the Governor at his or her discretion or if petitioned by a majority of the House of Delegates and a majority of the Senate. During the nine-month

period between sessions known as the “legislative interim,” legislative committees and a variety of special task groups meet and consider issues and/or legislative proposals in more detail and with greater analytical scrutiny than time and work schedules permit during regular sessions of the General Assembly. The findings of these groups and studies completed by legislative staff usually appear as special reports toward the end of the nine-month period. These reports are often accompanied by draft legislation to be introduced during the ensuing 90-day session of the General Assembly commencing in January.

### **Department of Legislative Services**

Consisting of four offices, the Department of Legislative Services is the centralized, nonpartisan staff agency for the General Assembly. The department provides the General Assembly with professional staff support for its major functions. The Office of the Executive Director provides overall direction for the department, as well as administrative support for the General Assembly. The Office of Information Systems provides all information technology needs for the legislature.

Responsibilities of the department’s Office of Policy Analysis include drafting legislation; preparing fiscal and policy notes; staffing legislative committees; and analyzing proposed legislation, proposed regulations, and the Governor’s proposed State budget. The office also is responsible for the nonsubstantive revision of the State’s published statutory laws (Annotated Code) into a more subject-oriented format. In addition, the Office of Policy Analysis supports a comprehensive reference and research library for legislators that contains information on legislation; the history and development of laws in Maryland; Maryland, other state, and federal statutes; and topics of particular interest to the legislature. While the library’s primary mission is serving the legislature and its staff, the library also is available to the general public.

The Office of Legislative Audits is responsible for conducting fiscal and compliance audits of each unit of State government, including the offices of clerks of court and registers of wills. Upon direction by the General Assembly or the Joint Audit Committee, the legislative auditor may undertake performance or financial audits, reviews, and investigations of State agencies or programs, or of a private organization that receives State funds. The office also conducts financial management audits of local school systems at least once every six years, and reviews the audit reports of all county and municipal governments and community colleges. Audits are designed to review and evaluate a wide range of management, administrative, and financial policies and procedures.

## Local Legislative Direction

County legislative bodies include county councils and boards of county commissioners. As discussed in Chapter 1 of this volume of the Legislative Handbook Series, the scope of a county government’s legislative authority varies with the form of the county government. (For a more detailed discussion of local legislative powers, see *Volume VI – Maryland Local Government* of the Legislative Handbook Series.) Among the counties, the number of council members or commissioners ranges from 15 council members in Baltimore City to 3 commissioners in 4 of the counties. The number of legislative members for each of the counties and Baltimore City is shown in Exhibit 2.1. In 10 of the 12 charter home-rule jurisdictions, executive and legislative powers have been divided between an elected executive and an elected council. In the remaining counties, the executive powers have been retained by elected council members or commissioners who may appoint a county manager or administrator.

City councils, commissions, and burgesses are the primary municipal legislative bodies. According to the Maryland Municipal League, approximately 70% of municipalities utilize the mayor-council form of government. In this form of government, the mayor and council share the legislative power, and the mayor exercises the executive power. Some mayors are “stronger” than others, meaning that they have veto power over legislative actions of the council; others share power as a member of the council. Of the other forms, approximately 20% have commissions and approximately 10% use the council-manager structure. In the commission form of government, the commissioners share the legislative power, and the executive powers are generally divided among the different commissioners. In the council-manager form of government, the council appoints a municipal manager who is the chief executive officer of the municipal corporation.

In addition, the governing bodies of municipalities may appoint managers or administrators who help implement the policies developed by elected officials. According to the Maryland Municipal League, the majority of municipalities have full-time, professional managers or administrators. Municipalities that have full-time, professional managers or administrators tend to have larger populations and larger budgets. Municipalities that have smaller populations and smaller budgets tend to have either part-time, circuit-rider administrators or have elected officials, typically the mayor, who conduct the day-to-day administrative operations.

**Exhibit 2.1**  
**Baltimore City and County Governments**

<b>County</b>	<b>Commissioners</b>	<b>Council Members</b>	<b>Executive or Mayor (Elected At-large)</b>
Allegany	3		
Anne Arundel		7	Yes
Baltimore City		15	Yes
Baltimore		7	Yes
Calvert	5		
Caroline	3		
Carroll	5		
Cecil		5	Yes
Charles	5		
Dorchester		5	
Frederick*		7	Yes
Garrett	3		
Harford		7	Yes
Howard		5	Yes
Kent	3		
Montgomery		9	Yes
Prince George's		9	Yes
Queen Anne's	5		
St. Mary's	5		
Somerset	5		
Talbot		5	
Washington	5		
Wicomico		7	Yes
Worcester	7		

\*On November 6, 2012, the voters approved "Question A" to adopt a county charter which provides for a seven-member county council and an elected county executive. The first executive will be elected in November 2014 and the charter is effective December 1, 2014.

Source: Department of Legislative Services

## **Executive Direction**

Executive direction refers to the duties and personnel associated with the chief executive. At the State level, this includes the Office of the Governor; Lieutenant Governor; supporting staff; and boards, commissions, and offices charged with carrying out specific types of gubernatorial duties. These offices may vary depending on the chief executive. At the county level, executive direction includes the county executive, county legislative bodies that also have executive responsibilities, and offices that report directly to the chief executive. At the municipal level, executive direction includes the mayor, municipal legislative bodies with executive responsibilities, and offices that report directly to the chief executive.

The Office of the Governor includes staff members who function as liaisons for the Governor and Lieutenant Governor with the departments of State government and the Legislative and Judicial branches. The staff also advises the Governor and Lieutenant Governor on public policy issues and intergovernmental relations. Maryland has an elected Lieutenant Governor whose duties are solely delegated by the Governor.

### **Boards, Commissions, and Offices at the State Level**

The Governor's Office includes several boards, commissions, and offices created by statute or executive order. These offices advise the Governor on various public policy issues and investigate and make recommendations on problems affecting the Administration and the State's welfare as set forth below.

The *Survey Commissions* are established pursuant to legislation and executive initiative to investigate and coordinate responses to problems affecting the State.

The *Office of Minority Affairs*, created in 1980 by executive order, advises the Governor on the impact of public issues and government sponsored programs on minority communities. It also oversees and manages the State's Minority Business Enterprise Program, as well as the Small Business Reserve program.

The *State Ethics Commission*, created in 1979, replaced the State Board of Ethics. The commission consists of five members and guards against improper influence on public officials or the appearance of conflict of interest through programs of financial disclosure, lobbying disclosure and regulation, approval of local government ethics requirements, ethics law advice and training, and ethics law complaint investigation.

The *Health Care Alternative Dispute Resolution Office* administers mandatory arbitration for all medical malpractice claims amounting to more than \$30,000. Each

medical malpractice claim is heard by a three-person arbitration panel, including an attorney, a health care provider, and a public member. Parties to the case choose the panel from a list of qualified arbitrators supplied by the office. The panel determines who is liable with respect to the claim and, if a health care provider is liable, considers and assesses damages. To reverse or modify the award, the rejecting party must file an appeal with the circuit court. The costs of the arbitration panel and the processing of claims are recovered from the parties involved. If all parties agree, the arbitration process is waived, and the matter proceeds to the circuit court. In that event, and on the agreement of all parties, the circuit court may refer the matter to the office for the purpose of neutral evaluation, even though the circuit court maintains jurisdiction during the evaluation period.

The *State Commission on Uniform State Laws* was created in 1892 by an interstate compact. The Governor appoints three commissioners every four years, who represent Maryland at the National Conference of Commissioners for Uniform State Laws. They receive no salary but are reimbursed for their actual expenses. The commissioners serve on committees that draft laws to be submitted to the legislatures of the states and recommend measures for the promotion of uniform legislation. When uniformity is not practical or necessary, the conference designs model acts to provide states with a concisely structured legislative framework adaptable to the particular needs and problems of the states.

The *State Labor Relations Board* and the *State Higher Education Labor Relations Board* are responsible for administering and enforcing provisions of the law concerned with collective bargaining for State employees and employees of State institutions of higher education, respectively. Created in 1999 within the Department of Budget and Management, the State Labor Relations Board became an independent agency in 2006, and in 2001, the State Higher Education Labor Relations Board was established. Duties of boards include planning and overseeing representation elections and processing cases and complaints. The boards each consist of five members, appointed by the Governor to six-year terms. Since 2006, the executive director has been appointed jointly by both boards and the Public School Labor Relations Board.

The *Governor's Office of Crime Control and Prevention*, established in 1995, aids in the development of policies and programs relating to the reduction and prevention of crime and substance abuse, coordination of activities among State and local agencies, and other public safety issues. The office operates the Maryland Statistical Analysis Center, which is part of a national network. Additionally, the office administers numerous federal and State grant programs. The State's funding contribution to the Baltimore City Criminal Justice Coordinating Council is budgeted within the office's Local Law Enforcement Grants. For more information on the Governor's Office of Crime Control and Prevention, see Chapter 5 (Public Safety) of this volume of the Legislative Handbook Series.

The *State Commission on Criminal Sentencing Policy* oversees criminal sentencing policy in Maryland. The 19-member commission is responsible for the voluntary sentencing guidelines for Maryland's circuit courts. The commission collects sentencing guidelines worksheets, maintains the sentencing guidelines database, monitors circuit court sentencing practices, adopts changes to the guidelines consistent with legislative intent, and provides training and orientation to criminal justice practitioners who apply the sentencing guidelines.

The *Governor's Grants Office*, created in 2004, is charged with a number of responsibilities. For example, the office coordinates State agency activities in applying for federal grants, provides technical assistance in grant writing, assists local governments and community-based organizations in identifying federal grant opportunities, and measures and tracks federal funding data.

The *Governor's Office of Community Initiatives*, created by executive order in 2004 and codified in 2008, coordinates community and volunteer activities statewide, advises the Governor on policies to enhance and improve community programs, and serves as liaison to the Corporation for National and Community Service. In addition, community affairs services within the Executive Branch of State government are surveyed and assessed by the office. The office devises and implements a strategic plan to encourage greater involvement and participation by community organizations and constituent groups in the formulation and implementation of public policy. The Governor's Office of Community Initiatives houses the Commissions on Asian Pacific American Affairs, Hispanic Affairs, Indian Affairs, and Middle Eastern American Affairs, as well as the Commission on African American History and Culture, which operates the Banneker-Douglas Museum in Annapolis. The office also oversees the Governor's Office on Service and Volunteerism, Volunteer Maryland, and community outreach in cooperation with the Governor's Intergovernmental Affairs Office.

The *Governor's Office on Service and Volunteerism* implements and administers the funds authorized under the National Community Service Trust Act of 1993. The office provides staff support to the Governor's Commission on Service and Volunteerism, which develops and carries out a competitive selection process for the distribution of the national service funds received under the Act. Initiatives in this regard are the State-based AmeriCorps programs and the Learn and Serve America community-based programs. These two initiatives are funded through federal grant funds made available to the Governor's Office on Service and Volunteerism.

*Volunteer Maryland* is a Learn and Serve AmeriCorps program that receives a grant from the Governor's Office on Service and Volunteerism. Volunteer Maryland is an independent office and one of seven demonstration projects of national service funded by the federal Commission on National and Community Service. The office recruits

coordinators and associates who dedicate a year of public service to Volunteer Maryland. Teams of coordinators and associates are then placed in government and private nonprofit agencies to develop volunteer programs. In addition to overseeing the annual AmeriCorps placements and nonprofit partnerships, Volunteer Maryland conducts on-site training and provides technical assistance for State agencies, schools and universities, and nonprofit organizations.

The *Governor's StateStat Office*, created in 2007, is responsible for collecting and evaluating data to improve efficiency in State government. State agencies must submit data on key performance indicators to the office bi-weekly. The office then analyzes this data, pinpoints problems and trends, and measures the effectiveness of corrective actions. To improve performance and achieve goals, the office develops strategies for each agency and holds agency leadership accountable for results.

The *Governor's Office of Health Care Reform*, created in 2011 by executive order, provides leadership, oversight, and coordination for the State's implementation of health care reform, as required by the federal Patient Protection and Affordable Care Act of 2010. The office also coordinates the State's public education and outreach efforts regarding health care reform implementation and provides support for the Maryland Health Care Reform Coordinating Council.

## **Secretary of State**

The Secretary of State assists the Governor and attests to the Governor's signature on all public papers and documents, oversees all executive orders, and keeps a record of all commissions and appointments. Over the years, the function and duties of the office have expanded to include keeping records of trademarks, trade names, charitable organizations, and professional fundraisers. In addition, the office administers the condominium registration law and addresses confidentiality programs for victims of domestic violence and human trafficking, processes the extradition of prisoners, and receives disclosures of campaign contributions by persons doing business with the State. The Secretary also serves on the Governor's Subcabinet for International Affairs, the Governor's Executive Council, and the Board of State Canvassers. The Division of State Documents compiles, edits, and publishes the Code of Maryland Regulations and the *Maryland Register* in which proposed regulations, other notices, and official information are disclosed to the public. The Secretary of State is appointed by the Governor and confirmed by the State Senate.

## **Board of Public Works**

The Board of Public Works is a constitutionally established body composed of the Governor, Comptroller of the Treasury, and Treasurer. The Constitution of Maryland requires the board to meet at least four times per year to “hear and determine such matters as affect the public works of the State, and as the General Assembly may confer upon them the power to decide.” In practice, the board usually meets on a bi-weekly basis.

The board approves appropriations from State loans authorized by the General Assembly and appropriations for capital improvements, except those for State roads, bridges, and highways. The board approves leases, contracts, and public-private partnership agreements executed by State agencies and is responsible for the adoption and promulgation of rules, regulations, and procedures for administering the State procurement law. The board also approves certain actions of the State Public School Construction Program, including amounts that are paid to the counties and Baltimore City. The amount and timing of bond sales are also approved by the board.

Other board duties include the management of a contingency fund. The board is able to supplement State appropriations when necessary by using this fund. The board may also pay settlements and judgments against the State. Certain grants of statewide significance are funded through the board, including support to the Historic Annapolis Foundation, annual dues to the Council of State Governments, and the State’s lease payment for the Maryland Zoo in Baltimore.

## **Commission on Civil Rights**

Enforcement of State and federal civil rights laws is the main concern of the Commission on Civil Rights. It is composed of nine members appointed by the Governor with the consent of the Senate. The agency investigates and resolves cases of discrimination in employment, housing, and public accommodations based on race, color, ancestry, religion, sex, age, national origin, marital or familial status, sexual orientation, genetic information, and physical or mental disability. The commission also initiates complaints of discrimination in State government agencies.

Efforts in fair employment practices and fair housing are supplemented by work-sharing arrangements and contracts with the federal Equal Employment Opportunity Commission and the U.S. Department of Housing and Urban Development, respectively. Arrangements for reviewing deferred cases and other cooperative efforts are made with federal, State, and local agencies having comparable interest or legal authority.

## **Election Services**

The State Board of Elections supervises elections in the State through the 24 local boards of elections. The five-member State board is appointed by the Governor, subject to Senate confirmation. Each member must belong to a principal political party with neither party having more than three or less than two members. Each member appointed by the Governor has been named by the State central committee of the principal political party entitled to the appointment.

The State board is charged with ensuring compliance with Maryland and federal law, access to candidacy for all those seeking elective office, and the fullest possible exercise of the voting franchise. Currently, all voters in Maryland use a touch screen, direct-recording electronic system. Voters using this system touch the computer to make, change, and review selections, and to cast a ballot. A paper-based optical scan system is used for absentee and provisional ballots. The State has authorized a return to a paper-based optical scan system for all voting. Funding has been included in the budget for the planning phase. The new system is scheduled to be in place for the 2016 primary election.

The Governor is required to appoint members of the board of elections in each county and Baltimore City, subject to House or Senate confirmation. Each local board is in charge of all elections to be held in the county and its municipalities and must provide for the registration of voters in that jurisdiction. Municipal elections must be conducted in accordance with the public local laws or the municipal corporation's charter. Municipalities are permitted to use the services or equipment of local boards and reimburse the local boards for expenses, or they may conduct the elections themselves.

## **Support Agencies at the State Level**

The major departments of State government require considerable support to operate effectively. Functions such as budgeting, fiscal planning, personnel administration, and the operation of government buildings and facilities are necessary to provide efficient services to State citizens. This section describes functions of the primary agencies responsible for these activities: the Department of Budget and Management, the Department of General Services, the Department of Information Technology, and the Maryland State Retirement and Pension Systems. Other agencies that play a general support role include the Maryland Board of Contract Appeals and the State Archives.

## Department of Budget and Management

The Department of Budget and Management is responsible for preparing and submitting the State's budget, including capital items, to the General Assembly. The department provides ongoing assistance to other departments for the preparation and execution of the State budget. The department also coordinates the study and analysis of the needs, administration, organization, functions, efficiency, and performance of State agencies. In addition, the department provides both the short- and long-range projections of State expenditures that are necessary for planning. The department also is responsible for personnel functions within the Executive Branch.

### Office of the Secretary

With three main divisions, the Office of the Secretary is responsible for the general oversight and policy direction of the department:

- The *Office of the Statewide Equal Employment Opportunity Coordinator* administers the State's Equal Opportunity laws and policies and assists and educates State agency personnel responsible for fair practices, equal employment opportunities, and the Americans with Disabilities Act. In addition, the coordinator investigates charges of discrimination and unfair employment practices and reviews appeals of decisions in equal employment opportunity cases filed against State agencies.
- The *Division of Finance and Administration* oversees internal fiscal operations of the department including budget, payroll, and purchasing. In addition, it verifies budget requests and amendments and maintains a master control file of State employee positions. The division prints the State budget, compiles the *Fiscal Digest*, and prepares the Statewide Cost Allocation Plan that is filed with the federal government to obtain reimbursements for the cost of indirect State services that benefit federally funded programs. The division also oversees the Central Collection Unit, which collects all delinquent debts, claims, and accounts against the State except for taxes, child support, unemployment insurance contributions and overpayments, and certain types of court costs. Typical debts handled by the unit are student loans, tuition and fees, public assistance and food stamp overpayments, restitution damage to State property, workers' compensation premiums, reimbursement for institutional care, and payment for goods and services provided by the State.
- The *Division of Procurement Policy and Administration* reviews and approves procurements for services and procures such services for State use. The division

also oversees statewide compliance on certain audits. To ensure effective and efficient statewide fleet and travel operations, the division provides policy and procedural direction and contract management services.

### **Office of Personnel Services and Benefits**

The Office of Personnel Services and Benefits has overall responsibility for administering State personnel policies and health benefit programs. The office oversees six main divisions: Classification and Salary, Employee Benefits, Employee and Labor Relations, Management and Personnel Services, Medical Services, and Recruitment and Examination. Since the enactment of legislation in 1999, most State employees are granted the right to collective bargaining. The Management and Personnel Services Division assists State agencies with implementing and interpreting memorandums of understanding negotiated for their employees through the collective bargaining process.

The office is not only responsible for the health care related benefits for State employees but also for those of retirees and satellite agencies. In the case of regular staff, employee benefits (health benefits, retirement, Social Security, *etc.*) add about 30% more to an employee's compensation over the employee's salary. The comprehensive health benefit plan has numerous options for medical and mental health coverage. Dental coverage, prescription drug coverage, flexible spending accounts, life insurance coverage, accidental death and dismemberment coverage, and long-term care coverage are also offered. Exhibit 2.2 shows the cost of salaries and fringe benefits for the State in fiscal 2013.

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**Exhibit 2.2**  
**State Costs for Salaries and Fringe Benefits**  
**Fiscal 2013**  
**(\$ in Millions)**

<b><u>Benefit</u></b>	<b><u>Amount</u></b>
Total Salaries	\$4,918.6
Health Insurance	1,005.4
Social Security	333.7
Retirement	625.7
Workers' Compensation	77.9
Unemployment Insurance	12.7
Other	188.6
<b>Total State Costs</b>	<b>\$7,162.5</b>

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

Source: Department of Legislative Services

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### **Budget Analysis**

The Office of Budget Analysis prepares and executes the annual State operating budget. This office works with departments on caseload and workload measures and helps agencies enhance program effectiveness. The office also analyzes proposed legislation for fiscal and budgetary impact and recommends action on legislative initiatives.

The Office of Capital Budgeting develops the annual capital budget and prepares the five-year *Capital Improvement Program* for the State. This office is responsible for reviewing and approving agency facilities master plans and individual capital project proposals.

### **Department of General Services**

The State's Department of General Services manages, operates, and maintains State government facilities; assesses all State-owned facilities; and manages facility renewal funds. It also provides professional and technical services for the design and construction of State public improvements and supports the acquisition and disposal of any State interest in real property. The Department of General Services includes five operating divisions under the overall direction of the Administrative Division:

- The *Office of Facilities, Operations, and Maintenance* is responsible for the operations and maintenance of the 55 facilities throughout the State for which the department is responsible. These facilities, totaling more than six million square feet of space, include 15 regional district court/multi-service centers, and the two State office centers in Annapolis and Baltimore.
- The *Office of Procurement and Logistics* provides professional and technical support services to State and local government agencies and conducts central procurement of architectural and engineering services, commodities, construction, energy, facilities maintenance, and printing services.
- The *Office of Facilities Planning, Design, and Construction* supervises and coordinates the design and construction of public improvement projects for which the department is responsible.
- The *Office of Real Estate* coordinates the State's real estate activities and long-term planning for the acquisition and disposition of leased and State-owned property.

- The *Maryland Capitol Police* operate through its Annapolis Detachment and Baltimore Detachment to provide security for the Annapolis and Baltimore State Office Centers.

## **Department of Information Technology**

The Department of Information Technology develops, maintains, revises, and enforces information technology policies, procedures, and standards throughout State government. In addition, the department coordinates, purchases, and maintains all telecommunications systems and devices used by State agencies. Created in 1996 as the Office of Information Technology within the Department of Budget and Management, in 2008 it was elevated to the cabinet-level Department of Information Technology.

## **State Archives**

The State Archives preserves, describes, and makes accessible – to the government and the public – records deemed to have permanent historical, educational, and administrative value. Created in 1935 as the Hall of Records, in 1984 it was renamed the Maryland State Archives and made an independent agency. The archives also prepares the *Maryland Manual*, a biennial publication describing State and local government. The Commission on Artistic Property, Preservation, and Public Outreach manages State-owned art collections, traveling exhibits that tour Maryland, and exhibits in the Annapolis government complex. The commission manages all requests for use of the State House. It serves as liaison with the Department of General Services and the Maryland Historical Trust for maintenance and preservation of the State House. In addition, the commission receives funding for conservation initiatives to enable objects to be put on public display or remain on display.

## **Maryland State Board of Contract Appeals**

The Maryland State Board of Contract Appeals is vested with the authority to hear and resolve all protests and disputes relating to the letting, performance, breach, modification, and termination of State contracts. The board also promulgates regulations providing for the informal resolution of appeals.

## **Retirement and Pension Systems**

The Maryland State Retirement Agency administers the State's retirement and pension system under the direction of the Board of Trustees for the Maryland State Retirement and Pension System. The agency is divided into five divisions. The Retirement Administration Division is responsible for benefit payments, management of employee

contributions, and membership counseling. The Investment Division invests, manages, controls, and performs investment accounting functions for the system's Retirement Accumulation and Annuity Savings Funds. The Finance Division provides accounting and financial reporting services, budget administration, and procurement functions. Information Systems designs and implements automated management information systems and enhancements to the system. The Internal Audit Division is responsible for ensuring the agency's compliance with State laws as well as employer compliance with the agency's reporting policies. In addition, the Executive Director's Office provides policy development and manages legislation, internal audits, and legal affairs. The agency's operating expenses drawn from pension fund assets are subject to a statutory cap.

The Maryland State Retirement and Pension System consists of 11 different retirement/pension systems and various subsystems under the administrative control of a 15-member board of trustees. The 11 systems are the Correctional Officers' Retirement System, Employees' Retirement System, Governor's Retirement Plan, Teachers' Retirement System, Employees' Pension System, Legislative Pension Plan, Teachers' Pension System, State Police Retirement System, Law Enforcement Officers' Pension System, Judicial Retirement System, and Local Fire and Police System. The Employees' Retirement System, Teachers' Retirement System, and the Local Fire and Police System are closed to new members. For further information on the State's retirement plans, see *Volume V – Maryland State Personnel, Pensions, and Procurement* of the Legislative Handbook Series.

The systems provide retirement and pension benefits for all State employees, all persons defined as teachers in the local boards of education, and local library and community college employees. Beginning in fiscal 2013, for teachers and community college employees, each local government must pay a fee to reimburse the systems for administrative costs. Local governments may participate in the systems at their own cost. The State also contributes toward the retirement costs for individuals in retirement plans not managed by the Maryland State Retirement Agency, primarily teachers in Maryland's colleges and universities and employees of the Mass Transit Administration. Benefit payments to the 137,925 Maryland retirees and refunds to withdrawing members totaled \$2.989 billion during fiscal 2013.

The 15 members of the board of trustees are the State Comptroller of the Treasury; State Treasurer; Secretary of Budget and Management; 5 members elected by the participants in the teachers', employees', and State police systems; 1 member appointed by the Governor to represent participating municipalities; 1 member appointed by the Governor to represent the interest of county governments; and 5 private citizens knowledgeable about investments and/or finance appointed by the Governor.

The Maryland Supplemental Retirement Plans are provided by the State as an employee benefit available for voluntary participation. Three supplemental plans are offered – the 401(k) Savings and Investment Plan, 457 Deferred Compensation Plan, and 403(b) Tax Deferred Annuity Plan. A 401(a) Match Plan is also available to most State employees, subject to funds being provided in the State budget. Contributions are payroll deducted before taxes, and all earnings are tax-deferred. The 401(k) and 457 plans are open to all State employees. State employees who work within a State educational institution are also eligible to participate in the 403(b) plan. Enrollment can occur at any time throughout the year. Maryland law requires the Maryland Supplemental Retirement Plans to be funded by the employees who participate, which is accomplished through management fees charged against plan assets.

## **Local Administration and General Government**

Maryland local governments have various ways of managing financial resources. Counties may have a separate budget department or may designate one department as responsible for financial management. At the municipal level, the clerk to the mayor or the city council may be responsible for budget management. The State also maintains oversight of the financial condition of counties and municipalities. The Office of Legislative Audits within the Department of Legislative Services reviews the audits of local governments on an annual basis.

The Land Use Article of the Annotated Code of Maryland authorizes each county and municipal corporation to enact ordinances establishing planning commissions, enact zoning ordinances, and have boards of zoning appeals. All counties have a planning office as well as a planning board or commission. About two-thirds of municipalities have exercised their authority to have a planning and zoning commission.

Although operating under various organizational structures and names, local governments also have general services operations that operate and maintain public facilities, centralize or oversee procurement of goods and services, and/or manage the vehicle fleet.

## **Local Personnel Management**

With regard to personnel management, all counties have employee merit or civil service systems. While municipalities are also authorized to have merit systems, only a few of the larger municipalities have established them. In some counties, collective bargaining is permitted. This also occurs in a few municipalities. Board of education employees in all counties are able to engage in collective bargaining.

By State law (Labor and Employment Article, Title 8), all public employees must be covered by unemployment insurance. All counties and the larger municipalities offer their employees some form of health insurance.

All of the counties and some municipalities and special districts provide retirement benefits to their employees. These benefits are provided either through participation in the State employee retirement and pension systems or through independent retirement plans operated by individual governments. As noted above, the State provides retirement benefits for the local boards of education, libraries, and certain employees of community colleges. For certain employees of the local boards of education, beginning in fiscal 2013, the State and the respective local board of education share in the cost of providing retirement benefits. These employees participate in the State teachers' retirement and pension systems. The retirement benefits for other employees of local agencies are paid for by the county agencies and are included in the personnel costs of those agencies. Exhibit 2.3 shows the local governments participating in the Maryland State Retirement and Pension System as of July 1, 2014.

The vast majority of all local employees participate in Social Security. The exceptions are a few very small municipalities and some law enforcement agencies.

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**Exhibit 2.3**  
**Local Governments Participating in the State Retirement and Pension System**  
**As of July 1, 2014**

**Allegany County**

County Commission  
 Board of Education  
 Community College  
 Housing Authority  
 Library Board  
 Transit Authority  
*Cumberland*  
*Cumberland (Police)*  
*Frostburg*

**Anne Arundel County**

Board of Education  
 Community College  
*Annapolis*

**Calvert County**

Board of Education  
*North Beach*

**Caroline County**

Board of Education  
 Sheriff Deputies  
*Denton*  
*Federalsburg*  
*Greensboro*  
*Preston*  
*Ridgely*

**Carroll County**

Board of Education  
 Library Board  
 Soil Conservation District  
*Hampstead*  
*Manchester*  
*Mount Airy*  
*Sykesville*  
*Taneytown*  
*Westminster*

**Cecil County**

County  
 Board of Education  
 Library Board

**Charles County**

*LaPlata*

**Dorchester County**

County  
 Board of Education  
 Roads Board  
*Cambridge*  
*Cambridge Housing Authority*  
*Hurlock*

**Frederick County**

Board of Education  
*Brunswick*  
*Emmitsburg*  
*Middletown*  
*Thurmont*  
*Walkersville*

**Garrett County**

Board of Education  
 Community Action Committee  
*Oakland*

**Harford County**

County  
 Board of Education  
 Community College  
 Library

**Howard County**

Board of Education  
 Community College  
 Community Action Committee

**Kent County**

County Commission  
 Board of Education  
 Soil and Water Conservation District  
*Chestertown*  
*Rock Hall*

**Montgomery County**

Community College  
*Takoma Park*

**Exhibit 2.3 (continued)**  
**Local Governments Participating in the State Retirement and Pension System**  
**As of July 1, 2014**

**Prince George’s County**

County Government  
 Board of Education  
 Community College  
 Crossing Guards  
 Library  
*Berwyn Heights*  
*Bladensburg*  
*Bowie*  
*Cheverly*  
*College Park*  
*District Heights*  
*Edmonston*  
*Greenbelt*  
*Hyattsville*  
*Landover Hills*  
*Morningside*  
*Mount Rainier*  
*New Carrollton*  
*University Park*  
*Upper Marlboro*

**Queen Anne’s County**

County Commission  
 Board of Education  
*Centreville*  
*Queenstown*

**St. Mary’s County**

County Commission  
 Board of Education  
 Housing Authority  
 Metropolitan Commission

**Somerset County**

County Commission  
 Board of Education  
 Economic Development Commission  
 Sanitary District  
*Crisfield*  
*Crisfield Housing Authority*  
*Princess Anne*

**Talbot County**

County Council  
 Board of Education  
*Oxford*  
*St. Michaels*

**Washington County**

Board of Education  
 Board of License Commissioners  
 Hagerstown Community College  
 Library Board  
*Hagerstown*  
*Hancock*

**Wicomico County**

*Fruitland*  
*Salisbury*

**Worcester County**

County Commission  
 Board of Education  
 Wor-Wic Community College  
*Berlin*  
*Pocomoke City*  
*Snow Hill*

**Other**

Catoctin and Frederick Soil Conservation District  
 Chesapeake Bay Commission  
 College of Southern Maryland  
 Eastern Shore Regional Library  
 Lower Shore Private Industry Council  
 Maryland Health and Higher Education Facilities Authority  
 Northeast Maryland Waste Disposal Authority  
 Shore Up!  
 Southern Maryland Tri-County Community Action Committee  
 Tri-County Council of Western Maryland  
 Tri-County Council for the Lower Eastern Shore

Note: Local governments that are italicized are municipal entities (e.g., municipalities, units of municipalities, or special taxing districts).

Source: Maryland State Retirement Agency

## Funding

Overall, State and local governments expended about \$1.5 billion on legislative/executive direction, including administrative support agencies in fiscal 2013. At the local level, these expenditures are reported under the “general government” category in *Uniform Financial Reports*. Exhibit 2.4 summarizes this spending for the organizations involved in the exercise of legislative/executive direction at all levels of government. Exhibit 2.5 shows local general government expenditures on a county-by-county basis.

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**Exhibit 2.4**  
**Local, State, and Federal Funding for**  
**Legislative/Executive Direction and Support Services**  
**Fiscal 2013**  
**(\$ in Thousands)**

<u>Unit</u>	<u>Local</u>	<u>State</u> <sup>1</sup>	<u>Federal</u>	<u>Total</u>
Maryland General Assembly		\$35,076		\$35,076
Local Legislative Direction	\$55,646			55,646
Department of Legislative Services		42,681		42,681
Executive Direction	120,139	17,046	\$3,814	120,139
Secretary of State		2,291		2,291
Board of Public Works <sup>2</sup>		1,933		1,933
Commission on Civil Rights		2,437	555	2,992
Department of Budget and Management		39,466		39,466
Department of General Services		57,914	1,116	59,030
Department of Information Technology		53,948	51,268	105,216
State Retirement and Pension Systems		1,502		1,502
Maryland State Board of Contract Appeals		633		633
Maryland State Archives		8,187	250	8,437
Elections	35,484	7,652	744	43,880
Other General Government/Counties	907,660			907,660
Other General Government/Municipalities	95,275			95,275
<b>Total</b>	<b>\$1,214,204</b>	<b>\$270,767</b>	<b>\$57,746</b>	<b>\$1,542,717</b>

<sup>1</sup> State totals exclude reimbursement by other State agencies (\$60.0 million) and local governments (\$22.7 million). State total also excludes funding for the Governor’s Office of Crime Control and Prevention, which is accounted for in Chapter 5 (Public Safety) of this volume of the Legislative Handbook Series.

<sup>2</sup> Includes payments to private nonprofit organizations of \$0.6 million.

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**Exhibit 2.5**  
**Local Government Expenditures for**  
**Legislative/Executive Direction and Support Services**  
**Fiscal 2013**

<u>County</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Spending Reported</u>
Allegany	\$5,965,044	\$1,857,336	\$7,822,380
Anne Arundel	77,730,696	4,111,334	81,842,030
Baltimore City	185,284,165	-	185,284,165
Baltimore	104,241,780	-	104,241,780
Calvert	14,269,095	767,339	15,036,434
Caroline	2,094,792	1,712,540	3,807,332
Carroll	24,372,692	3,394,326	27,767,018
Cecil	8,380,577	3,556,052	11,936,629
Charles	20,209,896	1,378,172	21,588,068
Dorchester	2,543,212	1,319,473	3,862,685
Frederick	40,722,492	11,493,405	52,215,897
Garrett	3,808,612	769,613	4,578,225
Harford	44,103,512	5,764,617	49,868,129
Howard	82,328,515	-	82,328,515
Kent	3,934,108	1,068,559	5,002,667
Montgomery	266,124,599	41,672,509	307,797,108
Prince George's	153,930,838	24,933,393	178,864,231
Queen Anne's	6,972,074	940,831	7,912,905
St. Mary's	15,786,541	401,856	16,188,397
Somerset	4,234,933	566,665	4,801,598
Talbot	3,304,179	2,210,096	5,514,275
Washington	8,393,783	6,589,888	14,983,671
Wicomico	5,173,739	2,654,167	7,827,906
Worcester	7,778,548	5,353,764	13,132,312
<b>Total</b>	<b>\$1,091,688,422</b>	<b>\$122,515,935</b>	<b>\$1,214,204,357</b>

Notes: General government expenditures do not include expenditures reported for financial administration or judicial functions. These expenditures are discussed in subsequent chapters of this volume of the Legislative Handbook Series. County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. As 8 municipalities did not report their expenditures for fiscal 2013, municipal expenditures reflect those reported by the other 148 municipalities as well as expenditures reported by the 11 extant special taxing districts in Allegany and Montgomery counties. There are no municipalities in Baltimore and Howard counties.

Source: *Uniform Financial Reports*; Department of Legislative Services



## Chapter 3. Financial Administration

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For State government, financial administration consists of three primary functions:

- the receipt, collection, accounting, and management of funds required to operate government;
- the assessment of corporate and private real and personal property; and
- the administration of the State lottery.

Each county and municipal government also maintains accounting, budget, and procurement operations to ensure the proper management of public funds.

While the State and local financial administration agencies are generally independent of one another, there are some important linkages. State financial administrative agencies, for example, perform or oversee a variety of tasks which benefit the counties and municipalities; these include the collection of local income taxes, the assessment of real and personal property, and the administration of a local government investment pool. The counties in turn collect property taxes and remit the appropriate portions to the State.

### Structure

At the State level, six agencies are responsible for financial administration. The Comptroller of Maryland collects corporate, income (State and local), sales, and other taxes and maintains the State's general ledger while the State Treasurer receives and invests all State funds and pays the State's legal obligations. The State Department of Assessments and Taxation assesses all corporate and private real and personal property in Maryland and administers several property tax credit programs. Appeals on property assessments are considered by the Property Tax Assessment Appeals Boards, and final administrative appeals on tax matters are heard by the Maryland Tax Court. The State Lottery and Gaming Control Commission and Agency administer a variety of weekly, daily, and instant lottery games and now regulate the State's gaming program.

At the local level, financial administration includes revenue collection, accounting, budgeting, and procurement. These functions are provided for in various ways by the counties and municipalities. Several counties combine the duties in one agency. Other counties have a separate budget agency. Some counties have an elected treasurer responsible for revenue collections; Baltimore City has an elected comptroller. In the municipalities, financial administration is often the responsibility of the clerk to the mayor and council or an administrative officer.

## Services

### **Financial Control and Revenue Collection**

The Comptroller of the Treasury, elected by voters to a four-year term, supervises the State's fiscal affairs. The Comptroller chairs the Board of Revenue Estimates and also serves as a member of both the Board of Public Works and Board of Trustees of the Maryland State Retirement and Pension System. In fiscal 2013, the Comptroller had 1,147.6 employees on staff and spent \$117.3 million.

The Comptroller has primary responsibility for financial control and maintains the State's general ledger and other official accounting records. The General Accounting Division also performs compliance audits on all disbursements, prepares the State's comprehensive annual financial reports, and exercises overall appropriation control. The Central Payroll Bureau processes over 100,000 payroll checks and direct deposit transactions on a bi-weekly basis. Mainframe computer services for State agencies are managed by the Comptroller through the Annapolis Data Center. Agencies can access the computing resources of the data center and are charged according to the costs of the services used.

The Director of the Bureau of Revenue Estimates staffs the Board of Revenue Estimates, which is composed of the Comptroller, State Treasurer, and Secretary of Budget and Management. The bureau staff examines the State's economic and business climates for their potential impact on State revenues. Prior to each legislative session, the board prepares an annual report to the Governor and General Assembly outlining revenue projections; those projections are updated in March.

### **Revenue Collection**

The Revenue Administration Division within the Office of the Comptroller collects and processes State and local individual income taxes (including employee withholding); corporate income taxes; State sales and use, alcohol, tobacco, and motor fuel taxes; and admissions and amusement taxes for local governments. The division directs these revenues to their statutorily assigned destinations such as the State's general fund, the Transportation Trust Fund, the Higher Education Investment Fund, and local governments. For fiscal 2015, State revenue projections include \$8.5 billion in personal income taxes, \$783 million in corporate income taxes, and \$4.3 billion in sales and use taxes. Details on Maryland's various revenue sources, including taxes, can be found in *Volume III – Maryland's Revenue Structure* of the Legislative Handbook Series.

Property taxes are collected by county governments, which then remit the appropriate portions to the State or municipal governments. Local sales and service taxes, such as hotel/motel taxes, parking taxes, or boat slip taxes, are typically remitted directly to the local governments by the retail vendors. Local governments may also administer and collect a variety of service charges, license and permit fees, and fines. Local government revenues are more fully discussed in *Volume VI – Maryland Local Government* of the Legislative Handbook Series.

Enforcement of tax laws through auditing, testing, inspection, and compliance activities is carried out under the direction of the Comptroller. The Field Enforcement Division is the enforcement arm of the Comptroller of Maryland. The division's enforcement agents and inspectors are responsible for the detection and enforcement of the revenue laws relating to alcoholic beverages, tobacco taxes, motor fuel, and sales and use taxes. Tasks include conducting investigations, arresting violators, and performing compliance inspections for proper licenses. The State License Bureau is responsible for the issuance of more than 96,000 business licenses and coordinating license issues with the clerk of the courts in all counties. The Motor Fuel Lab is responsible for testing motor fuel to ensure proper quality fuel is sold to consumers across the State. The lab is also responsible for testing alcohol.

### **State Lottery and Gaming Control Commission**

The State Lottery and Gaming Control Commission has oversight responsibility for the State Lottery and Gaming Control Agency. The seven-member commission is responsible for the operation of the State lottery and the regulation of video lottery terminals and table games. The commission also regulates electronic bingo and pull tab machines at certain veterans' organizations. Members of the commission are appointed to four-year terms by the Governor, with the advice and consent of the Senate.

Most lottery games are online games, meaning that players pick their numbers or use computer-generated numbers, receive a ticket, and then wait for a drawing to see if they have won. With instant games, players scratch off a covering on a ticket play area to reveal preprinted combinations. Games are sold through lottery agents, which are private businesses that receive commissions and fees in exchange for selling the games to the public. Currently, there are approximately 4,500 licensed sales agents across the State.

The Lottery is one of the largest contributors to the State's general fund, with estimated revenues of \$522.7 million in fiscal 2015 (see Exhibit 3.1). The general fund proceeds represent the net "profit" after all expenses are paid, including administrative costs for the State Lottery and Gaming Control Agency (\$56.5 million for fiscal 2015) and the required distribution of revenues to the Maryland Stadium Authority

(\$20.0 million). Agents receive commissions for selling tickets and cashing winning tickets; agent earnings totaled \$119.8 million in fiscal 2013, or approximately 6.8% of gross sales. Prizes in fiscal 2013 totaled \$1,036.4 million, or approximately 59.0% of total sales. Lottery revenues are more fully discussed in *Volume III – Maryland’s Revenue Structure* of the Legislative Handbook Series.

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**Exhibit 3.1**  
**Summary of Lottery Sales and Revenue**  
**Fiscal 2013-2015**  
**(\$ in Millions)**

	<u>2013</u>	<u>2014</u>	<u>2015 (Est.)</u>
Gross Sales	\$1,756.1	\$1,723.9	\$1,746.6
Expenses (Agent Earnings, Prizes, and Administrative Expenses)	-1,210.9	-1,202.9	-1,207.8
Net Revenue	545.2	521.0	538.8
Less: Maryland Stadium Authority	-19.3	-20.0	-20.0
<b>Net General Fund Revenue</b>	<b>\$526.0</b>	<b>\$501.0</b>	<b>\$518.8</b>

Source: Maryland State Lottery and Gaming Control Agency; Board of Revenue Estimates; *Fiscal 2015 State Budget Books*

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Since 2008, the State Lottery and Gaming Control Agency has been tasked with the responsibility of administering the gaming program for the State. This has included the regulation and licensing of operators, accounting for and distributing gaming revenues, managing the program’s central system, and the purchase or lease of gaming machines. Legislation that passed during the second special session of 2012 significantly expanded the agency’s responsibilities and altered its current responsibilities; most notably, the legislation included the expansion of gaming to include table games, the addition of a sixth authorized facility, and the transfer of ownership of video lottery terminals from the State to some of the facility owners.

The Video Lottery Facility Location Commission (location commission) was tasked with the review and awarding of facility licenses. The location commission has awarded video lottery operation licenses for six facilities. Facilities in Cecil, Worcester, Anne Arundel, and Allegany counties opened from 2010 through 2013. A facility in Baltimore City opened in August 2014. The 2012 legislation that authorized a sixth operation license for a facility in Prince George’s County allows for a casino to open as soon as July 2016.

Recent estimates assume approximately \$725 million in gross revenues from video lottery terminals in fiscal 2015. The statutory allocation of video lottery terminal revenues, after payouts to bettors, is divided between the Education Trust Fund; operator licensees; the horse racing industry; local impact grants; the State Lottery and Gaming Control Agency; and the Small, Minority, and Women-owned Business Investment Account. The commission also has regulatory authority over table games at the gaming facilities. Recent estimates assume approximately \$336 million in gross revenues from table games in fiscal 2015.

### **Management of Public Funds**

The Maryland State Treasurer, as principal custodian of the State treasury, bears responsibility for receiving all State funds, investing these funds, paying the legal obligations of the State, issuing and redeeming general obligation bonds, and administering the State's tort liability. The Treasurer is elected to a four-year term by the General Assembly. The Treasurer is a member of the Board of Public Works, Board of Revenue Estimates, and Board of Trustees of the Maryland State Retirement and Pension System. The Treasurer also serves as chair of the Capital Debt Affordability Committee. In fiscal 2013, the State Treasurer had a staff of 57 and expenditures totaling \$37 million.

The State's treasury management program handles the receipt and daily deposit of State funds and is responsible for selecting and managing the relationships with depository facilities that carry out the functions of payment of public debt, payroll accounts, and investment services. Consistent with the State's investment policy, the State Treasurer generally invests idle funds in short-term securities. The State receives additional income through the investment of balances in a number of working fund accounts maintained by various State agencies. Interest on State investments totaled \$49 million in fiscal 2013.

The State Treasurer administers the Maryland Local Government Investment Pool, which allows various local governments and authorities to pool investment funds in order to gain a higher average yield. In fiscal 2013, the pool had assets of \$2.8 billion and 301 public entity participants, including counties, municipalities, library systems, boards of education, and community colleges.

The General Assembly's Joint Committee on the Management of Public Funds, composed of four senators and four delegates, reviews the policies and procedures of the State Treasurer on the investment and management of State funds in the treasury, State funds not in the treasury (excluding retirement system funds), and public funds invested and managed by local governments.

The State Treasurer manages the State's insurance program, which provides automobile liability, general liability, and fire and extended coverage on State buildings and property. The State self-insures for real and personal property protection, officer and employee liability, automobile property and liability, and for claims filed under the Maryland Tort Claims Act. Other specialized coverage is purchased through private insurance carriers. At the beginning of fiscal 2014, the State's Insurance Trust Fund had an estimated balance of \$23.6 million. All local governments also carry liability and property insurance. Most of the State's larger jurisdictions choose to self-insure, and 17 counties and 140 municipalities participate in the Local Government Insurance Trust to realize the benefits of pooled risk.

The management of debt is an important function for both the State and local governments. The State of Maryland has issued six types of tax-supported debt in recent years: general obligation debt, which pledges the full faith and credit of the State; bonds and notes issued by the Maryland Department of Transportation and backed by the operating revenues and pledged taxes of the department; bonds issued by the Maryland Transportation Authority for transportation projects supported by anticipated federal highway aid (Grant Anticipation Revenue Vehicles Bonds); capital leases supported by State taxes; certain revenue bonds issued by the Maryland Stadium Authority secured by a lease with the State; and Bay Restoration Bonds issued by the Maryland Water Quality Financing Administration within the Maryland Department of the Environment secured by the revenue from a statewide fee. Local governments can also incur various kinds of debt – general obligation, revenue or enterprise debt, State or federal loans, and short-term debt. (More information on the indebtedness of the State and local governments can be found in *Volume III – Maryland's Revenue Structure*, *Volume IV – Maryland's Budget Process*, and *Volume VI – Maryland Local Government* of the Legislative Handbook Series.)

Outstanding State tax-supported debt totaled \$11.2 billion as of June 30, 2014. This was composed of the following: (1) \$8.4 billion in general obligation debt; (2) \$1.8 billion in transportation debt; (3) \$261 million in capital leases; (4) \$159 million in revenue bonds issued by the Maryland Stadium Authority; (5) \$133 million in Bay Restoration Bonds; and (6) \$416 million in Grant Anticipation Revenue Vehicles bonds. The State also had \$3.1 billion in authorized but unissued general obligation debt as of June 30, 2014. For fiscal 2014, debt service payments on the State's general obligation bonds totaled \$981 million, and debt service on transportation debt totaled \$204 million.

As of June 30, 2013, the 23 counties and Baltimore City had \$19.0 billion in debt outstanding, while municipalities and State-created special taxing districts had \$1.3 billion in debt outstanding. Debt service on these obligations in fiscal 2013 totaled \$1.3 billion for the counties and Baltimore City and \$83.8 million for the municipalities.

### State Reserve Fund

In 1986, the State Reserve Fund was established as a means to designate funds for future use. The fund comprises five accounts, each with a specific purpose.

- **Revenue Stabilization Account:** The Revenue Stabilization Account (Rainy Day Fund) is designed to allow the accumulation of funds in order to stabilize revenues and to allow the State to address fiscal shortfalls. By law, the Governor is required to appropriate \$100 million to the fund if the account balance is below 3.0% of projected general fund revenues. If the balance is between 3.0% and 7.5% of general fund revenues, the Governor is required to appropriate as much as \$50 million. Requiring appropriations if the balance falls below 7.5% provides a higher balance and a greater cushion if expenditures exceed revenues. State law stipulates that an act of the General Assembly, other than the State budget bill, is required to draw the fund balance below 5.0%, but the Governor may appropriate the balance between 5.0% and 7.5% in the State budget bill.

Another requirement is that surplus general funds be appropriated into the Rainy Day Fund by the Governor. Specifically, State law requires that, in the budget for the second subsequent fiscal year, the Governor appropriate an amount equal to the unappropriated general fund balance at closeout exceeding \$10.0 million into the Rainy Day Fund. For example, the fiscal 2013 unappropriated general fund balance totaled \$238.2 million, requiring a \$228.2 million appropriation to the Rainy Day Fund for fiscal 2015. The appropriation was reduced to \$19.7 million, which was sufficient to maintain a 5.0% fund balance. The estimated Rainy Day Fund balance at the end of fiscal 2015 is approximately \$794.9 million.

State law requires that the general fund reimburse Program Open Space for any transfer tax revenues transferred to the general fund in fiscal 2006 and each subsequent fiscal year. The amount to be transferred each year shall be equal to any unappropriated general fund balance in excess of \$10 million but may not exceed \$50 million in total annual transfers. This repayment has been delayed until fiscal 2016.

- ***Dedicated Purpose Account:*** The Dedicated Purpose Account is designed to retain appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain. Examples of funds that have been retained include funds to support Medicaid deficiencies and InterCounty Connector construction costs. In fiscal 2014, the Dedicated Purpose Account received \$10.0 million to offset the loss of federal revenues attributable to sequestration. No funds were appropriated in fiscal 2015.
- ***Catastrophic Event Account:*** The Catastrophic Event Account was established to enable the State to respond, without undue delay, to a natural disaster or catastrophic event. For example, the fund was used to deal with the after effects of Hurricane Sandy and the derecho storm events in fiscal 2013 and unexpected snow removal costs in fiscal 2014. Appropriations from the account may also be transferred to the general fund, as occurred in fiscal 2010, when \$7.4 million was transferred to the general fund. No funds were appropriated in fiscal 2015. The account's balance is projected to be \$308,503 at the end of fiscal 2015.
- ***Economic Development Opportunities Account:*** The Economic Development Opportunities Account (Sunny Day Fund) allows the State to address extraordinary opportunities that will result in significant job creation and capital investment in the State. This fund is discussed in more detail in Chapter 13 of this volume of the Legislative Handbook Series.

### **Local Reserve Funds**

Most counties have established revenue or budget stabilization accounts or contingency reserve funds to address future budget requirements or a downturn in revenues. Local laws in some counties establish the fund and specify how revenues in the account may be used. In other counties, the accounts are pursuant to a formal county policy to maintain a certain level of reserves. As shown in Exhibit 3.2, at the close of fiscal 2013, county reserve fund balances exceeded \$786 million.

**Exhibit 3.2**  
**Local Reserve Funds**  
**Fiscal 2013**  
**(\$ in Thousands)**

<u>County</u>	<u>Reserve Fund</u>
Allegany	\$7,750
Anne Arundel	23,000
Baltimore City	90,070
Baltimore County	85,034
Calvert	18,000
Caroline	-
Carroll	18,365
Cecil	13,015
Charles	27,272
Dorchester	-
Frederick	-
Garrett	3,593
Harford	25,586
Howard County	57,210
Kent	92
Montgomery	184,879
Prince George's	137,421
Queen Anne's	7,920
St. Mary's	13,819
Somerset	400
Talbot	10,300
Washington	37,418
Wicomico	6,384
Worcester	18,974
<b>Total</b>	<b>\$786,502</b>

Source: County Audit Reports, Fiscal 2013; Department of Legislative Services

## **Property Tax Assessment**

The assessment of real and personal property for the purpose of taxation is a State function under the direction of the State Department of Assessments and Taxation. Real property is assessed on a three-year cycle in which a third of all real property in each subdivision is reviewed each year. Any increase in market value is then phased in over a three-year period to reduce the impact on the taxpayer. The impact is further mitigated for owner-occupied residential property by the imposition of a cap on the annual assessment increase known as the Homestead Tax Credit Program. The maximum increase varies from 0% to 10%, depending upon the county. The State contains approximately two million parcels of real property, with a total assessable base of \$650.1 billion for fiscal 2013.

The department operates field offices in each county and Baltimore City. Although the State has the responsibility for conducting the assessments, the assessable base of a jurisdiction is a critical matter for local governance because property taxes are one of the largest sources of revenue for a county or municipal corporation. The supervisor of each county's assessment team is appointed by the Director of the State Department of Assessments and Taxation from a list of qualified applicants submitted by the local subdivision.

In addition to real property assessment, the department values all business tangible personal property and the operating property of utilities and railroads annually. The State's franchise tax on public service companies, an important revenue source to the State's general fund, is also administered by the department. The department's corporate charter division approves and records articles of incorporation for all types of businesses in the State.

The department maintains property location maps to assist the property assessors in their physical reviews of property for valuation purposes. The department also provides support to the Maryland Department of Planning, which maintains property maps for use by the general public, for the State's geographic information system.

The State Department of Assessments and Taxation administers four property tax credit programs: (1) the homeowners' tax credit program; (2) the renters' tax relief program; (3) the State's Enterprise Zone program; and (4) the Base Realignment and Closure Revitalization and Incentive Zone program. The two housing-related property tax credit programs are discussed in further detail in Chapter 12 (Housing and Community Development) of this volume of the Legislative Handbook Series. The Enterprise Zone program and Base Realignment and Closure Revitalization and Incentive

Zone program are discussed further in Chapter 13 (Economic Development and Business Regulation) of this volume of the Legislative Handbook Series.

Property tax assessment appeals boards in each county and Baltimore City hear appeals on assessments of real property and tax credits. Each board (made up of three members plus an alternate) is appointed by the Governor and provided staff support through an administrative office in Hagerstown. Subsequent appeals are referred to the Maryland Tax Court and the circuit courts.

In fiscal 2012 and 2013, the counties and Baltimore City were required to reimburse the State Department of Assessments and Taxation 90% of costs of real property and business personal property valuations, and information technology needed by the department. Beginning in fiscal 2014, the counties and Baltimore City are required to reimburse 50% of these costs.

### **Maryland Tax Court**

The Maryland Tax Court is the final administrative appeals entity for decisions of the Comptroller, property tax assessment appeals boards, or local tax collectors. The court is composed of five judges appointed by the Governor for six-year terms. The court disposed of 1,073 cases during fiscal 2013, 22 of which were appealed to the circuit court.

### **Funding**

The source of funds to support financial administration functions is shown in Exhibit 3.3. The fiscal 2013 expenditures for State agencies totaled \$305.3 million, while expenditures for local agencies were \$200.8 million.

The State Lottery and Gaming Control Agency is supported primarily by special funds derived from the sale of lottery tickets. Historically, administrative expenses for the State Lottery and Gaming Control Agency have averaged between 3.1% and 4.3% of gross sales. Other special funds for financial administration are derived from certain taxes that are collected on behalf of local governments. The Comptroller retains a small percentage of these taxes (such as the used tire fee, admissions and amusement tax, and motor fuel tax) to defray administrative expenses.

**Exhibit 3.3**  
**Expenditures by Financial Administration Agencies**  
**Fiscal 2013**  
**(\$ in Thousands)**

<u>Unit</u>	<u>State</u> <sup>1</sup>	<u>Special</u> <sup>2</sup>	<u>Local</u>	<u>Total</u>
Comptroller of the Maryland	\$75,794	\$20,027		\$95,821
State Treasurer	4,874	1,126		6,000
State Department of Assessments and Taxation	8,567	6,285	\$34,007	48,859
State Lottery and Gaming Control Agency	73,691	113,382		187,073
Property Tax Assessment Appeals Boards	982	7		989
Maryland Tax Court	555	4		559
Local Governments <sup>3</sup>				
Counties			133,870	133,870
Municipalities			32,904	32,904
<b>Total</b>	<b>\$164,463</b>	<b>\$140,831</b>	<b>\$200,781</b>	<b>\$506,075</b>

<sup>1</sup> State dollars for the Comptroller and the State Treasurer do not include funds provided by other State agencies as reimbursement for services rendered (\$52.6 million). In the case of the Comptroller (\$21.5 million), agencies are charged for data processing, mail room, print shop, and other support services. In the State Treasurer's budget, "reimbursable" funds (\$31.1 million) represent charges to various State agencies for insurance coverage. A portion of the reimbursements provided by the State agencies is federal funds. The State Department of Assessments and Taxation also received \$257,000 in reimbursable funds for major information technology development projects.

<sup>2</sup> Special funds include revenues from lottery ticket sales, the motor fuel tax, the used tire fee, unclaimed property, admissions and amusement taxes, and the land improvement surcharge, which are used to offset the administrative costs of collecting the revenues/operating the programs.

<sup>3</sup> For more detail, see Exhibit 3.4.

Source: *Fiscal 2015 State Budget Books; Uniform Financial Reports*; Department of Legislative Services

Total local spending, including county-paid, State Department of Assessments and Taxation administrative costs, was \$200.8 million in fiscal 2013. Not including those administrative costs, local governments report spending a total of \$166.8 million on financial administration in fiscal 2013, as shown in Exhibit 3.4.

**Exhibit 3.4**  
**Local Financial Administration Expenditures**  
**Fiscal 2013**

<u>County</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Spending Reported</u>
Allegany	\$945,672	\$733,462	\$1,679,134
Anne Arundel	12,573,227	4,017,947	16,591,174
Baltimore City	23,126,533	-	23,126,533
Baltimore	11,031,256	-	11,031,256
Calvert	2,007,971	511,052	2,519,023
Caroline	429,175	213,781	642,956
Carroll	8,438,737	974,140	9,412,877
Cecil	1,859,641	632,477	2,492,118
Charles	5,446,261	483,391	5,929,652
Dorchester	448,426	886,812	1,335,238
Frederick	5,963,210	3,078,052	9,041,262
Garrett	996,795	417,090	1,413,885
Harford	7,104,065	1,476,015	8,580,080
Howard	15,589,533	-	15,589,533
Kent	601,022	180,841	781,863
Montgomery	18,322,889	5,689,123	24,012,012
Prince George's	10,718,463	7,670,744	18,389,207
Queen Anne's	848,124	88,932	937,056
St. Mary's	547,793	101,593	649,386
Somerset	1,780,226	41,714	1,821,940
Talbot	566,648	687,239	1,253,887
Washington	2,138,672	1,237,203	3,375,875
Wicomico	1,103,514	1,100,247	2,203,761
Worcester	1,282,341	2,682,412	3,964,753
<b>Total</b>	<b>\$133,870,194</b>	<b>\$32,904,267</b>	<b>\$166,774,461</b>

Notes: County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. Amounts do not include county-paid State Department of Assessments and Taxation administrative costs. As 8 municipalities did not report their expenditures for fiscal 2013, municipality expenditures reflect those reported by the other 148 municipalities as well as expenditures reported by the 11 extant special taxing districts in Allegany and Montgomery counties. There are no municipalities in Baltimore and Howard counties.

Source: *Uniform Financial Reports*; Department of Legislative Services



## Chapter 4. Courts and Related Offices

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The Maryland Constitution establishes the Judiciary as a separate branch of government. Administration of Maryland's judicial system represents a unique State-local relationship. The State funds the judicial system, except for the orphans' courts, State's Attorneys' offices, sheriffs' offices, and some of the operating and capital costs of the circuit courts. County and Baltimore City expenditures to support these other components of the judicial system constitute less than one-third of the total costs of the judicial system and a small portion of local budgets. For a more extensive discussion of the judicial system, see *Volume VIII – Maryland's Criminal and Juvenile Justice Process* of the Legislative Handbook Series.

### Structure

The Maryland judicial system operates primarily through two appellate courts (Court of Appeals and Court of Special Appeals), trial courts of general jurisdiction (circuit courts), a trial court of limited civil and criminal jurisdiction (District Court), and courts with special jurisdiction (orphans' courts). The courts are supported by clerks who are responsible for maintaining court documents. In addition to the courts, a number of related offices are financed by the State and local governments. Exhibit 4.1 shows the organization of the major components of the Maryland judicial system and their source of funding.

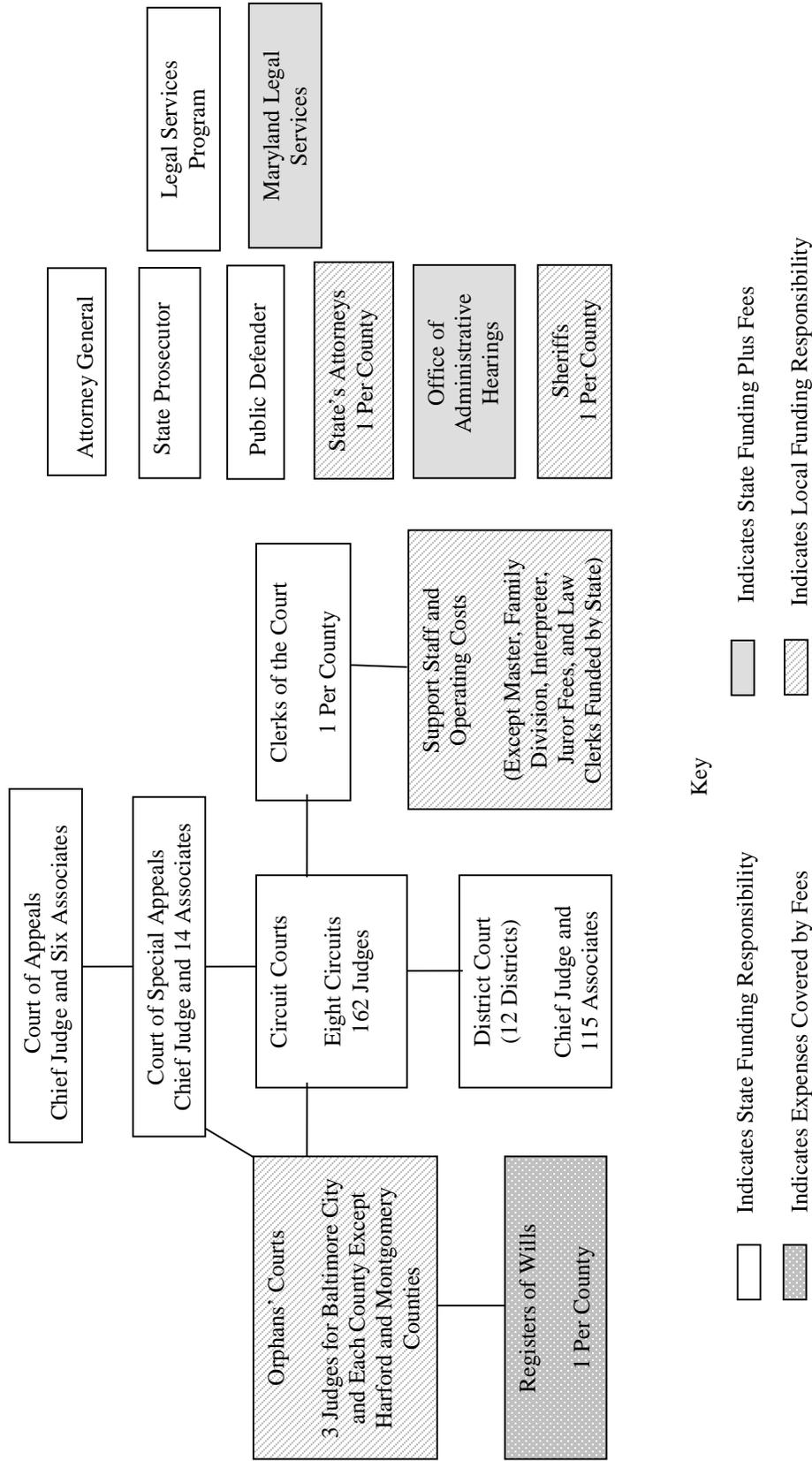
Although judicial power is vested only in the courts described above, quasi-judicial hearings are conducted by a multitude of Executive Branch commissions, departments, and agencies at both the State and local level. In some instances, the Executive Branch unit exercises this adjudicatory function itself, but usually the unit has delegated its authority to conduct administrative hearings to the Office of Administrative Hearings (for the State) or a county board of appeals. Although the form of the hearings varies, a common characteristic is that, after a determination at the administrative level, a party may file an appeal for the purpose of judicial review by a circuit court.

### Services

#### Court of Appeals

The Maryland Constitution establishes the Court of Appeals as the highest court in the State. The Court of Appeals may review a case decided by the Court of Special Appeals by exercising its discretion in granting a petition for *certiorari* (i.e., on review) or electing to transfer a case filed in, but not already decided by, the Court of Special

**Exhibit 4.1  
Maryland Judicial System**



Source: Department of Legislative Services

Appeals. The Court of Appeals may also review certain decisions of a circuit court that acted in an appellate capacity with respect to an appeal from the District Court. The court has exclusive jurisdiction over cases involving legislative redistricting and also decides questions of law certified by federal or other states' appellate courts. Most cases decided by the Court of Appeals are cases in which a petition for *certiorari* is granted. The Court of Appeals received 693 petitions for *certiorari* and 124 regular docket filings in fiscal 2013.

In addition to adjudicating cases, the court adopts rules to govern practice, procedure, and judicial administration. The Standing Committee on Rules of Practice and Procedure, which is authorized by statute to make recommendations on court rules, assists the Court of Appeals in the exercise of its rulemaking power. The Court of Appeals appoints the members of the committee, who serve without compensation, and employs assistants for the committee.

The Court of Appeals also reviews the recommendations of the State Board of Law Examiners for admission of applicants to the Maryland Bar; conducts disciplinary proceedings involving attorneys and judges; and appoints the members of the Attorney Grievance Commission, trustees of the Client Protection Fund of the Bar of Maryland, members of the State Board of Law Examiners, and members of the Library Committee, which is the governing board for the State Law Library.

The seven judges on the Court of Appeals are appointed by the Governor and confirmed by the Senate. One judge must be drawn from each of the State's seven appellate judicial circuits, which are delineated in Exhibit 4.2. After a minimum of 1 year's service, members of the court run on their records, without opposition, in retention elections for a 10-year term. The Governor designates the Chief Judge of the Court of Appeals, who is the administrative head of Maryland's judicial system.

### **Court of Special Appeals**

The Court of Special Appeals is established by statute, pursuant to constitutional authorization, as an intermediate appeals court with statewide jurisdiction. It hears almost all initial appeals from circuit courts and orphans' courts. In addition, it considers applications to review various matters including post-conviction petitions, *habeas corpus* matters concerning denial of or excessive bail, inmate grievances, appeals from criminal guilty pleas, and probation violations. In fiscal 2013, 1,843 appeals were filed with the court.

Although the judges usually sit in panels of three, a hearing or a rehearing before the full 15-member court may be ordered in any case by a majority of the judges on the court.

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### **Exhibit 4.2**

### **Appellate Judicial Circuits**

Circuit 1	Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, Wicomico, and Worcester
Circuit 2	Baltimore and Harford
Circuit 3	Allegany, Carroll, Frederick, Garrett, Howard, and Washington
Circuit 4	Prince George's
Circuit 5	Anne Arundel, Calvert, Charles, and St. Mary's
Circuit 6	Baltimore City
Circuit 7	Montgomery

Source: Department of Legislative Services

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The process for selecting the 15 members of the Court of Special Appeals is similar to the procedure for choosing judges for the Court of Appeals – with the Governor nominating qualified candidates, the Senate confirming the nominees, and, after a period of at least 1 year, voters casting ballots for or against retention of an incumbent judge for a 10-year term. Each of the seven appellate circuits (shown in Exhibit 4.2) is represented on the court with the other eight judges selected on an at-large basis.

### **Circuit Courts**

The circuit courts, which are established by the Maryland Constitution, sit in each county and Baltimore City. All jury trials are conducted in the circuit courts. The circuit courts handle major civil cases, including family law cases, and the more serious criminal matters. In addition, the circuit courts decide appeals from the District Court and from certain administrative agencies. The circuit courts also exercise juvenile jurisdiction when sitting as the juvenile court in petitions alleging a child to be delinquent, in need of supervision, or in need of assistance. From fiscal 2009 to 2013, the number of circuit court filings has decreased from 314,884 to 284,246.

Circuit courts traditionally divided their cases between criminal and civil divisions. However, State law directs the Chief Judge of the Court of Appeals to take the necessary steps to create a family division in each circuit court in which a sufficient number of judges

exists to make a family division feasible. The Maryland Rules require that a family division be established in those counties with more than seven resident circuit court judges. Counties without separate family divisions are provided with a family support coordinator and a budget for establishing services to families who are involved in the judicial system.

Similar in some respects to the specialization within the circuit courts in the handling of family law matters, in 2003, the circuit courts began a statewide Business and Technology Case Management Program implemented by the Maryland Rules.

The circuit courts are grouped into eight geographic circuits. Each of the first seven judicial circuits contains two or more counties. The eighth judicial circuit consists of Baltimore City. In fiscal 2015, there are 162 circuit court judges, 8 of whom act as circuit administrative judges pursuant to designation by the Chief Judge of the Court of Appeals. The organizational hierarchy of the circuits also includes county administrative judges who aid the circuit administrative judges. In addition, within each circuit, the judge who has served longest on the circuit court is designated as the chief judge of the circuit. In some jurisdictions, the circuit court judges are assisted in their functions by standing judicial masters who conduct hearings and make findings on some domestic relations and juvenile matters. The findings of a master are subject to approval by a circuit court judge. The statutorily required composition of the eight circuits and the distribution of circuit court judges among the local jurisdictions are presented in the left-hand column of Exhibit 4.3.

Circuit court judges are appointed by the Governor and, after at least 1 year's service, must stand for election to a 15-year term. Unlike their colleagues on the Court of Appeals and the Court of Special Appeals, circuit court judges may face a contested election in which qualified members of the Maryland Bar challenge the incumbent judges by filing as candidates. The Maryland Constitution also provides for the election of a clerk of the circuit court in each county and Baltimore City who serves a term of four years.

By rule of the Court of Appeals, the Conference of Circuit Judges is established to consider and make recommendations concerning the circuit courts. The conference consists of 16 members; 8 are the administrative judges of the eight judicial circuits, and the other 8 members are judges elected to a two-year term from each of the judicial circuits.

## District Court

The District Court has jurisdiction over some criminal cases, including motor vehicle and boating violations, and some civil cases. The jurisdiction of the District Court generally includes, as to civil cases, landlord and tenant cases, *replevin* actions (a legal action that seeks return of property before trial), and other cases involving amounts of \$5,000 or less and, as to criminal cases, motor vehicle and boating violations by individuals at least 16 years old and other misdemeanors for which the maximum penalty is imprisonment for less than three years, a fine of less than \$2,500, or both.

In addition, the District Court shares concurrent jurisdiction with the circuit courts in domestic violence protective order cases, in other civil matters that involve a claim for an amount from \$5,000 to \$30,000, in criminal misdemeanor cases in which the maximum penalty is imprisonment for three or more years or a fine of \$2,500 or more, and in several specified felony cases. From fiscal 2009 to 2013, the number of cases filed in the District Court decreased from 1.9 million to 1.8 million. In fiscal 2013, motor vehicle and landlord/tenant cases accounted for 34.3% and 36.4% of the cases filed, respectively.

There are no jury trials in the District Court. If a defendant in a criminal or civil case filed in the District Court is entitled to and elects a jury trial, the case is transferred to a circuit court. Generally, a defendant in a criminal case in which imprisonment may be imposed may elect to have a jury trial in the first instance by demanding that the case be transferred to the appropriate circuit court. For some other criminal prosecutions for which a constitutional or statutory right to a jury trial exists, a defendant may file an appeal from the District Court to a circuit court in order to obtain a jury trial. In civil cases filed in the District Court, a defendant may elect to have the case transferred to the appropriate circuit under Article 5 and Article 23 of the Declaration of Rights – which guarantees the right to a jury trial in a civil case if the amount in controversy exceeds \$15,000 (exclusive of attorney's fees if attorney's fees are recoverable in the case).

The District Court is divided into 12 geographic districts throughout the State. In fiscal 2015, 116 judges compose the District Court bench, including the Chief Judge of the District Court who is designated by the Chief Judge of the Court of Appeals. Judges are nominated by the Governor and serve 10-year terms on confirmation by the Senate. The statutorily required composition of the 12 districts and the distribution of judges among the counties and Baltimore City are presented in the right-hand column of Exhibit 4.3.

The Chief Judge of the District Court, subject to the approval of the Chief Judge of the Court of Appeals, designates a District Court judge in each district as the administrative judge for that district. In addition to a clerk in each county and Baltimore City, there is a chief clerk of the District Court appointed by the Chief Judge of the District Court.

**Exhibit 4.3**  
**Allocation of Circuit Court and District Court Judges**  
**Fiscal 2015**

<u>Circuit</u>	<u>Circuit Court Jurisdiction</u>	<u>Judges</u>	<u>District</u>	<u>District Court Jurisdiction</u>	<u>Judges</u>
1	Dorchester	1	1	Baltimore City	28
	Somerset	1			
	Wicomico	4	2	Dorchester	1
	Worcester	3		Somerset	1
2	Caroline	1	3	Wicomico	2
	Cecil	4		Worcester	2
	Kent	1		Caroline	1
	Queen Anne's	1		Cecil	2
	Talbot	1		Kent	1
3	Baltimore	18	4	Queen Anne's	1
	Harford	5		Talbot	1
4	Allegany	2	5	Calvert	2
	Garrett	1		Charles	3
	Washington	5		St. Mary's	1
5	Anne Arundel	12	6	Prince George's	16
	Carroll	4		Montgomery	12
	Howard	5		Anne Arundel	9
6	Frederick	5	7	Baltimore	13
	Montgomery	22			
7	Calvert	3	8	Harford	4
	Charles	4			
	Prince George's	23			
	St. Mary's	3			
8	Baltimore City	33	9	Carroll	2
				Howard	5
			10	Frederick	3
				Washington	
			11	Allegany	2
				Garrett	1
				Chief Judge	1
<b>Total</b>		<b>162</b>	<b>Total</b>		<b>116</b>

Source: Department of Legislative Services

The Maryland Constitution requires District Court commissioners to be appointed by the administrative judge of each district, subject to the approval of the Chief Judge of the District Court. Commissioners may exercise power with respect to warrants of arrest; bail, collateral, or other terms of pretrial release; or incarceration – pending a hearing before a judge. In addition, commissioners may issue interim domestic violence protective orders and interim peace orders when the office of the clerk of the District Court is closed, including at night and on weekends and holidays.

### **Orphans' Courts**

As established by the Maryland Constitution, the orphans' courts are responsible for the probate function in each jurisdiction, with the exception of Harford and Montgomery counties, where the function is carried out by the circuit courts. Each jurisdiction with an orphans' court elects three judges to four-year terms. Orphans' court judges in Baltimore City and Baltimore and Prince George's counties only are required by the Maryland Constitution to be members in good standing of the Maryland Bar.

### **Administrative Hearings**

Although judicial power is vested only in the courts described above, quasi-judicial hearings are conducted by numerous Executive Branch agencies. Some commissions conduct administrative hearings with their members deciding matters by sitting as a panel or allowing an individual commissioner to make a determination. Such commissions include the Maryland Commission on Civil Rights, the Maryland Racing Commission, the Maryland Parole Commission, the Public Service Commission, and the Workers' Compensation Commission. Some of these commissions are independent agencies and others are located within a department of the Executive Branch. In general, the Governor appoints commissioners with the advice and consent of the Senate.

Some departments and individual agencies conduct their own hearings, but many delegate their authority to the Office of Administrative Hearings, an independent unit of the Executive Branch. The office has 55 administrative law judges – headed by the Chief Administrative Law Judge, who is appointed by the Governor with the advice and consent of the Senate.

The Office of Administrative Hearings is reimbursed by the State agencies that refer cases to it. The Department of Budget and Management allocates funds to these agencies to cover anticipated costs associated with such hearings by utilizing a caseload formula. Agencies' annual assessments are determined based on their prior year's caseload and the length of time it takes to hear cases. The cost per case varies because the length of time required to hear a particular type of case varies considerably according to the complexity

of the case. As illustrated in Exhibit 4.4, motor vehicle hearings generally last less than an hour. By contrast, disciplinary hearings for health care professionals, including physicians, average longer than one week.

More than 60% of the office’s total case-hour allocation in fiscal 2015 is to the Maryland Department of Transportation, the Department of Health and Mental Hygiene, and the Department of Human Resources. Of the various types of hearings held, personnel grievances, with an average case time of approximately 17 hours, are among the most time-consuming cases heard by the office. The office anticipates hearing 44,063 cases for a total of 84,869 case hours in fiscal 2015.

One agency that conducts its own administrative hearings, the Maryland Tax Court, deserves specific mention. Despite its name, the Maryland Tax Court is not part of the Judiciary but rather is an independent Executive Branch agency. This nonjudicial “court” hears appeals from the decisions of any State agency or local assessing or taxing authority that is authorized to make the final decision or determination or issue the final order about any tax issue, including (1) the valuation, assessment, or classification of property; (2) the imposition of a tax; (3) the determination of a claim for a refund; and (4) an application for an abatement or reduction of, or an exemption from, any assessment or tax. The Maryland Tax Court consists of five judges appointed by the Governor for six-year terms, with one of the judges designated by the Governor as the Chief Judge. At least two judges, including the Chief Judge, must be members of the Maryland Bar.

Although the form of administrative hearings varies somewhat, they have in common the fact that the parties have a right to appeal the administrative decision and obtain judicial review by a court vested with judicial power under the Maryland Constitution.

**Exhibit 4.4**  
**Office of Administrative Hearings**  
**Cost Allocation – Fiscal 2015**

<u>Agency</u>	<u>Type of Cases</u>	<u>Avg. Case Hrs.</u>	<u>Projected No. of Cases</u>	<u>Total Case Hours</u>	<u>% of Total</u>
Transportation	Motor Vehicle Administration	0.73	21,079	15,388	18.13%
	MDOT Cases	4.26	139	592	0.70%
	Personnel Grievances	17.39	73	1,269	1.50%
	<b>Total</b>		<b>21,291</b>	<b>17,249</b>	<b>20.33%</b>
Human Resources	Child Support Enforcement	7.19	194	1,395	1.64%
	Income Maintenance	0.89	4,571	4,068	4.79%
	Child Abuse and Neglect	10.82	775	8,386	9.88%
	Personnel Grievances	17.39	28	487	0.58%
	Public Information Act Cases	14.63	3	44	0.05%
	<b>Total</b>		<b>5,571</b>	<b>14,379</b>	<b>16.94%</b>
Labor, Licensing, and Regulation	Home Improvement Commission	9.73	191	1,858	2.19%
	Real Estate Commission	19.14	75	1,436	1.69%
	Maryland Occupational Safety and Health	14.29	83	1,186	1.40%
	Miscellaneous <sup>1</sup>	Varies	42	515	0.60%
	<b>Total</b>		<b>391</b>	<b>4,995</b>	<b>5.89%</b>
Education	Hearings	22.45	231	5,186	6.11%
	Miscellaneous <sup>2</sup>	Varies	759	3,845	4.53%
	<b>Total</b>		<b>990</b>	<b>9,031</b>	<b>10.64%</b>
Health and Mental Hygiene	Not Criminally Responsible	5.36	312	1,672	1.97%
	Involuntary Admissions	0.57	7,234	4,123	4.86%
	Medical Assistance	1.38	5,866	8,095	9.54%
	Boards (including Physicians)	43.50	36	1,566	1.85%
	Children's Health Insurance Plan	10.38	219	2,273	2.68%
	Miscellaneous	4.59	697	3,199	3.77%
	Personnel Grievances	17.39	45	783	0.92%
	<b>Total</b>		<b>14,409</b>	<b>21,712</b>	<b>25.58%</b>
All Other <sup>3</sup>	Personnel Grievances	17.39	268	4,661	5.49%
	Other Cases	Varies	1,143	12,843	15.10%
	<b>Total</b>		<b>1,411</b>	<b>17,504</b>	<b>20.59%</b>
<b>Total</b>			<b>44,063</b>	<b>84,869</b>	<b>100%</b>

MDOT: Maryland Department of Transportation

<sup>1</sup> Includes Personnel, Unemployment Insurance, and Public Information Act Cases.

<sup>2</sup> Includes Mediations.

<sup>3</sup> Including, but not limited to, the Department of Public Safety and Correctional Services, Office of the Attorney General, Department of Budget and Management, and Maryland Department of the Environment.

Numbers may not sum due to rounding.

Source: Office of Administrative Hearings; Department of Legislative Services

## **Judicial Agencies**

Within the Judicial Branch of the State government, agencies described below provide support for the judicial functions.

### **Maryland Judicial Conference**

The Maryland Judicial Conference is the most broadly based organization consisting of judges in the State. The conference was established by the Court of Appeals, and it includes all judges of the Court of Appeals, the Court of Special Appeals, the circuit courts, and the District Court. The conference is headed by the Chief Judge of the Court of Appeals who serves as the chairperson.

The conference meets annually to consider improvements to judicial practice and procedure. Based on its evaluations, the conference recommends legislation and other proposals, including changes in court rules.

### **Administrative Office of the Courts**

The administrative staff that assists the Chief Judge of the Court of Appeals, as the administrative head of the State judicial system, is within the statutorily created Administrative Office of the Courts. The State Court Administrator, who is appointed by the Chief Judge, heads the office. In addition to several other responsibilities, the office prepares and administers the Judiciary's budget, serves as liaison with the Legislative and Executive branches, provides staff support for the Maryland Judicial Conference and its committees and the Conference of Circuit Court Judges, operates information systems, and conducts planning and research.

The State Court Administrator also manages the Circuit Court Real Property Records Improvement Fund that is used for modernizing the equipment in the land records offices of the clerks of the circuit courts as well as for the funding of major information technology improvement projects. The Judiciary has formed an ongoing partnership with the Maryland State Archives to conserve land record and subdivision plats information.

The Administrative Office of the Courts also includes the Office of Problem-Solving Courts which oversees the State's alternative court programs, including drug court programs, mental health court programs, and truancy court programs. The fiscal 2015 budget includes \$4.2 million in grant funding for these programs. For a full discussion of alternative court programs, see *Volume VIII – Maryland's Criminal and Juvenile Justice Process* of the Legislative Handbook Series.

**Commission on Judicial Disabilities**

The Commission on Judicial Disabilities is constitutionally established to investigate and adjudicate complaints against judges. The commission consists of 11 members appointed by the Governor with the advice and consent of the Senate. Three members are appointed from among the judges, three from among the members of the Maryland Bar, and five from the public.

**State Board of Law Examiners**

The State Board of Law Examiners is a statutorily created entity that examines applicants seeking admission to the Maryland Bar. The board is composed of seven attorneys appointed to five-year terms by the Court of Appeals.

**Attorney Grievance Commission**

The Attorney Grievance Commission is created by rule of the Court of Appeals to oversee the investigation of complaints regarding attorneys and conduct disciplinary proceedings. The commission is composed of 12 members appointed by the Court of Appeals with 9 of the members required to be attorneys.

**Client Protection Fund of the Bar of Maryland**

The Client Protection Fund of the Bar of Maryland reimburses clients for losses, not recoverable from other sources, caused by an attorney's or fiduciary's theft or misuse of any client's money. The fund is maintained by annual assessments on members of the Maryland Bar. The Court of Appeals appoints the nine trustees who oversee the fund. The trustees serve seven-year terms.

**State Reporter**

The State Reporter is appointed by the Court of Appeals for a term of four years and is responsible for the publication and distribution of the official opinions of the Court of Appeals and the Court of Special Appeals.

**State Law Library**

The State Law Library provides legal information to the State's appellate courts and agencies throughout State government. The library also serves as the resource center for the circuit court libraries and as a select U.S. government repository for federal agency and

congressional publications. The governing board of the library is the Library Committee that is composed of at least three members who are appointed by the Court of Appeals.

## **Other Offices**

In addition to the courts and judicial agencies, several other offices complete the judicial system in Maryland.

### **Registers of Wills**

Baltimore City and each of the counties have a register of wills who performs various duties, including the collection of inheritance taxes and fees associated with the judicial administration of the estates of decedents. In each jurisdiction that has an orphans' court, the register of wills provides administrative support to the orphans' court. Registers of wills are elected to four-year terms under the Maryland Constitution.

### **Sheriffs' Offices**

The Maryland Constitution requires each local jurisdiction to elect a sheriff, whose responsibilities may include law enforcement, serving papers as directed by the court, providing courtroom security, transporting prisoners, and administering local detention centers. In the large jurisdictions with a separate law enforcement agency, the sheriff's responsibilities are primarily as an officer of the court with responsibility for court security and service of process. Sheriffs' offices in other counties have significant law enforcement responsibilities in addition to their functions on behalf of the courts.

## **Legal Representation of the State**

### **Office of the Attorney General**

The Office of the Attorney General, which is mandated in the Maryland Constitution, represents the State in all legal matters including civil litigation and criminal appeals in federal and State courts. The office also enforces antitrust, consumer protection, and securities laws and prosecutes Medicaid provider fraud. The Attorney General is elected on a statewide basis to a four-year term.

### **Office of the State Prosecutor**

The Office of the State Prosecutor is an independent office responsible for investigating and prosecuting criminal offenses under the State election and ethics laws, violations of the State bribery laws, and malfeasance in office. Additionally, at the request

of the Governor, Attorney General, General Assembly, or a State's Attorney, the State Prosecutor may investigate alleged crimes conducted partly in Maryland and partly in another jurisdiction, or in more than one political subdivision of the State. Nominated by the State Prosecutor Selection and Disabilities Commission, the State Prosecutor is appointed to a six-year term by the Governor with the advice and consent of the Senate.

### **Offices of the State's Attorneys**

As mandated by the State constitution, each jurisdiction has a State's Attorney who is elected to a four-year term. A State's Attorney is responsible for prosecuting persons accused of violating the State criminal law or certain county or municipal ordinances.

### **Legal Services for Indigent Parties**

#### **Office of the Public Defender**

The Office of the Public Defender provides legal representation on a statewide basis for indigent defendants in criminal trials and appeals, juvenile cases, and other proceedings, including bail reviews before a judge. The Public Defender is appointed by the Board of Trustees of the Public Defender System.

#### **District Court of Maryland Appointed Attorneys Program**

As of July 1, 2014, in response to the decision by the Court of Appeals in the case *DeWolfe v. Richmond*, 434 Md. 444 (2013), lawyers are required to be provided to indigent criminal defendants at all initial appearances before a District Court commissioner through the District Court of Maryland Appointed Attorneys Program. Funding for the program is split between the State and the local jurisdictions within which the attorneys are appointed. For fiscal 2015, which is the first year of the program, the General Assembly provided \$10 million within the State budget for the program.

#### **Maryland Legal Services Corporation**

The Maryland Legal Services Corporation is a statutorily created entity that provides funds for legal services for persons with limited incomes. The corporation receives State funding through the Maryland Legal Services Corporation Fund. The corporation does not provide legal services directly but provides grants to organizations that assist indigent clients in civil proceedings. Ten members, including the executive director who is a nonvoting, *ex-officio* member, constitute the corporation's board of directors. Five voting members are lawyers and four voting members are not. The

directors are appointed to three-year terms by the Governor with the advice and consent of the Senate.

### **Legal Services Program**

The Department of Human Resources uses State funds to purchase legal services for children in need of assistance and termination of parental rights proceedings and for disabled indigent adults in adult public guardianship proceedings.

### **Funding**

As depicted in Exhibit 4.5, the State and local governments share responsibility for funding Maryland's judicial system with the State covering more than two-thirds of the costs. Federal funds accounted for less than 2% of total expenditures in fiscal 2013. The limited federal support was earmarked for child support enforcement functions undertaken by some circuit courts, legal services for children, and Medicaid fraud investigations conducted by the Office of the Attorney General.

With the exception of the orphans' courts and a portion of the operating and the capital costs of the circuit courts, the State funds all of the expenses of Maryland's courts. In addition, the State has sole responsibility for funding the operations of the Office of the State Prosecutor, Office of the Attorney General, Office of the Public Defender, and Office of Administrative Hearings. Local governments fund their own State's Attorney and sheriff.

**Exhibit 4.5**  
**Maryland Judicial System**  
**Local, State, and Federal Funding Responsibility – Fiscal 2013**  
**(\$ in Millions)**

<u>Unit</u>	<u>Local</u> <sup>1</sup>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Court of Appeals		\$15.1	\$0.2	\$15.3
Court of Special Appeals		9.8		9.8
Circuit Courts				
Judges and Masters		59.9	1.1	61.0
Clerks of the Circuit Court		84.4	3.0	87.4
Family Division		14.2	0.6	14.8
Adm. Support/Operating Costs	\$50.7			50.7
District Court		145.6		145.6
Orphans' Courts	2.2			2.2
Registers of Wills <sup>2</sup>		22.3		22.3
Office of the State Prosecutor		1.3		1.3
Office of the Attorney General		21.9	2.6	24.5
Office of the Public Defender		92.2		92.2
Offices of the State's Attorneys	111.9			111.9
Offices of Sheriffs <sup>3</sup>	82.3			82.3
Office of Administrative Hearings		13.8		13.8
Administrative Office of the Courts		27.7	0.6	28.3
Legal Services Program – Department of Human Resources		11.3	4.1	15.4
Maryland Legal Service Corporation <sup>4</sup>		15.8		15.8
Other (law library, data processing support, etc.)	9.7	60.2		69.9
<b>Total</b>	<b>\$256.8</b>	<b>\$595.5</b>	<b>\$12.3</b>	<b>\$864.6</b>

<sup>1</sup> Local funds may include capital expenditures and may not include employee fringe benefits.

<sup>2</sup> The following is a summary of the Register of Wills' Offices for fiscal 2013.

Inheritance Taxes (75% Remitted Monthly)		\$52,871,453
Retained:		
Inheritance Taxes (25%)	\$17,623,818	
Fees of Offices	6,733,056	
<b>Total Retained</b>	<b>24,356,874</b>	
Less: Salaries and Expenses	22,320,223	
Excess Fees of Office (Remitted Annually)		2,036,651
<b>Total Remitted (State General Fund)</b>		<b>\$54,908,104</b>

<sup>3</sup> The Offices of Sheriffs' expenses are those reported by counties for judicial functions. The amount is probably understated because, for most counties where the sheriff's office has primarily public safety and law enforcement responsibilities, the costs associated with judicial functions were not reported separately.

<sup>4</sup> This represents expenses for grant obligations and operating expenses. Revenues in fiscal 2013 for the Maryland Legal Services Corporation included \$0.5 million from the Abandoned Property Fund, \$13.1 million from court filing fees, and \$2.2 million from interest on lawyers' trust accounts.

Source: *Fiscal 2015 State Budget Books; Uniform Financial Reports; Comptroller of the Treasury; Maryland Judiciary; Department of Legislative Services*

## **Circuit Courts**

In the case of the circuit courts, the State has traditionally paid the expenses associated with the judges and the clerks of the courts while the counties and Baltimore City have covered the remainder of the operating and all the capital and physical facility costs. However, the State supports some activities that have been historically the responsibility of local governments. For example, State funding is provided for a family division in each circuit court in a county with more than seven resident judges (*i.e.*, Baltimore City and Baltimore, Anne Arundel, Montgomery, and Prince George's counties) and for family law services in other jurisdictions. In fiscal 2013, the State spent \$14.8 million for this purpose. The State also provides funding to the circuit courts for interpreter services and contributes toward juror per diems. The State per diem amount is \$15 for each day of service, with the amount increasing to \$50 per day for each day more than five days. The State also has fiscal responsibility for standing masters, circuit court law clerks, and rental payments for the space occupied in local facilities by the circuit court clerks up to \$500,000.

## **Local Expenditures**

Each local government is solely responsible for funding its office of the State's Attorney and office of the sheriff. The salaries and office expenses of the orphans' courts are also financed by the counties, except in Harford and Montgomery counties where the circuit courts serve as the orphans' court and are therefore partially funded by the State. Exhibit 4.6 shows local expenditures on judicial activities by jurisdiction.

## **Registers of Wills and Maryland Legal Services Corporation**

The registers of wills and the Maryland Legal Services Corporation are supported by the State through more complex financing arrangements. A portion of revenues from inheritance taxes and miscellaneous fees is dedicated to financing administrative costs incurred by the registers of wills. The offices of the registers of wills that cannot cover their expenses with these revenues receive additional funding from the State.

The Maryland Legal Services Corporation receives its State funding through a \$1.5 million grant from the funds generated from the Abandoned Property Fund, as well as a surcharge on civil cases filed in the District Court and the circuit courts that generated \$13.1 million in fiscal 2013, and the interest on lawyers' trust accounts, which totaled approximately \$2.2 million in fiscal 2013.

**Exhibit 4.6**  
**Courts and Related Offices – Local Funding Responsibility<sup>1</sup>**  
**Fiscal 2013**

<b>County</b>	<b>Circuit Court</b>	<b>Orphans' Court</b>	<b>State's Attorney</b>	<b>Sheriff<sup>2</sup></b>	<b>Law Lib/ Other</b>
Allegany	\$624,489	\$60,422	\$1,209,737	\$0	\$85,284
Anne Arundel	4,772,469	113,225	9,000,524	7,137,248	0
Baltimore City	8,449,254	495,633	28,841,865	15,006,344	0
Baltimore	4,382,494	199,198	7,934,699	5,431,490	0
Calvert	666,665	26,741	1,567,409	0	4,860
Caroline	201,906	15,165	513,038	0	292,122
Carroll	1,600,706	532,442	2,652,399	0	172,398
Cecil	1,955,588	20,353	1,781,534	0	0
Charles	977,639	45,999	2,310,737	0	0
Dorchester	164,114	20,718	714,149	0	0
Frederick	1,213,641	22,206	5,667,710	28,219	0
Garrett	395,339	15,658	617,493	0	28,163
Harford	1,477,188	0	5,381,056	0	1,428,383
Howard	2,316,622	49,162	6,801,809	6,413,728	0
Kent	189,922	45,282	472,810	0	0
Montgomery	10,113,050	0	13,541,442	21,636,104	0
Prince George's	4,965,306	327,438	11,760,809	24,093,611	6,877,125
Queen Anne's	388,529	70,995	1,002,588	0	0
St. Mary's	1,409,128	34,482	2,619,250	0	59,639
Somerset	162,405	17,061	891,828	0	370,851
Talbot	441,569	18,217	745,675	583,873	3,000
Washington	1,282,825	27,981	2,451,180	1,941,143	349,750
Wicomico	947,402	25,739	1,810,932	0	0
Worcester	1,585,753	25,796	1,621,035	0	0
<b>Total</b>	<b>\$50,684,003</b>	<b>\$2,209,913</b>	<b>\$111,921,708</b>	<b>\$82,271,760</b>	<b>\$9,671,575</b>

<sup>1</sup> Figures may not include employee fringe benefits.

<sup>2</sup> Figures for the sheriff are the expenses of sheriffs' offices reported by counties for judicial functions. For most counties where the sheriff's office has primarily public safety and law enforcement responsibilities, costs associated with judicial functions were not reported separately.

Source: *Uniform Financial Reports*; Department of Legislative Services

## Chapter 5. Public Safety

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In Maryland, the sharing of public safety responsibilities between State and local governments reflects, to a large extent, the historic development of these services. Given the unique local circumstances, distance, and difficulty of communication prior to the modern era, public safety necessarily evolved as a local government function. As the State government began to assert its regulatory role, the division of labor became less clear.

Currently, local governments, particularly the counties and Baltimore City, bear the primary responsibility for police protection; fire, rescue, and emergency services; and 9-1-1/3-1-1 emergency telephone service. Statutory provisions hold the State responsible for long-term prisoners, while those with shorter sentences are generally a local responsibility. However, the State is also responsible for inmates with short-term sentences in Baltimore City. Thus, corrections is largely a State responsibility.

In total, most operating costs for delivering public safety services are supported by local governments. The State funds most corrections costs. Exhibit 5.1 shows the local, State, and federal support for providing the various public safety and corrections services in fiscal 2013.

### **Police Protection – Structure**

Police protection in Maryland is provided by the Department of State Police, the Maryland Department of Transportation, the Maryland Transportation Authority, the Natural Resources Police, universities and colleges, county sheriffs, and county and municipal police forces. Most police services are provided by the State Police, county sheriffs, and county and municipal police forces. In general, the State Police bear primary responsibility for highway patrol and certain other functions, while the rest of law enforcement falls primarily on county or municipal police. Case law and some statutes provide guidance as to the jurisdiction of the various law enforcement agencies. Also, a division of labor among agencies has developed, and the agencies enter into formal and informal agreements to coordinate services.

**Exhibit 5.1**  
**Public Safety Services**  
**Expenditures and Funding Sources**  
**Fiscal 2013**  
**(\$ in Millions)**

<b><u>Service/Program</u></b>	<b><u>County</u></b>	<b><u>Municipal</u></b>	<b><u>State</u></b>	<b><u>Federal</u></b>	<b><u>Total</u></b>
<b>Police Protection/Crime Control</b>	<b>\$1,444.6</b>	<b>\$207.9</b>	<b>\$344.2</b>	<b>\$26.3</b>	<b>\$2,023.0</b>
Governor's Office of Crime Control and Prevention			29.6	21.9	51.5
State Police			269.2	4.4	273.6
Local Police Protection	1,444.6	207.9	45.4		1,697.9
<b>Fire, Rescue, and Emergency Services</b>	<b>996.1</b>	<b>46.7</b>	<b>87.6</b>	<b>132.8</b>	<b>1,263.2</b>
Fire and Rescue	905.4	46.7	28.9		981.0
Emergency Medical Services			34.5	0.5	35.0
9-1-1/3-1-1 Emergency Telephone Service	90.7		11.4		102.1
Emergency Management			2.2	100.1	102.3
Military Department and National Guard			10.6	32.2	42.8
<b>Correctional Services</b>	<b>370.1</b>		<b>1,132.6</b>	<b>33.5</b>	<b>1,563.2</b>
Corrections	370.1		945.0	24.6	1,339.7
Community Supervision			107.7	0.1	107.8
Other			79.9	8.8	88.7
<b>Other Public Safety<sup>1</sup></b>	<b>182.0</b>	<b>27.8</b>	<b>8.4</b>	<b>0.3</b>	<b>218.5</b>
<b>Total</b>	<b>\$2,992.8</b>	<b>\$282.4</b>	<b>\$1,572.8</b>	<b>\$192.9</b>	<b>\$5,040.9</b>

<sup>1</sup> Includes own-source funding reported by local governments for protective inspections, civil defense, emergency management, traffic engineering, and animal control – with federal and State grants assumed to have been spent in the year they were received. The federal and State grant amounts reported by local governments are assumed to be accounted for in the State and federal amounts that pass through the State budget. This also includes State funding for protective inspections and funding for crime victims through the Criminal Injuries Compensation Board.

Note: Numbers may not sum to total due to rounding. State funding does not include funds reimbursed by other State agencies for services provided.

Source: *Fiscal 2015 State Budget Books; Uniform Financial Reports; Department of Public Safety and Correctional Services; Department of State Police; Governor's Office of Crime Control and Prevention; Department of Legislative Services*

## State Police

The Department of State Police generally engages in enforcement on a statewide basis. The Superintendent of the State Police, who is the chief executive officer, reports directly to the Governor. The Superintendent holds the rank of colonel and is appointed by the Governor, subject to Senate confirmation.

The State Police employs civilian employees and law enforcement officers. Civilian employees are part of the State personnel classification system and are subject to the State employee grievance and disciplinary system. Law enforcement officers are organized into a quasi-military rank classification system and are subject to the disciplinary systems enumerated under the Law Enforcement Officers' Bill of Rights. The department's operating structure is composed of the following programs:

- **Office of the Superintendent**, which includes the Criminal Intelligence Section, Executive Protection Division, and the Strategic Planning Command;
- **Field Operations Bureau**, which includes 22 police barracks within six geographical troop areas, the Aviation Command (including Medevac operations), the Automotive Safety Enforcement Division, the Commercial Vehicle Enforcement Division, and the Special Operations Division;
- **Criminal Investigation Bureau**, which manages the Northern and Southern Commands of Criminal Enforcement Division, and the Forensic Sciences Division; and
- **Support Services Bureau**, which includes the Licensing Division and oversees the Personnel Command, the Technology and Information Management Command, and the Logistics Command.

Within these functions, the department produces the annual *Uniform Crime Report* for Maryland; works to improve the critical error rate of law enforcement agencies that enter civil protective orders into the Maryland Interagency Law Enforcement Agency/National Crime Information Center systems; serves as a catalyst for the interagency exchange of criminal justice, homeland security, and intelligence information at the federal, State, and local levels; and provides timely and efficient access to public information and records. The department also includes the Vehicle Theft Prevention Council, the Fire Prevention Commission, and Office of the State Fire Marshal, which are charged with safeguarding life and property from the hazards of fire and explosion.

A Resident Trooper Program was established within the Department of State Police in 1968. Intended to provide contractual law enforcement services to counties and municipalities, the program's first contract was with Carroll County in 1974 for 10 troopers. Training, equipment, and other expenses are paid for by the contracting jurisdiction. Based at the nearest barrack, resident troopers fulfill policing needs of the local jurisdiction. As of 2014, only two municipalities (the towns of Mount Airy and Walkersville) participate in this program.

### **Other State Law Enforcement**

Other State agencies have law enforcement personnel who have limited geographic jurisdiction. For example, the Maryland Transit Administration has a police force for the transit services it provides. The Maryland Transportation Authority provides law enforcement services at seven toll facilities, Baltimore/Washington International Thurgood Marshall Airport, and public marine terminals and port offices. The Natural Resources Police is responsible for law enforcement on all public lands managed by the Department of Natural Resources. The Department of General Services has police and security officers who provide around-the-clock law enforcement and security for the Annapolis and Baltimore State office complexes and the Camp Fretterd Military Reservation, which is under the direction of the Military Department.

### **County Sheriffs/Police Departments**

Under the State constitution, each county and Baltimore City is required to elect a sheriff, who is by common law the primary public safety officer of the jurisdiction. In many counties, the sheriff's office is the primary law enforcement agency. However, the law also authorizes counties to provide for separate county police forces. Anne Arundel, Baltimore, Howard, Montgomery, and Prince George's counties, along with Baltimore City, maintain police departments (see Exhibit 5.2). The law is silent on the specific duties of the county departments, but in these six jurisdictions, in practice, they have become the primary law enforcement agency, and the sheriff's office primarily supports judicial functions such as courtroom security and the service of process.

### **Municipal Police Forces**

State law authorizes municipal corporations to establish municipal police forces, and several municipalities have done so.

## **Police Protection – Services**

The ability of local governments to provide law enforcement officers outside cities and small towns was very limited prior to the evolution of local government. Thus, the State Police provided a police service across local boundaries. As local government has grown, local police capabilities have changed dramatically. In response to the changing landscape of police protection, the State Police has evolved to provide services consistent with the needs of local jurisdictions and has attempted to reduce duplication of services.

### **State Police**

The State Police provides specialized investigative, regulatory, and support services, as well as a full range of direct law enforcement services complementary to those provided by local governments. Examples of these services are (1) patrol services on interstate and major highways; (2) interjurisdictional investigative services in support of local initiatives in the areas of narcotics, gambling, fraud, computer theft, and other economic crime; (3) major investigative support in the form of investigators, case managers, crime scene processing, intelligence analysis, and crime laboratory services that otherwise exceed the capabilities and resources of local police agencies; and (4) contract State Police services in two municipalities with limited local police resources through the Resident Trooper Program, as discussed above. On the regulatory side, the State Police handles all licensing, registration, and permits relating to firearms. Legislation enacted in 2013 expanded the regulation of firearms, firearm dealers, and ammunition by the State Police, among other things. In addition, on January 1, 2013, the State Police initiated a 24/7 statewide firearms enforcement center designed to address every gun incident statewide to ensure that each case is completely vetted, investigated, and aggressively prosecuted.

The fiscal 2015 budget for the State Police is \$345.4 million. This funding will support 2,454 positions (including personnel in the Office of the State Fire Marshal), of which over 1,500 are sworn officers.

**Exhibit 5.2**  
**Local Law Enforcement Strength – Sworn Positions**  
**October 31, 2012**

County	County		Municipal		Total
	Sheriff	Police Force	Police Force	Resident Troopers	
Allegany	27		83		110
Anne Arundel	65	654	111		830
Baltimore City	-	2,892	-		2,892
Baltimore	84	1,838	-		1,922
Calvert	129		-		129
Caroline	29		26		55
Carroll	96		82	5	183
Cecil	84		67		151
Charles	287		15		302
Dorchester	32		56		88
Frederick	171		155	3	329
Garrett	28		2		30
Harford	285		105		290
Howard	49	449	-		498
Kent	22		16		38
Montgomery	132	1,121	232		1,485
Prince George's	225	1,535	396		2,156
Queen Anne's	54		10		64
St. Mary's	139		-		139
Somerset	19		23		42
Talbot	27		58		85
Washington	91		100		191
Wicomico	84		113		197
Worcester	46		144		190
<b>Total</b>	<b>2,051</b>	<b>8,489</b>	<b>1,794</b>	<b>8</b>	<b>12,334</b>

Note: There are no municipalities in Baltimore and Howard counties. In jurisdictions with both a county sheriff's office and a county police department, the county police force has primary law enforcement authority and responsibilities. The five Resident Troopers listed for Carroll County are resident to the Town of Mount Airy (which overlaps Carroll and Frederick counties) and the three troopers listed for Frederick County are resident to the Town of Walkersville.

Source: 2012 Uniform Crime Report, Department of State Police; Baltimore City; Department of Legislative Services

The absence of clear statutory guidelines defining the specific lines of authority among the State, county, and municipal police organizations results in a variety of arrangements concerning police protection, particularly at the county level. In general, the State Police bears primary responsibility for highway patrol and certain other functions, while the rest of law enforcement falls primarily on local police.

The State Police has formalized its relationships with local police through service agreements. Cooperative service agreements in the form of memoranda of understanding have been in place with metropolitan and other jurisdictions since the early 1980s. These agreements define major traffic and criminal service responsibilities within the jurisdictions to avoid duplication of effort.

The cooperation between local law enforcement and the State Police in combating violent and drug-related crimes has been strengthened in recent years. In addition, the State Police continues to work closely with local police and federal agencies in numerous collaborative drug enforcement task forces throughout the State. Combined criminal investigation units exist in Western Maryland and on the Eastern Shore, which jointly investigate serious crime from a regional viewpoint.

The State Police and all other law enforcement agencies in Maryland must have regulations or policies governing the conduct of covert investigations of persons, groups, or organizations engaged in First Amendment activities and the collection, dissemination, retention, database inclusion, purging, and auditing of intelligence information relating to persons, groups, or organizations engaged in First Amendment activities.

### **Governor’s Office of Crime Control and Prevention**

Through the Governor’s Office of Crime Control and Prevention, the State is also involved in coordinating criminal justice programs and administering various federal public safety grants. The office, established by executive order, provides State and local planning, develops policy, and analyzes criminal and juvenile justice issues. Federal and State criminal justice and law enforcement grants, which are distributed to State and local government agencies and nonprofit organizations, are administered by the office. In addition, the office has several advisory commissions that focus on juvenile justice, crime victims, drug-free schools, and neighborhood crime prevention; the office is also a statutory participant in numerous councils, boards, and commissions.

The Governor’s Office of Crime Control and Prevention was reorganized in fiscal 2008 to streamline grant oversight and to oversee targeted crime-fighting grants. It now serves as the focus of statewide criminal justice initiatives, specializing in forming cross-jurisdictional cooperation both geographically and authoritatively. The office is

Maryland's clearinghouse for innovative crime-fighting methods and implementing best practices.

Once only a grant monitoring agency, the office has become more involved with the State's crime-fighting initiatives. Some programmatic examples are (1) tracking of violent offenders across jurisdictional lines; (2) email alerts of parolee arrests in other jurisdictions; (3) inmate HIV testing; (4) sharing gang intelligence between prisons and local law enforcement; and (5) reducing the backlog of DNA searches.

In 2011, sexual assault crisis and domestic violence programs were transferred to the Governor's Office of Crime Control and Prevention from the Department of Human Resources. The domestic violence program is designed to provide shelter and support services such as counseling to victims of domestic violence and their children. The sexual assault crisis program is required to provide specialized support services to adult and minor alleged victims of sexual assault and to include a hotline and counseling service. The office is also required to either establish and operate child advocacy centers or contract with public or private nonprofit organizations to operate child advocacy centers.

As of July 1, 2014, the office is required to help establish and expand programs for survivors of homicide victims in the State. The programs must 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, and provide a toll-free telephone number and assistance to exercise the rights to which the survivors are entitled by law. The office is also required to award grants to public or private nonprofit organizations to operate programs for survivors of homicide victims.

## **Police Protection – Funding**

The responsibility for funding local law enforcement agencies lies primarily with local governments. Fiscal 2013 county and municipal expenditures for police protection are shown in Exhibit 5.3. State Aid for Police Protection, which totaled \$45.4 million in fiscal 2013, is not shown in the exhibit. The largest portion of State funding is allocated through a statutory formula, with smaller sums distributed through targeted grants. Local governments reported approximately \$1.7 billion in spending for police protection in fiscal 2013.

**Exhibit 5.3**  
**Local Government Expenditures for Police – Fiscal 2013**

<u>Fiscal 2013</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Local Spending</u>
Allegany	\$2,704,046	\$6,304,775	\$9,008,821
Anne Arundel	105,074,316	18,160,964	123,235,280
Baltimore City	396,596,586	-	396,596,586
Baltimore	197,198,741	-	197,198,741
Calvert	13,397,193	1,118,270	14,515,463
Caroline	2,362,028	2,779,742	5,141,770
Carroll	11,750,774	6,943,046	18,693,820
Cecil	9,432,789	8,512,009	17,944,798
Charles	50,570,678	1,237,187	51,807,865
Dorchester	3,077,785	3,864,566	6,942,351
Frederick	25,080,588	30,187,110	55,267,698
Garrett	2,826,878	173,891	3,000,769
Harford	50,399,932	11,888,897	62,288,829
Howard	85,399,690	-	85,399,690
Kent	2,705,692	1,251,797	3,957,489
Montgomery	274,960,580	24,356,241	299,316,821
Prince George's	220,197,616	44,458,589	264,656,205
Queen Anne's	6,149,332	782,529	6,931,861
St. Mary's	28,296,905	64,540	28,361,445
Somerset	2,237,595	2,227,749	4,465,344
Talbot	1,362,372	8,773,967	10,136,339
Washington	9,376,404	13,265,927	22,642,331
Wicomico	7,752,732	12,873,901	20,626,633
Worcester	7,387,678	23,041,470	30,429,148
<b>Total</b>	<b>\$1,516,298,930</b>	<b>\$222,267,167</b>	<b>\$1,738,566,097</b>
Minus State Grants	-\$48,298,276	-\$9,406,665	-\$57,704,941
Minus Federal Grants	-\$23,352,658	-\$2,501,997	-\$25,854,655
Minus County Grants		-\$2,430,535	-\$2,430,535
<b>Net Local Spending</b>	<b>\$1,444,647,996</b>	<b>\$207,927,970</b>	<b>\$1,652,575,966</b>

Note: For purposes of this exhibit, the federal, State, and, as appropriate, county police grant revenues reported by the local jurisdictions are assumed to have been expended in the same year they were received. County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. Some regional agencies received grants from the county as well; such grants were removed from the spending total to avoid double counting expenditures. As 8 municipalities did not report their expenditures for fiscal 2013, municipal expenditures reflect those reported by the other 148 municipalities as well as expenditures reported by the 11 extant special taxing districts in Allegany and Montgomery counties. There are no municipalities in Baltimore and Howard counties.

Source: *Uniform Financial Reports*, Department of Legislative Services

## **State Aid for Police Protection Grants**

Under the State Aid for Police Protection Fund, established in 1967 and since 2008 administered by the Governor's Office of Crime Control and Prevention, grants are made to the counties and qualifying municipalities for the exclusive purpose of providing adequate police protection. Qualifying expenditures under this fund include salaries and wages, other operating expenses, capital outlays from current operating funds, and properly identifiable debt service paid for police protection. Commonly known as the police aid formula, the grants are primarily based on population, with per capita rates varying by population density.

Baltimore City was excluded from the police aid formula beginning in fiscal 1992 when the State assumed the responsibility of operating and funding the Baltimore City Detention Center. In fiscal 1995, the State established a central booking facility for the city. Legislation was enacted that enables Baltimore City to receive a \$0.50 per capita grant for police aid beginning in fiscal 1997.

The municipal sworn police officer allocation was last changed by Chapter 444 of 1999, when it increased from \$1,200 to \$1,950 per officer. The actual number of sworn municipal officers is used when calculating the municipal sworn officer allocation for each fiscal year. Each qualifying municipality receives \$1,950 for each sworn police officer employed on a full-time basis. For purposes of the police aid formula, Baltimore City is not considered a municipality.

## **Targeted Grants**

The State budget also includes targeted grants to local police departments. Baltimore City and Prince George's County receive the majority of this funding for foot patrol, violent crime control, community policing, and drug-related law enforcement. Another grant is made available to reimburse local police departments for the cost of providing body armor to officers. The State also funds the Vehicle Theft Prevention Council, which develops strategies and makes grants to support community-based law enforcement, prevention, and education programs to assist in the prevention of vehicle theft.

## **Emergency and Protective Services – Structure and Services**

The provision of emergency and protective services in Maryland is largely carried out through a system of State oversight and coordination and local government direct service provision. State boards and agencies establish policy and regulations and provide for some funding support of local emergency, fire, and rescue operations.

## Emergency Medical Services

Maryland's Emergency Medical Services System is governed by the 11-member Emergency Medical Services Board, appointed by the Governor. The board directs the Maryland Institute for Emergency Medical Services Systems, an independent State agency, and reviews and approves its operating and capital budgets. The board also reviews and approves certain budget components of the R Adams Cowley Shock Trauma Center, the Maryland Fire and Rescue Institute, and the Aviation Command of the Maryland State Police. The Emergency Medical Services Board is assisted by the institute staff and is advised by the Statewide Emergency Medical Services Advisory Council which represents emergency medical services interests throughout the State and serves as the board's principal advisory body.

The Maryland Institute for Emergency Medical Services Systems operates a statewide communications system that provides communications among ambulances, Medevac helicopters, dispatch centers, hospital emergency departments, trauma centers, specialty referral centers, and law enforcement. The communications system includes two main components:

- **Emergency Medical Resource Center Communications** – The center is responsible for coordinating medical consultation between emergency personnel at the scene and hospital physicians and plays a critical role in ensuring a coordinated response to major incidents and catastrophic events. In fiscal 2013, the center handled 372,976 telephone and radio calls.
- **SYSCOM Helicopter Communications** – By statute, the Maryland Institute for Emergency Medical Services Systems is responsible for Medevac helicopter communications. SYSCOM is the communication system responsible for helicopter dispatch and for monitoring the transport of critically ill or injured patients by helicopter to area hospitals. In fiscal 2013, SYSCOM handled 27,879 telephone and radio calls.

Maryland is divided into five emergency medical services regions: two predominantly rural regions (Region I in far Western Maryland and Region IV on the Eastern Shore); two suburban/urban regions (Region III covering Central Maryland and Region V encompassing the Washington metropolitan area and Southern Maryland); and a mixed suburban/rural region (Region II covering Frederick and Washington counties). Regional councils are composed of representatives from the spectrum of emergency medical services within the region. Each jurisdiction has a similar council which may bring issues to the regional council for resolution. Unresolved issues may be taken to the Statewide Emergency Medical Services Advisory Council and subsequently to the

Emergency Medical Services Board. This system provides a forum for resolution of differences and facilitates information exchange on topics such as grants, training, emergency medical services policies/protocols, legislation, and communications.

Each region has an administrator who staffs the regional councils and serves as the Maryland Institute for Emergency Medical Services Systems liaison to the region. The regional administrators are employees of the institute and manage the field operations programs at the regional level.

Ground transportation is provided by more than 600 emergency ambulances operated by local jurisdictions and independent ambulance, fire, and rescue companies. The emergency ambulances operated by fire, emergency medical services, and rescue departments and companies are staffed by career or trained volunteer personnel. The four levels of pre-hospital medical certification and training can be divided into the categories of basic life support and advanced life support. The institute sets the standards and protocols for Maryland's basic and advanced life support personnel. In addition, the institute administers tests for basic life support personnel and maintains and records the testing and certification for all basic and advanced life support personnel.

Maryland pre-hospital Emergency Medical Services personnel (emergency medical dispatchers, first responders, emergency medical technicians, cardiac rescue technicians, and paramedics) devote numerous hours to obtain needed training, certification, recertification, and continuing education. Several types of educational institutions are approved by the Emergency Medical Services Board to provide such training, including the Maryland Fire & Rescue Institute, the University of Maryland Baltimore County, local community colleges, and fire department-based academies. More than 1,100 courses were provided to over 19,000 students in 2013.

The Maryland State Police Aviation Command Medevac program transports critically ill and injured patients from the scene of an incident to a specialty center via helicopters staffed by State Police paramedics. The helicopter functions in a multi-mission capacity, fulfilling police, search and rescue, and homeland security missions when not needed for Medevac services. The system operates from seven bases located throughout the State. During fiscal 2013, 2,145 injured patients were transported by helicopter from the scene and an additional 128 patients were transported who had suffered a significant medical emergency, *e.g.*, stroke or STEMI (a type of heart attack).

## **9-1-1**

The dedicated telephone number 9-1-1 has become the universal link with the multiple emergency resources available across the State. Police, fire, or emergency

medical personnel and equipment can be accessed with a single call. Calls are handled by central alarms (answering points which determine whether the caller needs the police or other emergency services and directs the call appropriately) throughout the State's 23 counties and Baltimore City. Maryland has had a complete 9-1-1 system since 1985, and since 2005, all Maryland counties have enhanced 9-1-1 systems that are wireless operational. The enhanced service immediately provides the operators in the central alarms with the street address and telephone number of the caller on a computer screen in case the caller cannot provide that information. The 9-1-1 communication centers are part of the statewide emergency medical services communications system that includes radio and microwave links, as well as a dedicated telephone network. The 9-1-1 system is under the umbrella of the Department of Public Safety and Correctional Services.

Prior to fiscal 2014, prepaid wireless telecommunication services did not collect 9-1-1 surcharges or contribute to the 9-1-1 Trust Fund. However, legislation enacted in 2013 requires the surcharge on wireless telecommunication services to apply to prepaid services; the fee, which is 60 cents per each retail transaction selling prepaid wireless services, is paid into the 9-1-1 Trust Fund.

## **Fire and Rescue**

The primary responsibility for meeting Maryland's fire and rescue needs rests at the local level with 365 member organizations of the Maryland State Firemen's Association. According to a survey conducted by the association, almost two-thirds of Maryland's counties employ at least some professional firefighters. However, statewide, over 75% of firefighters are volunteers. Baltimore City only employs professional firefighters.

The only direct fire and rescue service routinely provided by the State involves the Maryland Department of Transportation, responsible for services at the Baltimore/Washington International Thurgood Marshall Airport and the toll highways operated by the Maryland Transportation Authority.

The State's primary role in providing fire and rescue services involves adopting and enforcing regulations and training local fire department employees. The State Fire Marshal, responsible for the regulatory and enforcement function, was officially created in its present form in September 1964 but has existed in one form or another since 1890. The agency is charged with fire code enforcement, fire scene and bombing investigations, explosives licensing and regulation, fire prevention and public education activities, and fire data collection and analysis. As part of its regulatory role, the State Fire Marshal provides each jurisdiction that employs career personnel with a Deputy State Fire Marshal to oversee services at the local level. The Maryland Institute for Emergency Medical Services Systems, previously discussed, is responsible for the certification of pre-hospital

emergency medical personnel including career and volunteer firefighters. The various training centers affiliated with the Maryland Fire and Rescue Institute (part of the University of Maryland) provide training for local firefighters.

The State Fire Marshal actively works in 18 of Maryland's 23 counties and provides support in the others when requested. There are 23 agency regional offices located throughout the State. The headquarters of the agency is located in Baltimore County.

### **Maryland Emergency Management Agency**

The Maryland Emergency Management Agency provides overall coordination with the Federal Emergency Management Agency, State agencies, local jurisdictions, and private organizations regarding disaster and emergency preparedness and response and recovery services. State law requires each subdivision to employ a director of emergency management to oversee coordination of local fire, rescue, and police agencies in the event of natural disaster, public disorder, or other emergency. Should an emergency exceed the capacity of local jurisdictions, county officials may petition the Governor for State assistance.

### **Military Department**

The Military Department maintains a trained national guard within the State that can be called upon by the federal or State government in a time of emergency. The department also operates and maintains facilities required by the Maryland Army National Guard, including 35 armories, 4 weekend training facilities, Havre de Grace and Pikesville reservations, and an Army aviation facility in Edgewater.

### **Protective Services**

Both State and local governments have responsibilities to ensure that buildings and certain public facilities meet safety standards. Local governments have the primary role in enforcing building and construction codes. Activities include the inspection of construction and structural conditions and plumbing, electrical, and gas installations.

The Safety Inspection Program within the Department of Labor, Licensing, and Regulation inspects amusement rides, boilers, pressure vessels, elevators, and escalators to ensure that the units are operating according to State laws and regulations, nationally recognized safety standards, and manufacturers' specifications. In fiscal 2013, the program inspected 4,903 amusement rides, over 5,106 boilers and pressure vessels, and roughly 11,500 elevators. The program is funded through assessments made against employers by

the Workers' Compensation Commission. In fiscal 2013, funding for these inspections totaled \$4.6 million.

The Railroad Safety and Health Program, also within the Department of Labor, Licensing, and Regulation, works to reduce railroad accidents, injuries, and deaths through inspections and investigations of track, equipment, and operating practices. The Maryland Railroad Safety Law supplements the inspection requirements of the Federal Railroad Administration and also applies to tourist and museum railroad operators that carry passengers. In addition to inspections of rail cars, locomotives, and over 1,400 miles of track, in fiscal 2013, this safety program investigated accidents/incidents involving one fatality, two injuries, and 16 instances of property damage. The program is funded through assessments on public utilities by the Public Service Commission. In fiscal 2013, funding for these inspections was just over \$408,000.

### **Emergency and Protective Services – Funding**

The responsibility for funding emergency and protective services lies primarily with county governments. Total spending on these services was nearly \$1.3 billion in fiscal 2013, with county funds representing nearly 80% of that total.

Funding for the State's Emergency Medical Services System, which totaled \$34.5 million in fiscal 2013, is provided from a variety of sources. An \$11.00 surcharge on motor vehicle registrations funds the Maryland Emergency Medical Services Operations Fund. This fund supports the Emergency Medical Services Volunteer Loan Fund; the Medevac portion of the State Police Aviation Division; information technology upgrades for the State Police; State grants for local fire, rescue, and ambulance services in all counties and Baltimore City; a portion of the Maryland Fire and Rescue Institute; a portion of the R Adams Cowley Shock Trauma Center; and the Maryland Institute for Emergency Medical Services Systems. Exhibit 5.4 shows the Maryland Emergency Medical Services Operations Fund expenditures for fiscal 2013.

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**Exhibit 5.4**  
**Maryland Emergency Medical Services Operations Fund Expenditures**  
**Fiscal 2013**  
**(\$ in Millions)**

<b><u>Funding Recipient</u></b>	<b><u>2013 Actual</u></b>
Maryland Fire and Rescue Institute	\$ 7.6
Maryland Institute for Emergency Medical Services Systems	12.3
R Adams Cowley Shock Trauma Center	3.0
Local Fire, Rescue, and Ambulance Grants (Amoss Fund)	10.0
Maryland State Police Aviation Division	21.8
Maryland State Police CADS-RMS	0.2
<b>Total</b>	<b>\$54.9</b>

Source: *Fiscal 2015 State Budget Books*; Maryland Institute for Emergency Medical Services Systems; Department of Legislative Services

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State and county surcharges on telephone bills, in addition to other county revenues, support 9-1-1 operations statewide. Exhibit 5.5 shows the 9-1-1 emergency services local expenditures and funding.

State and federal monies also are made available to support the emergency medical services related programs, facilities, and equipment. Research and demonstration programs are principally supported by federal grants and awards. Federal funds support most of the efforts of the Maryland Emergency Management Agency; in fiscal 2013, federal funds for emergency management totaled \$100.1 million. The agency distributes federal emergency management grants to local jurisdictions to support planning, training, and administrative functions at the local level. The Military Department is supported by both State and federal funds, with funding totaling \$42.8 million in fiscal 2013.

**Exhibit 5.5**  
**9-1-1 Emergency Services Local Funding**  
**Fiscal 2013**

County	County Operating Costs	County 9-1-1 Rate	County Revenue	% of Costs Covered by County Fees	State 9-1-1 Grants
Allegany	\$2,112,409	0.75	\$488,925	23%	\$1,156,234
Anne Arundel	6,453,540	0.75	3,840,615	60%	40,845
Baltimore City	6,874,668	0.75	3,940,802	57%	52,040
Baltimore	13,488,607	0.75	5,689,962	42%	147,011
Calvert	2,433,303	0.75	580,600	24%	943,369
Caroline	1,070,053	0.75	183,575	17%	1,268,581
Carroll	2,233,090	0.75	1,014,161	45%	1,875,016
Cecil	1,986,296	0.75	586,768	30%	1,824,369
Charles	1,878,241	0.75	995,639	53%	25,840
Dorchester	1,365,961	0.75	201,041	15%	98,286
Frederick	5,148,541	0.75	1,471,249	29%	86,834
Garrett	822,956	0.75	258,411	31%	37,168
Harford	5,809,092	0.75	1,580,553	27%	1,052,574
Howard	4,376,385	0.75	2,114,423	48%	170,169
Kent	769,932	0.75	127,969	17%	794,341
Montgomery	9,884,589	0.75	6,753,269	68%	11,840
Prince George's	10,242,319	0.75	5,935,086	58%	623,733
Queen Anne's	1,900,342	0.75	299,025	16%	17,500
St. Mary's	2,393,534	0.75	596,432	25%	3,284
Somerset	1,047,350	0.75	118,401	11%	785,667
Talbot	1,065,647	0.75	254,033	24%	147,072
Washington	3,661,142	0.75	869,728	24%	88,973
Wicomico	1,118,886	0.75	550,849	49%	25,945
Worcester	2,528,410	0.75	422,190	17%	7,475
9-1-1 County Audits					88,296
<b>Total</b>	<b>\$90,665,293</b>		<b>\$38,873,703</b>	<b>43%</b>	<b>\$11,372,463</b>

Note: Counties are primarily supported by 9-1-1 fees collected in the county, which are supplemented by the State via grant disbursements to counties to assist in funding capital expenditures associated with the installation of enhanced 9-1-1 system equipment or training (grants are made based on a county's current equipment replacement needs and not disbursed proportionally).

Source: Department of Public Safety and Correctional Services

Because they bear primary responsibility for meeting Maryland's fire and rescue needs, local governments support most of the costs of these services. In fiscal 2013, local government funds supported 98% of total spending on fire and rescue services. Some costs are defrayed through fundraising efforts of the volunteer fire companies. The State provides assistance through the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (better known as the Amoss Fund), which is distributed on the basis of a county's share of property tax accounts relative to the statewide total. Qualified municipalities receive a portion from the county's share based on the proportion of the municipality's expenditures relative to those of the county. Use of monies from the fund is limited to the purchase of capital equipment and building improvements.

The State also provides supplemental grants and loans through the Volunteer Company Assistance Fund. Disbursements are limited to volunteer fire companies or rescue squads that are not able to provide adequate services because of unforeseen circumstances or the lack of financial resources. A \$7.50 surcharge on certain motor vehicle violations was credited to this fund until a total of \$20 million had been credited to the fund; that threshold was met in fiscal 2014. Now, the surcharge is credited to the general fund.

Exhibit 5.6 shows the local expenditures for fire and rescue services and the amount of State aid provided to each local jurisdiction through the Amoss Fund in fiscal 2013. From fiscal 2000 through 2014, \$10.0 million was allocated through the Amoss Fund. Legislation passed in 2013 specifies that the annual appropriation to the Amoss Fund will total \$11.7 million in fiscal 2015, \$13.3 million in fiscal 2016, and \$15.0 million in fiscal 2017.

**Exhibit 5.6**  
**Local Government Expenditures for Fire and Rescue Services**  
**Fiscal 2013**

<u>County</u>	<u>Amoss Fund Grants</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Spending Reported</u>
Allegany	\$237,989	\$2,297,862	\$5,550,531	\$7,848,393
Anne Arundel	812,218	100,107,431	15,462,850	115,570,281
Baltimore City	924,493	192,197,375	-	192,197,375
Baltimore	1,161,358	94,848,535	-	94,848,535
Calvert	200,000	6,021,110	10,000	6,031,110
Caroline	208,526	3,830,821	132,699	3,963,520
Carroll	259,836	10,532,334	477,892	11,010,226
Cecil	206,005	7,543,801	314,224	7,858,025
Charles	245,821	18,735,526	48,691	18,784,217
Dorchester	203,200	3,606,852	341,734	3,948,586
Frederick	365,414	46,493,338	453,366	46,946,704
Garrett	200,000	2,261,514	-	2,261,514
Harford	382,386	8,296,837	698,160	8,994,997
Howard	399,616	90,010,454	-	90,010,454
Kent	205,098	1,258,117	71,616	1,329,733
Montgomery	1,303,272	221,011,555	-	221,011,555
Prince George's	1,137,447	94,839,100	301,354	95,140,454
Queen Anne's	200,000	3,069,083	64,200	3,133,283
St. Mary's	200,000	2,086,935	2,000	2,088,935
Somerset	208,751	916,152	231,661	1,147,813
Talbot	216,023	4,858,082	461,360	5,319,442
Washington	230,631	7,118,971	6,505,938	13,624,909
Wicomico	232,056	4,537,126	7,071,143	11,608,269
Worcester	259,860	6,354,040	10,763,071	17,117,111
<b>Total</b>	<b>\$10,000,000</b>	<b>\$932,832,951</b>	<b>\$48,962,490</b>	<b>\$981,795,441</b>
Minus State Grants		-\$11,539,366	-\$465,075	-\$12,004,441
Minus Federal Grants		-\$15,901,113	-\$951,812	-\$16,852,925
Minus County Grants			-\$891,014	-\$891,014
<b>Net Local Spending</b>		<b>\$905,392,472</b>	<b>\$46,654,589</b>	<b>\$952,047,061</b>

Note: For purposes of this exhibit, any grant revenues are assumed to have been expended in the same year they were received. County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. Eight municipalities did not report spending in fiscal 2013. There are no municipalities in Baltimore and Howard counties.

Source: *Uniform Financial Reports*; Department of State Police; Department of Legislative Services

## **Corrections and Community Supervision – Structure and Services**

Through historical and statutory evolution, the responsibility for corrections came to be administered through a bifurcated system with short-term inmates held at the local level and those with longer sentences incarcerated by the State. Persons on parole or probation are handled by the State. The specific responsibilities are shown in Exhibit 5.7.

### **Exhibit 5.7 State and Local Responsibilities for Correctional Services And Community Supervision**

- State Functions:**
- Incarcerations of longer than 12 months
  - Pretrial detention in Baltimore City
  - Alternatives to incarceration if related to State incarceration or sentenced for longer than 12 months
  - Community supervision (parole and probation)
- Local Functions:**
- Incarcerations of 12 months or less (up to 18 months at judicial option)
  - Pretrial detention (other than Baltimore City)
  - Detention awaiting transfer to the State
  - Alternatives to incarceration at local option

Source: Department of Public Safety and Correctional Services

## **Department of Public Safety and Correctional Services**

The Department of Public Safety and Correctional Services administers the correctional services provided by the State. The department implemented a major reorganization during fiscal 2012. As a result of the reorganization, the Division of Correction, the Division of Parole and Probation, the Patuxent Institution, and the Division of Pretrial Detention and Services no longer exist within the department by those names as separate budgetary units. The department is now divided into three geographic regions of the State – the Northern Region, the Central Region and the Southern Region – and other specific operational functions as indicated in Exhibit 5.8 below. A brief description of all of the department’s operations follows.

## **State Correctional Facilities**

The department supervises the operation of the State adult correctional institutions. Each of the three geographic regions is overseen by a Regional Director, and all three directors report directly to the Secretary of the department. In fiscal 2013, an average of 24,615 individuals per day were incarcerated by the State. Most of the prisoners were housed in facilities operated by the State, as shown in Exhibit 5.8, with a small number in facilities managed by private entities. For additional information on the State correctional facilities, see *Volume VIII – Maryland’s Criminal and Juvenile Justice Process* of the Legislative Handbook Series.

**Exhibit 5.8**  
**State Correctional Facilities**  
**Fiscal 2013**

<b>Facility</b>	<b>County</b>	<b>2013 Capacity</b>
<b><i>Northern Region</i></b>		
Maryland Correctional Institution – Hagerstown	Washington	1,982
Maryland Correctional Training Center	Washington	2,497
Roxbury Correctional Institution	Anne Arundel	1,677
Western Correctional Institution	Allegany	1,653
North Branch Correctional Institution	Allegany	1,424
Patuxent Institution	Howard	949
<b>Total Beds – North</b>		<b>10,182</b>
<b><i>Southern Region</i></b>		
Jessup Correctional Institution	Anne Arundel	1,736
Maryland Correctional Institution – Jessup	Anne Arundel	1,044
Maryland Correctional Institution for Women	Anne Arundel	757
Brockbridge Correctional Facility	Anne Arundel	392
<i>Jessup Pre-release Unit</i>	Anne Arundel	509
Southern Maryland Pre-release Unit	St. Mary's	166
Eastern Pre-release Unit	Queen Anne's	160
Eastern Correctional Institution	Somerset	3,385
<b>Total Beds – South</b>		<b>8,149</b>
<b><i>Central Region</i></b>		
Baltimore City Correctional Center	Baltimore City	491
Maryland Reception and Diagnostic Correctional Center	Baltimore City	772
Baltimore Pre-release Unit	Baltimore City	156
Central Maryland Correctional Facility	Carroll	460
Metropolitan Transition Center	Baltimore City	607
Chesapeake Detention Facility*	Baltimore City	413
Baltimore City Detention Center**	Baltimore City	420
Baltimore City Booking and Intake Center***	Baltimore City	19
<b>Total Beds – Central</b>		<b>3,338</b>
<b>Total State Operated Corrections</b>		<b>21,669</b>

Note: In December 2013, Jessup Pre-release Unit was closed, and Dorsey Run Correctional Facility was opened.

\*Chesapeake Detention Facility houses federal inmates.

\*\*The number indicated for Baltimore City Detention Center represents the sentenced population only and does not include pretrial detainees.

\*\*\*The number indicated for Baltimore City Booking and Intake Center represents the sentenced population only and does not include pretrial residents.

Source: Department of Public Safety and Correctional Services; Department of Legislative Services

Persons serving a sentence of one year or less in a jurisdiction other than Baltimore City are sentenced to local detention facilities. For persons sentenced to a term of between 12 and 18 months, the sentencing judge has the discretion to order that the sentence be served at a local facility or a State correctional facility.

Persons sentenced in Baltimore City are generally incarcerated in State correctional facilities. The Baltimore City Detention Center, a State-operated facility, is used primarily for pretrial detentions.

### **Community Supervision (Parole and Probation)**

Community Supervision operations (formerly the Division of Parole and Probation) are responsible for supervising individuals who have been placed on probation by the courts, granted parole by the Parole Commission, or released from incarceration on mandatory supervision. Community Supervision is also divided into the same geographic regions as Corrections – the Northern Region, the Central Region, and the Southern Region. Each region is overseen by the Regional Director of Community Supervision, who reports to a statewide director. The statewide director reports to the Secretary of the department.

Community Supervision has 43 offices located throughout Maryland and nearly 1,400 employees who are involved directly or indirectly in the supervision and monitoring of approximately 61,000 probationers, parolees, mandatory supervision releasees, and home detainees.

Community supervision agents are responsible for ensuring that supervisees comply with the general and special conditions of their release; they also represent the division and present testimony at violation proceedings before the courts and the Maryland Parole Commission. In addition, some agents function as full-time investigators and conduct pre-sentence, pre-parole, and other investigations for the courts, Parole Commission, and other criminal justice agencies.

Community supervision staff also administer the Drinking Driver Monitor Program and the Community Surveillance and Enforcement Program. The Drinking Driver Monitor Program oversees individuals who are sentenced to probation for drunk driving offenses. Drinking driver monitors oversee the conduct of individuals assigned to the Drinking Driver Monitor Program. Drinking driver monitors supply the courts and the Motor Vehicle Administration with information essential to making a determination to initiate violation of probation proceedings or administrative hearings or to modify a supervisee's special conditions of probation. The Community Surveillance and Enforcement Program, which operates statewide under one office, is responsible for providing electronic

monitoring and oversight for qualifying inmates who have been assigned to the program, as well as parolees placed in home detention. Agents assigned to the Community Surveillance and Enforcement Program are responsible for placing identified sexual and violent offenders under GPS surveillance and apprehending offenders who violate the terms of the program. Community Surveillance and Enforcement Program agents serve retake warrants on alleged parole and mandatory supervision release violators and return them to custody to await revocation hearings. In addition, agents are authorized to serve violation of probation warrants issued by the courts.

For additional information on community supervision, see *Volume VIII – Maryland’s Criminal and Juvenile Justice Process* of the Legislative Handbook Series.

### **Maryland Parole Commission**

The seven-member Maryland Parole Commission conducts parole release and parole revocation hearings. Commissioners serve staggered six-year terms and are appointed by the Secretary of Public Safety and Correctional Services, with the approval of the Governor and the advice and consent of the Senate. The commissioners approve all parole releases except those from the Patuxent Institution. For additional information on the Maryland Parole Commission, see *Volume VIII – Maryland’s Criminal and Juvenile Justice Process* of the Legislative Handbook Series.

### **Patuxent Institution**

The Patuxent Institution in Jessup is a treatment-oriented maximum security facility with two statutorily mandated programs: the Eligible Person Program and the Patuxent Youth Program focusing on altering crime related behaviors and deficits for both male and female offenders. Additionally, Patuxent Institution houses the Correctional Mental Health Center – Jessup, which provides evaluation and stabilization services for sentenced male offenders who are seriously mentally ill; the Patuxent Assessment Unit, which provides comprehensive mental health assessment services to newly incarcerated male offenders; the Patuxent Violator Program, which provides cognitive behavioral therapy to male mandatory and parole release violators; and the Regimented Offender Treatment Center for male offenders with significant substance abuse histories.

Although Patuxent Institution is under the umbrella of the department, it is unlike other correctional facilities within the State. The Patuxent Institution maintains its own admission inmate review, paroling authority (Board of Review), parole supervision functions, and a community reentry facility for those offenders who participate in its statutory programming. For additional information on the Patuxent Institution, see *Volume VIII – Maryland’s Criminal and Juvenile Justice Process* of the Legislative Handbook Series.

## **Inmate Grievance Office**

The Inmate Grievance Office operates the administrative process by which the grievances of State inmates are administratively adjudicated. Office staff conduct a preliminary review of each grievance. If a grievance is not administratively dismissed by staff on a basis specified in regulation (such as untimeliness or failure to exhaust institutional administrative remedies), it is scheduled for a hearing before the Office of Administrative Hearings. The administrative law judge hearing the grievance will then either issue a final administrative decision denying and dismissing the grievance as without merit or find the grievance to have merit and issue a proposed decision and order that is then referred to the Secretary for a final administrative decision. Any final administrative decision of an inmate grievance is subject to judicial review in the circuit court of the county in which the inmate is confined.

In fiscal 2013, approximately 2,500 inmate grievances were filed, approximately 520 grievance hearings were scheduled, approximately 310 grievances were denied and dismissed by an administrative law judge as without merit, and 33 grievances were decided by the Secretary.

## **Police and Correctional Training Commissions**

Although they are separate entities under the umbrella of the Department of Public Safety and Correctional Services, the Police Training Commission and the Correctional Training Commission are served by a single executive director and agency staff. The commissions are vested with the statutory authority to set standards of initial selection and training for all governmental law enforcement, correctional, community supervision, and juvenile justice officers in the State, and to otherwise upgrade the professionalism of these officers. Administration of the training occurs at the Public Safety Education and Training Center in Carroll County.

The Police Training Commission prescribes minimum standards for the selection and training of all State and local police officers in Maryland. These standards address selection, promotion to supervisory and management positions, entry-level training, and in-service advanced training. The commission also provides mandated crime prevention; drug abuse prevention; and advanced, specialized, and executive training to police personnel, private organizations, community groups, and private citizens throughout Maryland. Local governments pay a nominal fee for each employee trained by the State.

The Correctional Training Commission prescribes minimum standards for the selection and training of community supervision employees and correctional officers in Maryland. These standards address selection, promotion to supervisory and management

positions, entry-level training, and in-service advanced training. Local governments pay a nominal fee for each employee trained by the State.

### **Maryland Commission on Correctional Standards**

The Maryland Commission on Correctional Standards adopts and enforces life, health, and safety standards for State prisons, local detention centers, and community correctional facilities. Enforcing standards improves public safety, staff well-being, and inmate welfare as well as reduces the likelihood of costly legal payments by the State and local jurisdictions.

### **Detention Services**

Detention Services is primarily responsible for custody and monitoring of the pretrial population in Baltimore City. In addition to an administrative unit, the operation is divided into three programmatic units. The Baltimore City Detention Center houses alleged offenders who are awaiting trial in Baltimore City as well as offenders sentenced to State correctional facilities but assigned to the Baltimore City Detention Center due to sentence length. Until 1991, the detention center was the city jail operated by Baltimore City. Legislation enacted in 1991 transferred responsibility for the operation and funding of the detention center to the State and directed that all persons convicted in Baltimore City and incarcerated be committed to State correctional facilities, eliminating the “local detention” option. The same 1991 legislation required the construction of the Central Booking and Intake Center in Baltimore City. Operated by the State, the Central Booking and Intake Facility processes all individuals arrested within Baltimore City for violation of city or State laws. The Chesapeake Detention Facility, which is located in Baltimore City, houses federal detainees.

For a more detailed discussion of detention services, see *Volume VIII – Maryland’s Criminal and Juvenile Justice Process* of the Legislative Handbook Series.

### **Local Role in Corrections System**

Each of the 23 counties operates a local detention center that serves as the point of entry into the criminal justice system after arrest. Approximately 60% of the local detention center population consists of offenders who are being held pending a trial or sentencing (many offenders are released on their own recognizance, post bail, or are released under supervised alternative to incarceration programs). The remaining 40% consists largely of offenders who are sentenced to a local detention facility for less than 18 months. Local detention centers also house inmates awaiting transfer to a

State correctional facility, offenders sentenced to weekend detention, and in some instances, federal inmates under contractual agreements.

### **Corrections and Community Supervision – Funding**

Because the State is responsible for prisoners with longer sentences and all prisoners in Baltimore City, correctional services are primarily funded by the State, as shown earlier in Exhibit 5.1. In fiscal 2013, spending on corrections totaled \$1.5 billion, 74% of which was funded by the State. Most of the State funding directly supported the State correctional facilities. County funds supported 24%, and federal funds supported approximately 2%. Most of the federal funds supported detention services.

Exhibit 5.9 shows local corrections operating expenditures by jurisdiction in fiscal 2013.

**Exhibit 5.9**  
**Local Corrections Operating Expenditures**  
**Fiscal 2013**

<u>County</u>	<u>County Expenditures</u>
Allegany	\$7,012,778
Anne Arundel	39,912,969
Baltimore City	-
Baltimore	35,028,167
Calvert	7,215,307
Caroline	2,984,884
Carroll	7,784,348
Cecil	13,075,262
Charles	16,343,693
Dorchester	3,500,952
Frederick	17,673,309
Garrett	1,833,642
Harford	21,262,106
Howard	14,784,569
Kent	2,463,974
Montgomery	68,819,494
Prince George's	62,157,166
Queen Anne's	4,036,616
St. Mary's	9,656,781
Somerset	2,469,580
Talbot	2,513,600
Washington	12,620,290
Wicomico	10,911,630
Worcester	14,477,631
<b>Totals</b>	<b>\$378,538,748</b>
Minus State Grants	8,010,799
Minus Federal Grants	379,702
<b>Net Local Spending</b>	<b>\$370,148,247</b>

Note: The Baltimore City Detention Center is a State correctional facility; thus, the operating expenditures associated with it are part of State expenses related to pretrial and detention.

Source: *Uniform Financial Reports*, Department of Public Safety and Correctional Services

## Daily Operating Costs

A \$45 per diem State grant is provided to each county for each day between 12 and 18 months that a sentenced inmate is confined in a local detention center. Counties also receive an additional \$45 per day grant for inmates who have been sentenced to a State correctional facility but are confined in a local facility (known as local jail back-up). As a point of comparison, per diem operating costs of local detention facilities are expected to range from \$60 to \$160 per inmate in fiscal 2015.

## Medical Costs

The State is required to reimburse each county for medical expenses that exceed \$25,000 for any identified inmate in a single fiscal year.

## Capital Costs

The State pays 50% of most capital costs, subject to certain standards (*e.g.*, double ceiling, no air conditioning, and square footage requirements). The State pays 100% of capital costs associated with the expansion of local correctional systems when the local facility houses post-conviction State prisoners.

## Victims of Crime

The Criminal Injuries Compensation Board awards grants to innocent victims of crimes or their dependents who incur financial hardship as a result of a crime. Typically these grants are used to reimburse medical and funeral expenses. Each claim is capped at \$45,000, but the board generally attempts to limit the amount of a claim in order to award a larger number of smaller claims. As of June 30, 2013, there were 12 full-time positions authorized for the board. Approximately six additional contractual positions assist in the performance of the board's work.

Grants are funded by the Criminal Injuries Compensation Fund and federal funds. The Criminal Injuries Compensation Fund receives revenue from a \$22.50 fine charged to persons convicted of crimes in the circuit court, \$12.50 in the District Court, and \$3.00 in traffic court. In fiscal 2013, the State awarded more than \$2.8 million to victims of crime (which includes about \$278,000 in federal funds).

The Governor's Office for Crime Control and Prevention provides funding to organizations to support victims' services, including services for victims of domestic violence, rape crisis, and sexual assault. The State also provides numerous other services to victims of crime. For additional discussion of victims' rights and related State services,

see *Volume VIII – Maryland’s Criminal and Juvenile Justice Process* of the Legislative Handbook Series.

## Chapter 6. Public Education

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The State and county governments share responsibility for Maryland’s public schools. The State Board of Education is responsible for statewide education policy, with the State Superintendent of Schools and the Maryland State Department of Education overseeing implementation and providing administrative support. In general, the 24 local boards of education (23 counties and Baltimore City) together with the local superintendents control educational matters and policymaking within the school systems and oversee the day-to-day operation of public schools. The school systems are not agencies or departments of county government. While the State Board of Education has the “... last word on any matter concerning educational policy or the administration of the system of public education ...” (*Board of Education of Prince George’s County v. Waeldner*, 298 Md. 354, 360-361 (1984)), the local school boards have relative autonomy in the management of the schools.

This chapter provides a brief overview of the structure, services, and funding of public education in Maryland. For a more detailed discussion, please refer to *Volume IX – Education in Maryland* in the Legislative Handbook Series.

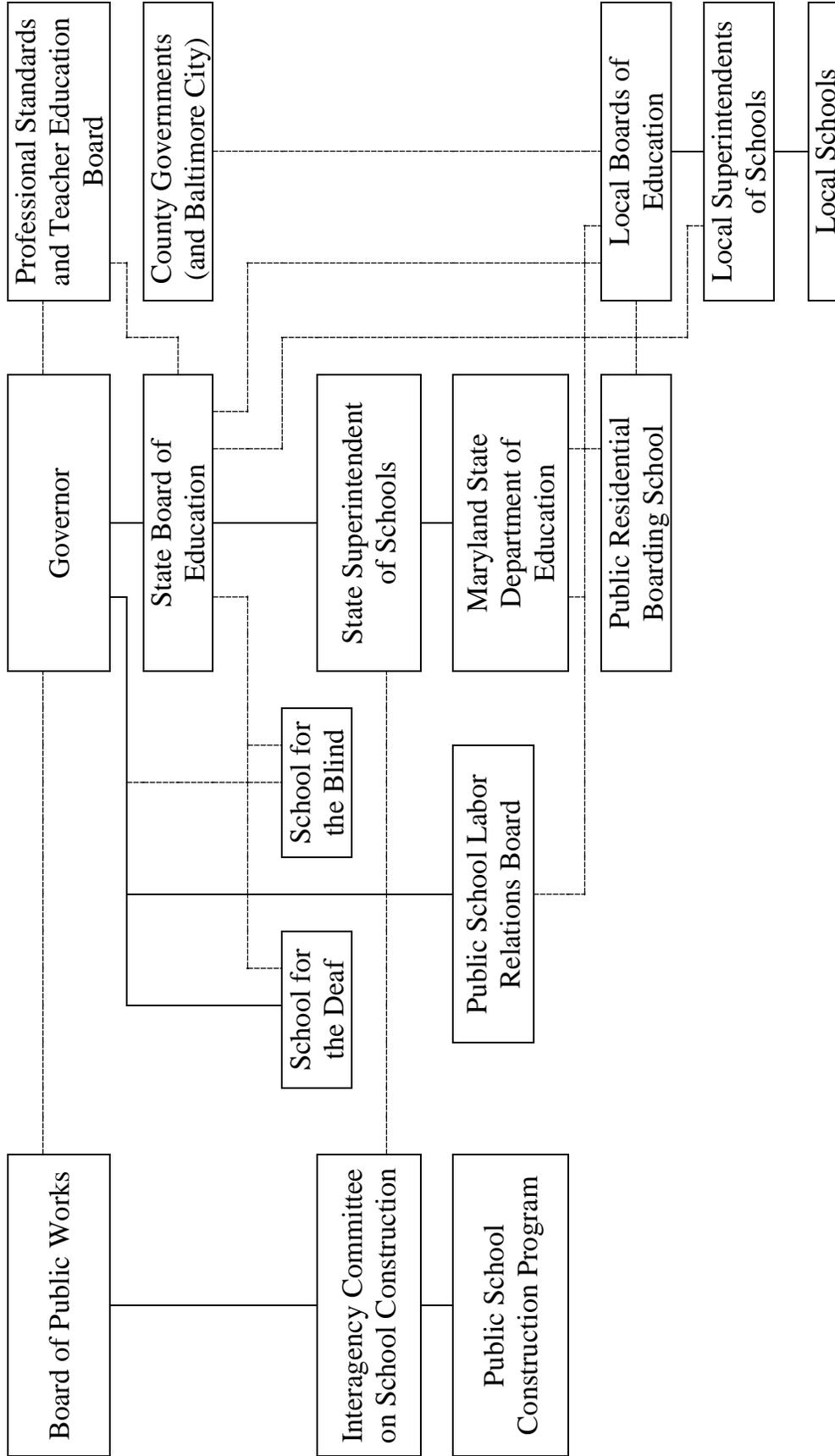
### Structure

The Constitution of Maryland, adopted in 1867, requires the General Assembly to “establish throughout the state a thorough and efficient System of Free Public Schools (Article VIII).” In accordance with this authority, the General Assembly established a system governed by a State Board of Education and 24 local boards of education.

Exhibit 6.1 illustrates that the State Board of Education has general authority over public elementary and secondary education in Maryland and appoints the State Superintendent of Schools. The Governor, with the advice and consent of the Maryland Senate, appoints the 12-member board. Eleven members serve staggered four-year terms. The twelfth member, a student, serves one year and has limited voting authority. With the assistance of the State Superintendent, the State board investigates the educational needs of Maryland, recommends appropriate legislation, and prepares an annual State public school budget for consideration by the Governor. The State board may order public and nonpublic schools to correct deficiencies when they fail to meet standards established by the board. Other responsibilities of the board include:

- adopting bylaws, rules, and regulations for the administration of public schools;
- establishing basic policies and guidelines for instructional programs;

**Exhibit 6.1  
Governance Structure of Primary and Secondary Education in Maryland**



Note: Solid line indicates a relationship of direct authority.  
Source: Department of Legislative Services

- developing, in conjunction with the Professional Standards and Teacher Education Board, rules and regulations for the certification of teachers and other professionals;
- establishing performance standards for students, schools, and school systems; and
- deciding controversies and disputes arising under State laws governing primary and secondary education.

The local boards of education in the counties and the Board of School Commissioners for Baltimore City implement the public education laws, regulations, and policies of the State Board of Education. The composition of the local school boards varies, with 5 to 14 members serving three- to five-year terms. Seventeen counties have elected school boards, three counties have school boards appointed or jointly appointed by the Governor, and four counties have combined elected/appointed school boards, including several unique arrangements. Twenty-two boards have student members but only seven boards allow the student members to vote, which generally excludes collective bargaining and other personnel and budgetary matters. Exhibit 6.2 shows the selection methods, terms of office, and membership for the 24 local school boards.

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**Exhibit 6.2**  
**Local Boards of Education**

<b>School System</b>	<b>Number of Members</b>	<b>Term</b>		<b>Means of Selection<sup>1</sup></b>
Allegany	6	4 years	E	5 from county at large 1 student (nonvoting, one-year term)
Anne Arundel <sup>2</sup>	9	5 years	A	3 from county at large 5 from legislative districts 1 student (one-year term)
Baltimore City <sup>3</sup>	10	3 years	A	9 from city at large 1 student (one-year term)
Baltimore <sup>4</sup>	12	5 years	A/E	4 appointed from county at large 7 elected from councilmanic districts 1 student (one-year term)

## Exhibit 6.2 (Continued)

School System	Number of Members	Term		Means of Selection <sup>1</sup>
Calvert	6	4 years	E	2 from county at large 3 from commissioner districts 1 student (nonvoting, one-year term)
Caroline	7	4 years	A/E	3 elected from school board districts 2 appointed from county at large 2 students (nonvoting, one-year term)
Carroll	11	4 years	E	5 from county at large 5 commissioners <i>ex officio</i> (nonvoting) 1 student (nonvoting, one-year term)
Cecil	6	4 years	E	5 from commissioner districts 1 student (nonvoting, one-year term)
Charles	8	4 years	E	7 from county at large 1 student (nonvoting, one-year term)
Dorchester	7	4 years	E	5 from council districts 2 students (nonvoting, one-year term)
Frederick	8	4 years	E	7 from county at large 1 student (nonvoting, one year term)
Garrett	6	4 years	E	2 from county at large 3 from commissioner districts 1 student (nonvoting, one-year term)
Harford	11	4 years	A/E	6 elected from council districts 3 appointed from county at large 1 superintendent <i>ex officio</i> (nonvoting) 1 student (one-year term)
Howard	8	4 years	E	7 from county at large 1 student (one-year term)
Kent	6	4 years	E	5 from county at large 1 student (nonvoting, one-year term)

**Exhibit 6.2 (Continued)**

<b>School System</b>	<b>Number of Members</b>	<b>Term</b>		<b>Means of Selection<sup>1</sup></b>
Montgomery	8	4 years	E	2 from county at large 5 from school districts 1 student (one-year term)
Prince George's <sup>5</sup>	14	4 years	A/E	9 elected from school board districts 4 appointed by county government 1 student (one-year term)
Queen Anne's	7	4 years	E	1 from county at large 4 from commissioner districts 2 students (nonvoting, one-year term)
St. Mary's	6	4 years	E	1 from county at large 4 from commissioner districts 1 student (nonvoting, one-year term)
Somerset	5	4 years	E	All from commissioner districts
Talbot	8	4 years	E	7 from school board districts 1 student (nonvoting, one-year term)
Washington <sup>6</sup>	8	4 years	E	7 from county at large 1 student (nonvoting, one-year term)
Wicomico	7	5 years	A	All from county at large
Worcester	10	4 years	E	7 from commissioner districts 3 students (nonvoting, one-year term)

<sup>1</sup>A = Appointed by Governor, except in Baltimore City where the board is appointed jointly by the Governor and the Mayor; E = Elected; and A/E = Combined appointed by Governor and elected board, except in Prince George's County.

<sup>2</sup>There are three steps to being appointed and retained as a member of the Anne Arundel County Board of Education. First, the School Board Nominating Commission selects nominees who are recommended to the Governor as candidates for appointment to the Anne Arundel County Board of Education. The commission consists of 11 members – 5 appointed by the Governor from each of the legislative districts, 1 appointed by the County Executive, and 5 appointed from various county organizations. The board member begins serving immediately upon appointment; however, the board member must stand for “approval or rejection of the registered voters of the county” at the next general election. The board member is placed on the ballot, without opposition. If the voters retain the board member, he or she may complete the remainder of the five-year term. If the voters reject the board member, the position becomes vacant and the process begins again. Legislation enacted in 2011, as well as an Attorney General opinion (98 Op. Att’y Gen. 50 (May 22, 2013)), clarify that this three-step process applies not only to newly appointed board members but also to incumbent board members seeking a second term.

**Exhibit 6.2 (Continued)**

<sup>3</sup>The nonstudent members of the Baltimore City Board of School Commissioners of the Baltimore City Public School System are jointly appointed by the Mayor of Baltimore City and the Governor from a list of qualified individuals submitted by the State Board of Education. Each member must be a resident of Baltimore City, and the membership must reflect the demographic diversity of Baltimore City.

<sup>4</sup>Legislation enacted in 2014 established the Baltimore County Nominating Commission. The commission is responsible for selecting 8 nominees to be recommended to the Governor as qualified candidates for appointment to the Baltimore County Board of Education. The commission consists of 19 members of the county and must reflect the diversity of the county. Except in extenuating circumstances, the Governor must appoint members to the board of education from the list the nominating commission provides.

<sup>5</sup>Legislation enacted in 2013 altered the membership of the Prince George's County Board of Education by adding four appointed members to the existing elected board. The county executive appoints three members with certain experience requirements, and the county council appoints one member who must be a parent of a student in the county school system. If a seat held by an elected member becomes vacant, the county executive must appoint a qualified individual for the remainder of the term, with the appointment subject to rejection by a two-thirds vote of the county council.

<sup>6</sup>Washington County Board of Education reports that the student member can only concur on votes and must abstain from certain matters.

Source: Annotated Code of Maryland, Education Article, Sections 3-101 through 3-1405; Local Boards of Education

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Although local school boards are independent governmental units, they rely on county governments for a significant portion of their funding. School boards must submit their budget requests to the county governing body. The budget submission includes revenues and expenditures by major category, as established by State law and the State Board of Education. The county governing body reviews, modifies, and approves the budget. Any reductions are made by major category. In jurisdictions with a county executive, the executive reviews the budget first and then submits it to the county council. With the exception of Baltimore County, the council may restore any reductions made by the county executive to the proposed school board budget.

**Services****Early Childhood Development and Preschool**

With research repeatedly demonstrating the importance of positive early educational experiences, State policy has focused on early learning initiatives, such as aligning early childhood programs with K-12 education and enhancing school readiness in young children. The Maryland State Department of Education implements several programs

related to child care and early childhood development, including support for a statewide network of child care providers and provision of subsidies to low-income families for the cost of child care. The State also supports early learning through the Healthy Families/Home Visiting, Maryland Infants and Toddlers, Head Start, and Judith P. Hoyer Early Childhood and Education Enhancement Programs. For more information on Early Childhood Development, see Chapter 1 in *Volume IX – Education in Maryland* in the Legislative Handbook Series.

## **Prekindergarten**

State law requires local school systems to make publicly funded prekindergarten available to all economically disadvantaged four-year-old children in the State. To qualify as economically disadvantaged, a child must be from a family whose income is at or below 185% of federal poverty guidelines. Although local school systems must provide prekindergarten for eligible children, they may use approved private prekindergarten programs to provide the service. In September 2013, 26,357 four-year-old children were enrolled in public prekindergarten programs for four-year-olds. Another approximately 30,000 students attended private prekindergarten programs.

Legislation enacted in 2014 established the Prekindergarten Expansion Grant Program, which expanded prekindergarten services to additional eligible four-year-old children from families whose income is at or below 300% of federal poverty guidelines. The expansion program established a competitive grant program to provide funding to qualified public and private prekindergarten providers. If funds are provided for the expansion program in the State budget, then at least the same amount must be provided in subsequent years. The fiscal 2015 budget included \$4.3 million for the expansion program – thus, at least \$4.3 million must be provided annually.

## **General K-12 Education Program**

Under State law, except in certain circumstances, every child from age 5 through 15 must attend a public school or receive regular, thorough instruction during the school year in studies usually taught in the public schools to children of the same age. Beginning with the 2015-2016 school year, the age of compulsory school attendance will increase from 15 to 16 years old for any child who turns 16 on or after July 1, 2015. Beginning with the 2017-2018 school year, the age of compulsory school attendance will increase from 16 to 17 years old for any child who turns 17 on or after July 1, 2017.

Individuals from ages 5 through 20 choosing to attend a Maryland public school must be admitted free of charge. As of September 2013, approximately 836,976 kindergarten through grade 12 students were enrolled in public schools (including

386 students in the SEED School, the State's public residential boarding school). Another 128,211 students attended private schools. Local enrollments of kindergarten through grade 12 students ranged from 1,995 in Kent County to 147,532 in Montgomery County.

As of June 2013, there were 1,451 public schools throughout the State: 790 elementary schools; 218 secondary/middle schools; 181 high schools; 93 combined/special education schools; and 169 other nontraditional public schools, such as vocational technical schools, charter schools, outdoor education schools, home and hospital schools, transition programs, atypical special education schools, and alternative schools. Public schools must be open at least 180 days over a 10-month period with 1,080 hours of instruction. There were 1,420 private schools throughout the State with enrollment of 128,211 in kindergarten through grade 12 in September 2013.

The 24 local school systems employed 114,498 full-time equivalent personnel as of June 2013. Of these, 68.7% were instructional positions, which include teachers, therapists, guidance counselors, and coaches, among others.

### **Education of Students with Disabilities**

Federal law requires states to provide a free and appropriate education to all students with disabilities age 3 through 21 who are found to be in need of special education services. Services begin as soon as the child can benefit from them, regardless of whether the child is of school age. Approximately 102,358 students were enrolled in special education programs for the 2012-2013 school year. Most of these students attended local public or State schools. If required services are not available through the public schools, however, students are placed in appropriate nonpublic programs. Of the students receiving special education services funded by their local public school systems, approximately 3,598, or 3.5%, attended nonpublic schools.

### **School for the Deaf**

The Maryland School for the Deaf is a State agency governed by a Governor-appointed board of trustees that is responsible for the educational, personal, and vocational development of deaf school-age children residing in the State and in attendance at the school. With campuses in Frederick and Columbia, the school provides free comprehensive educational programs similar to public schools with enhanced communication skills training, vocational education, and rehabilitation programs. A total of 434 students were enrolled at the two campuses in fiscal 2013.

### **School for the Blind**

The Maryland School for the Blind, a private, nonprofit organization that serves students who are blind or visually impaired, provides highly specialized services to students with complex disabilities. In fiscal 2013, the school served 181 students, over half of whom were profoundly disabled, many being deaf and blind. The Maryland School for the Blind also provides equipment, Braille textbooks, and tutoring services to visually impaired students attending local schools across the State.

### **Statewide Public Boarding School (The SEED School of Maryland)**

In 2006, the General Assembly established a public residential boarding school for at-risk youth that is operated under the supervision of the Maryland State Department of Education. The department contracted with a nonprofit organization (The SEED Foundation, which also operates a similar school in Washington, DC) to operate the school. The school must provide at-risk students with a remedial curriculum for middle school students and a college preparatory curriculum for high school students. Eligible students are selected by a lottery system.

### **Education Programs in Juvenile Facilities**

The role of the Maryland State Department of Education in educating students in juvenile facilities has been expanded since 2009. Several legislative actions culminated with requiring the department to provide educational services in all residential facilities of the Department of Juvenile Services. As of July 1, 2013, the Maryland State Department of Education assumed control of the educational programs at all 14 juvenile facilities, and served 5,064 students in fiscal 2013.

### **Workforce Development**

The Maryland State Department of Education also provides services related to workforce development. This includes vocational rehabilitation and career and technology education. For vocational rehabilitation, the department provides policy direction, administrative support, eligibility determination for federal disability benefits, and rehabilitation services, such as occupational skills training and rehabilitation technology, at the Maryland Workforce and Technology Center and 24 offices statewide. For career and technology education, the department distributes funds for occupational education programs with specific training programs in secondary schools and community colleges, such as automotive technology and cosmetology. Further information on rehabilitation services and career and technology education can be found in Chapter 14 (Labor and Workforce Development) of this volume of the Legislative Handbook Series.

## **Educational Assessment and Accountability**

Since 1993, Maryland has used State assessments as a basis of measuring school performance. Beginning in 2003, the department implemented the Maryland School Assessment (MSA) and High School Assessment (HSA) tests to meet the requirements of the federal No Child Left Behind Act and fulfill State policy. MSA measures the performance of students in grades 3 through 8 annually in reading and math and measures science performance for fifth and eighth graders. HSA measures academic performance in English, algebra/data analysis, biology, and social studies. Beginning in 2009, students are required to pass each of the HSAs or achieve a minimum combined score in order to graduate from high school. Alternative assessments are provided for students with disabilities. Qualifying students may substitute completion of rigorously supervised alternate bridge projects if they have been unable to pass the HSAs.

The new State curriculum known as the Maryland College and Career-Ready Standards (MCCRS), which is aligned with the Common Core State Standards, is intended to reflect college and workplace expectations and was fully implemented statewide in the 2013-2014 school year. In addition, the Partnership for Assessment of Readiness for College and Careers (PARCC), in which Maryland was a partner, developed new assessments aligned with the Common Core State Standards. The new assessments were field tested in at least one classroom in every Maryland school in spring 2014 as the State prepared to replace most of the MSAs with the PARCC assessments in the 2014-2015 school year and the English and math HSAs soon thereafter. The PARCC assessments must be administered fully online by the 2017-2018 school year, although the department has set a goal to administer the PARCC assessments fully online by the 2016-2017 school year.

State law also requires each local school system to develop and annually update a comprehensive master plan to improve performance in every segment of the student population. By October 15, 2015, each school system must submit a new plan that covers a five-year period and each subsequent annual update must cover a rolling five-year period. Each plan must include goals aligned with State standards, implementation strategies, methods for measuring progress, and timelines for implementation. If any segment of the student population in a school system fails to demonstrate progress toward meeting performance standards, the State Superintendent of Schools must review the system's plan and may require the system to make changes to the plan.

## **Educator Effectiveness**

The Maryland State Department of Education oversees the certification of teachers, principals, and other school personnel, approves the educational program at nonpublic

schools, and evaluates and approves higher education programs that educate and prepare teachers and other certified school personnel. The No Child Left Behind Act required that all teachers of core academic subjects be highly qualified by the end of the 2005-2006 school year. Schools are required to annually report on the number of nonhighly qualified teachers to the federal government, which can sanction schools if annual goals are not met. However, the State's flexibility waiver, discussed below, included a provision that waived this requirement.

## **Teacher and Principal Evaluations**

Each school system, also known as a local education agency, is responsible for evaluating its certified teachers and principals. The State Board of Education was statutorily required to adopt (1) general standards for performance evaluations of certified teachers and principals for a local education agency-established evaluation system and (2) default model State performance evaluation criteria for local education agencies that do not reach an agreement with the exclusive employee representative of that jurisdiction for a local education agency evaluation system. Nontenured, certificated teachers and principals must be evaluated annually. The frequency of evaluations for tenured, certificated teachers and principals varies depending on prior performance.

Beginning with the 2013-2014 school year, the State Board of Education regulations require that a local education agency's teacher and principal evaluation system meet the minimum general standards set forth in regulations. Teachers and principals receive ratings of highly effective, effective, or ineffective. The general standards require at least two classroom observations (for teachers), claims and evidence that substantiate observed behavior, a professional development component, a mentoring component for ineffective-rated teachers and nontenured teachers, and a measure of student growth that is a significant factor in the overall rating and is based on multiple measures. An evaluation must have a written report that is presented to the evaluated teacher or principal, a space for written comments by the evaluated teacher or principal, and a process for appealing a final rating and report.

## **Tenure**

Legislation enacted in 2010 also made significant changes to the tenure period for certificated school employees. The initial probationary period of employment for new certificated employees in a local school system increased to three years. Each employee is issued a one-year contract with the local board of education and is required to be evaluated annually during each year of the employee's probationary period. If a nontenured employee is found to be *not* on track for tenure at any formal evaluation point, the employee

must promptly be assigned a mentor to provide comprehensive guidance and instruction and provided with additional professional development.

Certificated employees who achieve tenure in one jurisdiction in the State and move to a different jurisdiction may retain tenure after a one-year probationary employment period in the new jurisdiction.

## **Flexibility Waivers**

The federal No Child Left Behind Act of 2001, the most recent reauthorization of the Elementary and Secondary Education Act of 1965, requires every state to meet certain annual benchmarks. A school that fails to meet the requirements of No Child Left Behind may endure strict penalties for noncompliance. Due to the strict penalties of No Child Left Behind, the U.S. Department of Education offered states an opportunity to apply for waivers from certain provisions of No Child Left Behind (flexibility waivers). In order to receive a flexibility waiver, states must outline their plans to improve educational outcomes for all students, close achievement gaps, increase equity, and improve the quality of instruction. A flexibility waiver applies to 10 No Child Left Behind requirements and up to 3 optional requirements that a state chooses.

Maryland received approval of its flexibility waiver and subsequent amendments in 2012 and 2013 for the 2012-2013 and the 2013-2014 school years for schools to achieve certain benchmarks; however, they still must achieve other academic benchmarks. According to the Maryland State Department of Education, the flexibility of the waiver has allowed the State and its local education agencies to focus on implementing the MCCRS; transitioning to the PARCC assessments; providing support, recognition, and intervention to all Maryland public schools; and developing a teacher and principal evaluation system that incorporates student growth, measured by assessments, as a major component. In 2014, Maryland received an extension of its flexibility waiver for the 2014-2015 school year. All states requesting flexibility from No Child Left Behind must apply for new waivers in 2015.

## **Funding**

In fiscal 2013, local, State, federal, and other funding for public primary and secondary education totaled \$12.3 billion. As shown in Exhibit 6.3, the majority of this funding, approximately \$12.0 billion, was provided to local boards of education to support public schools around the State. The State was the largest contributor to local boards of education, providing \$5.8 billion, with local governments providing \$5.5 billion. The federal government and other sources provided the remainder of local board of education funding at \$591.7 million and \$106.1 million, respectively.

In addition to funding for local boards of education, \$287.6 million supported primary and secondary education services provided through the Maryland State Department of Education in fiscal 2013. Of this amount, \$168.6 million provided for statewide education and administration. Another \$119.0 million supported the early childhood development programs. Of the \$287.6 million total, more than half, or \$149.5 million, was supported with federal funds.

Through the Maryland State Department of Education, the State also funds some organizations and programs based upon their functions and contributions to education in the State. State appropriations for these organizations in fiscal 2013 totaled \$30.5 million. Most of this funding, \$21.5 million, went to the Maryland School for the Blind, which also reported \$1.7 million in private gifts, investment income, and out-of-state tuition, \$0.7 million in federal funds, and \$0.7 million in locally funded tuition. A total of \$9.0 million also supported a variety of nonprofit organizations (\$4.7 million) and the purchase of textbooks and technology for nonpublic schools (\$4.3 million from the Cigarette Restitution Fund). In fiscal 2013, the Maryland School for the Deaf was appropriated a total of \$28.4 million. Of this amount, \$0.5 million was federal funds. Administrative expenses for the Interagency Committee on School Construction totaled \$1.6 million.

As summarized in Exhibit 6.3, county governments provided 44.8% of the total funding for public education in fiscal 2013. State funding, including support for State agencies that provide educational services and State-aided educational institutions, accounted for another 48.3%. Revenues generated by the school systems and by the Maryland School for the Blind made up 0.9% of total funding for primary and secondary education services, and federal aid comprised 6.0% of funding.

**Exhibit 6.3**  
**Primary and Secondary Education Funding – Fiscal 2013**  
**(\$ in Millions)**

	<u>County</u> <u>Revenues</u>	<u>State</u>	<u>Federal</u>	<u>Other</u> <sup>1</sup>	<u>Total</u>
Local School Boards <sup>2</sup>	\$5,530.4	\$5,755.8	\$591.7	\$106.1	\$11,984.0
State Department of Education <sup>3</sup>					
Career Technology/Adult Learning		1.1	2.2		3.3
Accountability and Assessment		42.0	11.1		53.1
Early Childhood Development <sup>4</sup>		53.0	66.0		119.0
Juvenile Services Education		11.5	0.5		12.0
Administration and Other Programs <sup>5</sup>		30.4	69.7		100.1
Educational Organizations					
School for the Blind <sup>6</sup>	0.7	21.5	0.7	1.7	24.6
Other Organizations <sup>7</sup>		9.0			9.0
Other Education Funding					
IAC Administration		1.6			1.6
School for the Deaf <sup>6</sup>	0.2	27.7	0.5		28.4
<b>Total</b>	<b>\$5,531.3</b>	<b>\$5,953.6</b>	<b>\$742.4</b>	<b>\$107.8</b>	<b>\$12,335.1</b>
<b>Percent of Total</b>	<b>44.8%</b>	<b>48.3%</b>	<b>6.0%</b>	<b>0.9%</b>	

IAC: Interagency Committee on School Construction

<sup>1</sup> Other funding includes investment earnings and other unidentified revenues generated by the local school systems. School for the Blind revenues include private gifts, investment income, and tuition from out-of-state students.

<sup>2</sup> Local school board State revenues include State funding for the aging schools program and retirement, and exclude library funding.

<sup>3</sup> State Department of Education funding excludes rehabilitation services and library services.

<sup>4</sup> Early childhood development funding includes the child care subsidy program.

<sup>5</sup> Administration and other programs includes funding for the office of the superintendent; business services; academic reform and innovation; information technology; major information technology development projects; instruction; student, family, and school support; special education and early intervention; certification and accreditation; school and community nutrition programs; and the autism waiver.

<sup>6</sup> County funding includes tuition from in-state students. State funding includes enhanced services.

<sup>7</sup> Other organizations includes funding for educational organizations through the Blind Industries and Services of Maryland, funding for other educational institutions, and aid to nonpublic schools.

Note: Numbers may not sum to total due to rounding. Reimbursable funds are not included.

Source: Local School System Audited Financial Statements, Fiscal 2013, Maryland State Department of Education; *Fiscal 2015 State Budget Books*; Maryland School for the Blind; Department of Legislative Services

## **Funding for Local School System Operating Expenses**

Funding local school systems is primarily a State and county responsibility. Under the maintenance of effort provision of State law, each county government including Baltimore City must appropriate at least as much funding per pupil to the local board of education as it appropriated in the previous fiscal year; otherwise, income tax revenues of the county government will be withheld in an amount equal to the amount by which the county government fell short of the required amount. This withheld amount would be directly sent to the school board. This assures that the schools receive full funding. The State board has the authority to grant a one-year waiver of the maintenance of effort requirement under certain circumstances including a broad economic downturn. However, at an absolute minimum, a county government must provide its local school system with the local share of the foundation program.

A county government that is successful in securing a one-year waiver and provides above average support to the local school board (relative to its local wealth) may also request a waiver that reduces the required maintenance of effort amount in future years (known as a rebasing waiver). Finally, to encourage efficiencies among county governments and school systems, a separate waiver was established that, like the rebasing waiver, allows a county to reduce its required annual maintenance of effort amount under specified circumstances.

The Bridge to Excellence in Public Schools Act of 2002 established a State funding framework based mostly on recommendations made by the Commission on Education Finance, Equity, and Excellence (also known as the Thornton Commission). The commission specified that one of the roles of the State is to implement a school financing structure that enables schools and school systems to acquire the resources necessary to reasonably expect that students can achieve State academic performance standards. The Bridge to Excellence Act established a school finance structure designed to provide equitable and adequate funding for public school systems and phased the new structure in from fiscal 2003 to 2008. Additionally, local school systems were given broad flexibility to decide how to best utilize resources to meet the needs of their students. Beginning in the summer of 2014, the Maryland State Department of Education in collaboration with the Department of Budget and Management and the Department of Legislative Services will study, through the use of an independent contractor, the adequacy concept over a two-year period. The results of the study are due by November 2016 and will inform whether Maryland revises its finance structure for funding of education.

Exhibit 6.4 shows total funding for each school system and the share provided by local, State, federal, and other sources. The exhibit shows a wide range of funding patterns, with schools in Talbot and Worcester counties getting approximately 65% or more of their

funding from local sources and schools in Baltimore City and Caroline and Wicomico counties getting more than 70% of their funding from the State. The majority of federal funding is provided according to the needs of each local school system, as measured by economically disadvantaged and special education student counts. Most State funding is provided inverse to local wealth. School systems with lower wealth, as measured by property assessable base and net taxable income, receive more aid per student than wealthier school systems. In addition, school systems with greater needs and higher costs also get additional State aid. Local funding is a function of local wealth and local effort.

### **Teachers' Retirement**

Since 1927, virtually all teachers, principals, and certain other public school employees have been required to be members of the State Teachers' Retirement or Pension systems as a condition of their employment. These systems are maintained and operated by the State.

Before fiscal 2013, Maryland paid the full employer pension contribution for teachers and others in the State Teachers' systems employed by local school boards. Legislation enacted in 2012 phased in a requirement that local school boards pay 100% of the employer *normal* cost for active members of the Teachers' Retirement or Pension systems, while the State will continue to pay 100% of the amortized accrued liability for active and retired members. The employer normal cost represents the employer's share of the payment that is necessary to fund the benefits that currently employed members accrue in a given year. To assist the local school boards in funding this cost, each county government was also required to include this amount in its appropriation to the local school board as part of the county's annually required maintenance of effort payment. The legislation also established State Teacher Retirement Supplemental Grants to help mitigate local costs.

The legislation enacted in 2012 stipulated the dollar amount that each county must pay during the four-year phase-in of the cost-sharing plan, based on the estimated normal cost each year. Beginning in fiscal 2017, each local school system is responsible for paying the actual normal cost. In fiscal 2013, the first year of the phase-in, the local share totaled \$136.6 million. The State share was \$755.4 million, or 13% of total State education aid provided to local school boards. The local boards also paid \$13.0 million in administrative charges to the State Retirement Agency, which was first required in fiscal 2012.

Further detail on the State's school finance structure is provided in *Volume IX – Education in Maryland* of the Legislative Handbook Series.

**Exhibit 6.4**  
**Operating Revenues for Local School Systems – Fiscal 2013**  
(\$ in Thousands)

County	Local <sup>1</sup>	% Local	State <sup>2</sup>	% State	Federal	% Federal	Other <sup>3</sup>	% Other	Total
Allegany	\$29,392	23.9%	\$83,212	67.7%	\$9,616	7.8%	\$744	0.6%	\$122,963
Anne Arundel	584,580	57.9%	376,017	37.3%	44,745	4.4%	3,931	0.4%	1,009,272
Baltimore City	244,179	18.1%	946,471	70.2%	147,765	11.0%	9,860	0.7%	1,348,275
Baltimore	689,746	48.3%	644,944	45.2%	68,001	4.8%	25,248	1.8%	1,427,939
Calvert	110,284	50.6%	97,748	44.9%	7,567	3.5%	2,154	1.0%	217,754
Caroline	13,206	19.3%	49,331	72.1%	4,405	6.4%	1,482	2.2%	68,425
Carroll	170,800	49.1%	161,628	46.5%	12,043	3.5%	3,267	0.9%	347,738
Cecil	69,616	36.7%	109,059	57.6%	10,023	5.3%	791	0.4%	189,489
Charles	154,240	44.1%	178,286	51.0%	13,275	3.8%	3,697	1.1%	349,496
Dorchester	17,963	29.6%	35,946	59.3%	4,897	8.1%	1,847	3.0%	60,653
Frederick	240,091	46.9%	250,716	49.0%	16,449	3.2%	4,181	0.8%	511,437
Garrett	26,191	46.8%	25,426	45.4%	4,156	7.4%	204	0.4%	55,977
Harford	242,786	49.5%	242,338	49.4%	479	0.1%	5,044	1.0%	490,646
Howard	483,585	61.8%	274,405	35.1%	18,002	2.3%	6,887	0.9%	782,880
Kent	17,363	54.4%	12,003	37.6%	2,330	7.3%	207	0.6%	31,903
Montgomery	1,419,639	63.2%	745,281	33.2%	73,280	3.3%	6,417	0.3%	2,244,618
Prince George's	631,499	36.2%	1,000,320	57.3%	98,347	5.6%	15,922	0.9%	1,746,087
Queen Anne's	48,328	53.9%	40,764	45.4%	1	0.0%	608	0.7%	89,700
St. Mary's	85,698	39.5%	108,077	49.8%	12,909	6.0%	10,346	4.8%	217,030
Somerset	9,554	23.7%	26,238	65.1%	4,245	10.5%	239	0.6%	40,276
Talbot	34,960	64.9%	15,609	29.0%	2,913	5.4%	412	0.8%	53,894
Washington	92,952	32.9%	174,177	61.6%	14,209	5.0%	1,320	0.5%	282,657
Wicomico	39,174	20.9%	131,989	70.4%	15,468	8.3%	921	0.5%	187,551
Worcester	74,618	69.5%	25,811	24.0%	6,557	6.1%	371	0.3%	107,357
<b>Total</b>	<b>\$5,530,442</b>	<b>46.1%</b>	<b>\$5,755,794</b>	<b>48.0%</b>	<b>\$591,680</b>	<b>4.9%</b>	<b>\$106,100</b>	<b>0.9%</b>	<b>\$11,984,017</b>

<sup>1</sup> Amounts include local appropriation, local in-kind, and local fund balance.

<sup>2</sup> Includes Aging Schools Program and State retirement payments on behalf of local school boards.

<sup>3</sup> "Other" includes investment earnings and other unidentified revenues.

Note: Local school system audited financial statements were adjusted for State retirement payments and undefined intergovernmental funding as needed. Numbers may not sum to the total due to rounding.

Source: Local School System Audited Financial Statements, Fiscal 2013; Department of Legislative Services

While the previous exhibits have shown revenues, Exhibit 6.5 shows that total operating spending statewide averaged \$14,421 per pupil in fiscal 2013. The exhibit also shows that the ratio of per pupil spending in the highest spending district to per pupil spending in the lowest spending district was 1.43 to 1 in fiscal 2013. In other words, per pupil spending in Worcester County was 43.2% higher than it was in Queen Anne's County. Five factors account for most of the spending disparities that continue to exist in per pupil expenditures among counties:

- ***Fiscal Capacities:*** Counties have different abilities to raise revenues from local sources.
- ***Local Effort:*** Other priorities may compete for funding, and taxpayer support for education may differ among Maryland's counties.
- ***Cost Differentials:*** The cost of providing an average mix of classroom resources (teachers and supplies) varies across school districts.
- ***Special Student Populations:*** Students with special needs cost more to educate, and the proportion of special needs students varies among Maryland's school districts.
- ***State and Federal Aid:*** Per pupil State and federal aid distributions to local school boards vary considerably.

### **Public School Construction**

The Interagency Committee on School Construction is composed of the State Superintendent of Schools, the Secretary of Planning, the Secretary of General Services, a member of the public appointed by the President of the Senate, and a member of the public appointed by the Speaker of the House. The committee supports the Board of Public Works in the administration of the Public School Construction Program and coordinates the activities of school construction employees in the Maryland State Department of Education, the Maryland Department of Planning, and the Department of General Services. The committee also assists all local school systems and local government bodies in planning, designing, and constructing primary and secondary educational facilities.

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**Exhibit 6.5**  
**Total School System Operating Expenditures**  
**Fiscal 2013**

<u>County</u>	<u>Per Pupil</u>
Allegany	\$14,735
Anne Arundel	13,354
Baltimore City	16,578
Baltimore	13,779
Calvert	13,634
Caroline	13,014
Carroll	13,108
Cecil	12,954
Charles	13,390
Dorchester	13,660
Frederick	13,696
Garrett	14,022
Harford	13,093
Howard	15,242
Kent	15,691
Montgomery	15,480
Prince George's	14,813
Queen Anne's	11,938
St. Mary's	12,952
Somerset	14,651
Talbot	12,567
Washington	12,745
Wicomico	13,337
Worcester	17,093
<b>Total</b>	<b>\$14,421</b>

Note: Enrollment is the actual September 30, 2012 full-time equivalent students in kindergarten through grade 12. Amounts include local, State, federal, and other current expense fund expenditures. Expenditures for State-paid retirement and prekindergarten are included.

Source: Local School Systems Audited Financial Statements, Fiscal 2013; Department of Legislative Services

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The Bridge to Excellence in Public Schools Act established the Task Force to Study Public School Facilities to review the adequacy and equity of the State's Public School Construction Program. The task force recommended extensive changes to the program, many of which were implemented in the Public School Facilities Act of 2004. The Act directed the Board of Public Works to adopt in regulations a new State and local cost-share formula that would be updated every three years based on the task force's recommendations. The State share of a school system's eligible construction costs relates to the wealth of the county and several other factors relating to local needs and effort but is not less than 50%. Less-wealthy jurisdictions, as measured by net taxable income and assessable property base, generally receive a greater share of construction costs than wealthier subdivisions. In fiscal 2013 to 2015, the highest State share was 96%.

The Public School Facilities Act also contained a statement of intent to fund \$3.85 billion in school construction from fiscal 2006 through 2013, necessitating annual State funding of \$250 million, with the remainder of the costs to be paid by local governments. The State exceeded that level of funding for school construction in every year since the law was enacted and met the total goal one year early in fiscal 2012. The State has continued to exceed the \$250 million mark from fiscal 2013 through 2015, providing a total of \$1.3 billion.

## Chapter 7. Higher Education

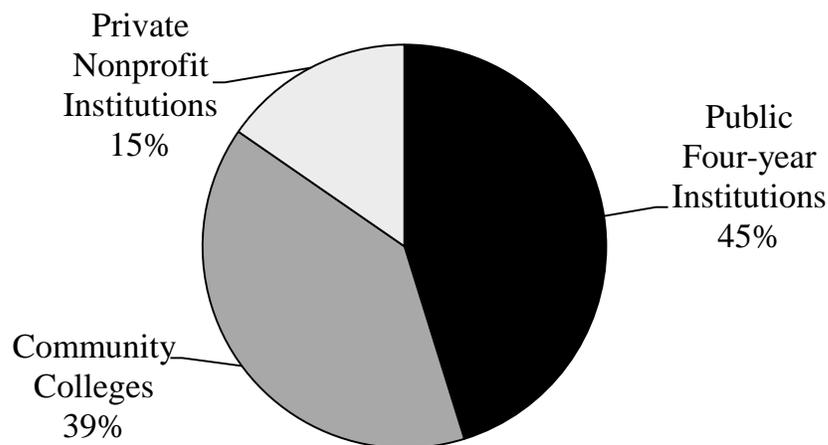
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Maryland's higher education system consists of the Maryland Higher Education Commission, which is the State's postsecondary coordinating body, the University System of Maryland, 2 public four-year institutions independent of the University System of Maryland (Morgan State University and St. Mary's College of Maryland), 8 regional higher education centers, 16 community colleges, and a multitude of private colleges, universities, and career schools. In fiscal 2013, 283,945 full-time equivalent students enrolled in a public or private nonprofit college or university in Maryland. As shown in Exhibit 7.1, the largest portion of the students (45%) attended public four-year institutions while 39% enrolled at community colleges and 15% enrolled at private nonprofit institutions. Enrollment in private career schools and other for-profit institutions is not included in these figures.

Maryland's public higher education system is primarily a State function. Oversight of public four-year institutions and community colleges is generally the responsibility of the State, with the Governor appointing the boards of trustees/regents and the Maryland Higher Education Commission providing additional oversight. In fiscal 2013, State dollars provided 23% of the revenues at the public four-year institutions and 21% of the revenues at the community colleges, while local governments were responsible for 22% of community college revenues. Eligible private nonprofit colleges and universities in Maryland also receive direct financial assistance from the State.

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**Exhibit 7.1**  
**Full-time Equivalent Student Enrollment by Segment**  
**Fiscal 2013**



Source: *Fiscal 2015 State Budget Books*; Department of Legislative Services

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This chapter provides a brief overview of the structure, services, and funding of higher education in Maryland. For a more detailed discussion, please refer to *Volume IX – Education in Maryland* of the Legislative Handbook Series.

## **Structure**

Responsibility for the delivery of public higher education services lies primarily with the State, as shown in Exhibit 7.2. However, the organizational structure varies somewhat depending on whether the institution is part of the University System of Maryland, a four-year institution separate from the university system, a regional higher education center, or a community college. Additionally, the College Savings Plans of Maryland, which is independent of the organizational structure shown in Exhibit 7.2, offers higher education savings for Maryland families.

### **Maryland Higher Education Commission**

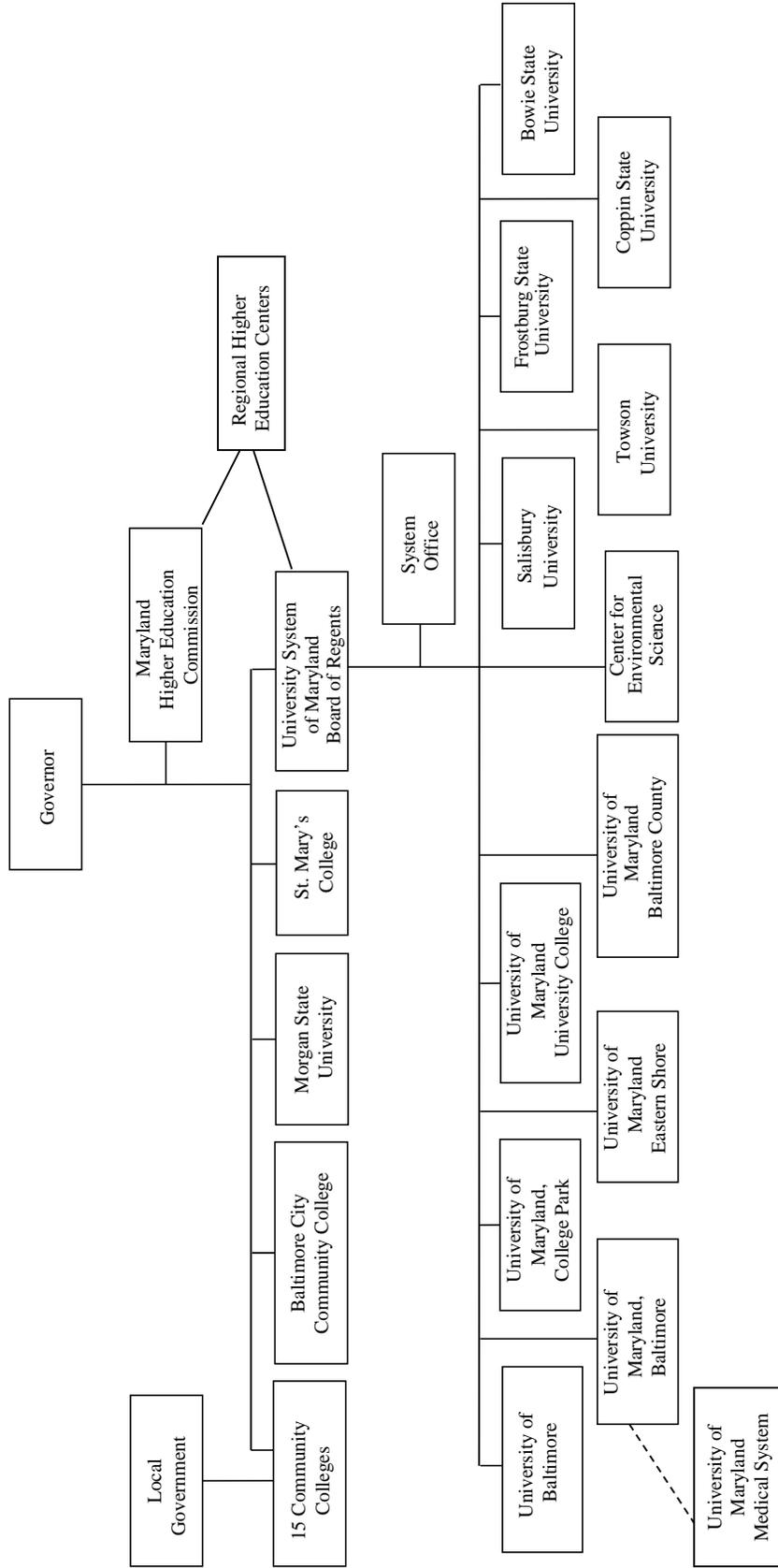
As the State's higher education planning and coordinating body, the Maryland Higher Education Commission oversees various aspects of the public and private higher education system. The commission is governed by 12 members and the Secretary of Higher Education, who are appointed by the Governor with the advice and consent of the Senate.

### **University System of Maryland**

The University System of Maryland encompasses 12 degree-granting institutions including the University of Maryland Center for Environmental Science, which is a candidate for professional and graduate-level accreditation. The system is governed by a 17-member Board of Regents, appointed by the Governor with the advice and consent of the Senate, which is responsible for overseeing the operations of the university system, setting tuition and fees, and selecting a chancellor for the system. The chancellor acts as the system's chief executive officer and assists the Board of Regents in selecting a president for each of the institutions.

The University of Maryland Medical System is not a part of the university system and, instead, is a private, nonprofit corporation created in 1984 to provide governance and management over the operation of the formerly State-run University of Maryland Hospital. The hospital is a teaching hospital, however, and many of the doctors and other medical professionals are also on the faculty of the University of Maryland, Baltimore.

**Exhibit 7.2**  
**Maryland Public Higher Education System**



Source: Department of Legislative Services

## **Morgan State University and St. Mary's College of Maryland**

Morgan State University and St. Mary's College of Maryland are public four-year institutions that do not fall under the auspices of the university system. Each institution has its own governing board appointed mostly by the Governor with the advice and consent of the Senate: a 15-member Board of Regents at Morgan State and a 26-member Board of Trustees at St. Mary's College of Maryland (3 members are not Gubernatorial appointments). At both institutions, the boards have responsibility for selecting the president, setting tuition and fees, and providing general operational oversight.

## **Regional Higher Education Centers**

The Maryland Higher Education Commission is responsible for the coordination of the eight regional higher education centers located throughout Maryland. The University System of Maryland operates two of the centers, and the other six are independent centers that exist in areas not served by comprehensive four-year institutions. The purpose of regional higher education centers is to provide access to higher education programs in unserved or underserved areas of the State and to respond to the needs of businesses and industries in the areas they serve. A regional higher education center includes participation by two or more public and/or private institutions of higher education, consists of a variety of program offerings, and offers multiple degree levels.

## **Community Colleges**

Maryland has a locally controlled community college system consisting of 16 community colleges that are governed by 16 boards of trustees. There are 12 county boards of community colleges, 3 regional boards, and a board for the Baltimore City Community College, which has been operated as a State agency since fiscal 1991. State law generally provides that the community college boards have seven members serving staggered six-year terms; however, there are variations in the number and terms of board members.

Each board of community college trustees has responsibility for the general control of the community college. The board appoints the president of the college; determines the salaries and tenure of the president, faculty, and other employees; establishes student tuition and fees; and acquires and disposes of property. Subject to the minimum standards and approval of the Maryland Higher Education Commission, each board may determine entrance requirements and approve course offerings.

The county role with regard to community colleges is similar to that for the public schools. Each community college submits its operating and capital budgets to the county governing body, or in the case of regional colleges, to each of the counties in the region.

The budget submission includes revenues by source and expenditures by major function, as established by the Maryland Higher Education Commission. The county governing body reviews and approves or reduces the budget.

### **College Savings Plans of Maryland**

Established in 1997, the College Savings Plans of Maryland is an independent agency with a mission to provide simple, convenient ways for Maryland families to save in advance for college and reduce future reliance on loans. College Savings Plans of Maryland currently offers two savings plans for higher education: (1) a defined benefit plan called the Maryland Prepaid College Trust and (2) an investment plan called the Maryland College Investment Plan. A 10-member board administers the trust and oversees the administration of the plan.

### **Services**

Maryland’s postsecondary education programs can be grouped into four basic categories: (1) the Maryland Higher Education Commission, which provides systemwide oversight and focuses on statewide initiatives; (2) public four-year institutions; (3) regional higher education centers; and (4) community colleges. Additionally, savings plans for postsecondary education are offered through the College Savings Plans of Maryland.

### **Maryland Higher Education Commission**

The Maryland Higher Education Commission provides systemwide oversight by establishing and updating the State Plan for Postsecondary Education every four years and approving new academic programs, regional higher education centers, and two-year and four-year public and private institutions to operate in the State. For each public campus, the commission approves mission statements and recommends funding levels and priorities among institutions, in keeping with the State plan. The commission also oversees academic matters, administers the program of State support for the community colleges and eligible private nonprofit institutions, and administers State student financial aid programs. Financial assistance programs include the following categories: need-based aid, merit-based aid, legislative, career/occupational, and unique populations. These programs are designed to improve access to higher education for needy students; encourage students to major in areas of great economic need to the State, such as teaching and nursing; and encourage Maryland’s brightest students to attend college in the State.

Additionally, the commission provides oversight of out-of-state institutions that offer fully online distance education programs to students domiciled in Maryland. Within three months of a Maryland student enrolling in a fully online distance education program

offered by an out-of-state institution, the institution is required to file an application to register with the commission and must comply with the principles for good practice for distance education established by the commission. The commission is required to post on its website a list of registered institutions and a list of institutions for which the commission denied or revoked registration.

### **Public Four-year Institutions**

Maryland's public four-year higher education institutions enrolled 128,334 full-time equivalent students in fiscal 2013, of which approximately 89% were in-state students. The average cost of tuition and fees for the 2012-2013 academic year for a full-time undergraduate student was \$8,090 for an in-state student and \$19,207 for an out-of-state student.

Maryland has 14 public four-year institutions: 7 hold a Carnegie Classification of a Master's College and University; 4 are classified as a type of research university; 1 is classified as a baccalaureate college; 1 is classified as a special focus institution since it is a medical school; and 1 is not currently classified by Carnegie because it recently began offering degrees. This includes the State's four public historically black colleges and universities: Bowie State University; Coppin State University; the University of Maryland Eastern Shore; and Morgan State University.

### **Regional Higher Education Centers**

The State's eight regional higher education centers offer a variety of lower- and upper-level undergraduate degree programs, as well as graduate and professional degree programs through participating institutions. For example, the largest regional higher education center, the Universities at Shady Grove, offers more than 70 degree programs ranging from a bachelor's degree in respiratory therapy to a master's degree in social work to a doctoral degree program in pharmacy. On the other hand, one of the smallest regional higher education centers, the Eastern Shore Higher Education Center, offers 20 degree programs, 9 of which are bachelor's degree programs and 11 are graduate degree programs.

### **Community Colleges**

Maryland's community colleges enrolled 111,961 full-time equivalent students in fiscal 2013. The average cost of tuition and fees for the 2012-2013 academic year was \$3,668 for a full-time undergraduate student residing in the service area.

The State's community colleges provide diverse education services, with particular emphasis on community-centered programs that afford open access to individuals. The

community colleges are a flexible, lower-cost higher education alternative accommodating the needs of a wide variety of students. Community colleges offer undergraduate courses, technical and career education programs, skills training for businesses, continuing education programs, and remedial education. Students may receive a certificate or associate's degree.

### **College Savings Plans of Maryland**

The College Savings Plans of Maryland currently offers two savings plans for higher education: (1) a defined benefit plan called the Maryland Prepaid College Trust and (2) an investment plan called the Maryland College Investment Plan. The plans allow a student to either prepay or contribute to an account established for paying a student's qualified education expenses at an eligible educational institution. A qualified educational institution includes any college, university, vocational school, or other postsecondary educational institution eligible to participate in a U.S. Department of Education student aid program. Both plans offer federal and State tax benefits, including federal and State taxes deferred on growth; federal and State tax-free earnings, provided funds are used for eligible college expenses; and a State income tax deduction of contributions to one or both plans up to a certain amount depending on the plan. The College Savings Plans of Maryland is self-funded through fees and does not receive funding from the State.

### **Funding**

The operations of the Maryland Higher Education Commission and most of the State financial aid programs are financed almost entirely with State general funds. The operations of Maryland's public four-year institutions are financed largely by tuition, student fees, and the State. Since Baltimore City Community College is operated as a State agency, it also receives most of its direct government funding from the State, while the rest of the community colleges are supported with both State and county dollars. The State also provides some funding to private nonprofit four-year institutions that meet minimum statutory criteria. Additional public monies flow to the institutions in the form of contracts or grants for research and other services. Dormitory and other auxiliary fees, endowment earnings, private gifts and contracts, and a variety of miscellaneous sources are also revenue producers for Maryland's higher education institutions. Exhibit 7.3 provides a summary of funding for higher education.

### **Maryland Higher Education Commission**

In addition to its oversight role, the commission administers the State's financial aid programs and various other initiatives.

## Financial Aid Programs

The Office of Student Financial Assistance within the Maryland Higher Education Commission is responsible for the administration of the State's financial assistance programs that distributed \$100.2 million during fiscal 2013 to 57,823 students. Maryland students use the assistance from these programs at the State's public four-year campuses and community colleges; private colleges and universities; and private career schools in the State. The State's only remaining merit-based program will end after fiscal 2015.

***Partnership Agreement with the Office for Civil Rights:*** In December 2000, the State and the U.S. Department of Education, Office for Civil Rights entered into a partnership agreement that included commitments from the State to further enhance the four public historically black colleges and universities and improve higher education opportunities for African American students. The historically black colleges and universities are Bowie State University, Coppin State University, Morgan State University, and the University of Maryland Eastern Shore.

As part of the agreement, the State has provided enhancement funds to the historically black colleges and universities since fiscal 2002. Although the partnership agreement officially expired on December 31, 2005, the State has continued to provide enhancement funds to the historically black colleges and universities. Most of these funds are distributed through the Maryland Higher Education Commission as special grants. In total, the State has provided \$155.6 million in operating enhancement and other funds to the historically black colleges and universities from fiscal 2002 to 2015. (This total does not include \$6.0 million in Access and Success funds that were permanently moved into the institutions' base budgets in fiscal 2007 or \$1.1 million in enhancement funds that were moved into Bowie State University's base budget in fiscal 2007.) The State also agreed to enhance its capital investment in historically black colleges and universities, especially at Coppin State University. Since fiscal 2002, the State has provided more than \$1.0 billion in capital funds to the historically black colleges and universities, including \$379.0 million to Coppin State University.

**Exhibit 7.3**  
**Higher Education Funding – Fiscal 2013**  
**(\$ in Millions)**

	<u>County</u>	<u>State</u>	<u>Federal</u> <sup>1</sup>	<u>Tuition and Fees</u>	<u>Grants and Contra cts</u> <sup>2</sup>	<u>Other</u> <sup>3</sup>	<u>Total</u>
Public Four-year Institutions		\$1173.4 <sup>4</sup>	\$881.5	\$1,522.8	\$427.1	\$1,028.1	\$5,032.9
Community Colleges	\$320.9	272.3 <sup>5</sup>	243.5	438.3	9.1	112.8	1,396.9
Baltimore City Community College	1.0	40.5	17.7	14.4	0.3	7.8	81.6
Maryland Higher Education Commission		22.3 <sup>6</sup>	2.8			0.2	25.3
Student Financial Assistance		100.0 <sup>7</sup>	0.2				100.2
Nonpublic Institutions		38.1					38.1
<b>Total</b>	<b>\$321.9</b>	<b>\$1,646.6</b>	<b>\$1,145.8</b>	<b>\$1,975.5</b>	<b>\$436.5</b>	<b>\$1,148.8</b>	<b>\$6,675.0</b>

<sup>1</sup> Federal funds include current unrestricted and current restricted funds for grants and contracts, federal funds reimbursed through other State agencies and federal funding of agency programs.

<sup>2</sup> Grants and contracts include State, local, and private grants/contracts for services (unrestricted and restricted) and exclude funding for the Maryland Fire and Rescue Institute.

<sup>3</sup> Other includes the following unrestricted and restricted revenues: sales and services of educational activities and auxiliary enterprises, endowment funds, investment income, income from day care, rental income (community colleges); and special funds from the Guaranteed Student Tuition Fund (Maryland Higher Education Commission).

<sup>4</sup> State funding includes \$17.3 million for Shady Grove and \$1.9 million for Hagerstown regional higher education centers; \$19.7 million for University of Maryland Center for Environmental Science; \$19.3 million for the University System of Maryland Office; and \$4.9 million in State grants to historically black colleges and universities. State funds also include \$50.0 million in Higher Education Investment Funds.

<sup>5</sup> State funding includes formula aid, State-paid retirement costs, Aid to Small Community Colleges, statewide and regional programs, Garrett County and West Virginia reciprocity, English for Speakers of Other Languages grants, and Somerset Reciprocity Grant.

<sup>6</sup> State funding includes funds for various educational grants, College Prep/Intervention program, Nurse Support Program II, Heath Personnel Shortage Incentive Grant Program, and general administration; State revenue includes \$1.8 million for the independent regional higher education centers, \$339,157 in Academic Program Review Fees, \$121,809 from Complete College America grant, and \$17,288 in Budget Restoration Funds. It excludes \$62,907 in funds reimbursed by other State agencies for services provided.

<sup>7</sup> State funding includes general and special funds including \$10.8 million from the Need-based Student Financial Assistance Fund.

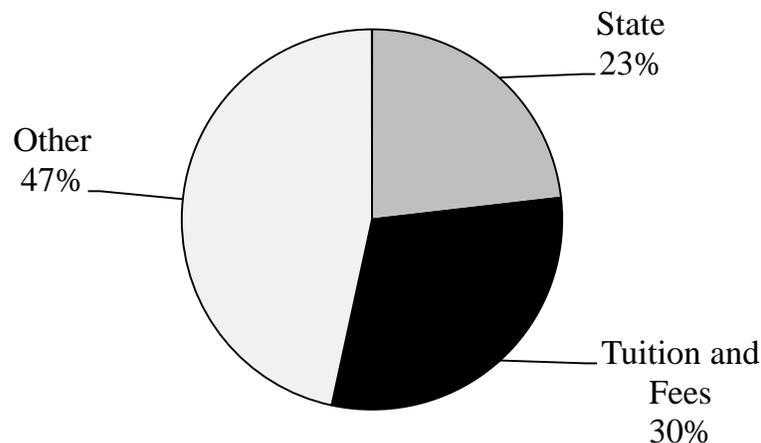
Note: Numbers may not sum to total due to rounding.

Source: *2014 Data Book*, Maryland Higher Education Commission; *2014 Data Book*, Maryland Association of Community Colleges; *Fiscal 2015 State Budget Books*; Department of Legislative Services

## Public Four-year Institutions

In fiscal 2013, State support for the operations of public four-year institutions accounted for 23% of revenues for the institutions. Tuition and student fees accounted for another 30% with government grants/contracts/scholarships, sales by auxiliary enterprises (dormitory fees, laboratory fees, etc.), and other sources accounting for the remainder of the revenues (47%). These percentages are shown in Exhibit 7.4. State support consists of general funds and Higher Education Investment Funds. A portion of the corporate income tax is dedicated to the Higher Education Investment Fund to support public four-year institutions and the commission. From fiscal 2009 through 2013, a total of \$253.6 million in Higher Education Investment Funds has been used to partially subsidize tuition limits and other higher education initiatives. Other than St. Mary's College of Maryland, which is formula funded, State appropriations for public four-year institutions are determined through budget requests from the respective governing board and a negotiation process with the Governor and, once the Governor's budget is introduced, the General Assembly.

**Exhibit 7.4**  
**Public Four-year Institutions – Revenue Sources for Fiscal 2013**



Source: *Fiscal 2015 State Budget Books*; Department of Legislative Services

In order to assess how Maryland institutions are funded relative to their peers, the Maryland Higher Education Commission establishes annual funding guidelines for University System of Maryland institutions and Morgan State University. A guideline was not established for St. Mary's College of Maryland because it is funded through a formula. Funding guidelines consider the resources, students, facilities, and other relevant factors for universities of similar size, program mix, and location.

For each Maryland public four-year institution except St. Mary's College of Maryland and the historically black colleges and universities, the funding guideline is the seventy-fifth percentile of funding per student of a group of comparable peer institutions, meaning that a Maryland institution funded at its guideline would be receiving more support than 75% of its identified peers. For the historically black colleges and universities, the funding guideline is the eightieth percentile. Since 2001, the commission drew peer institutions from any state. However, in April 2014, the commission adopted new guidelines based on the recommendations of the Commission to Develop the Maryland Model for Funding Higher Education that require peer institutions to be selected from competitor states (*i.e.*, states with which Maryland principally competes to attract employers). Under the new competitor states model, peer institutions were reevaluated and revised, and the commission estimates that Maryland institutions on average attained 73% of their funding guideline level in fiscal 2014.

In response to rising tuition rates in fiscal 2002 through 2005, tuition was frozen at the fall 2005 rates for in-state undergraduates at University System of Maryland institutions and Morgan State University for fiscal 2007 through 2010. In fiscal 2011, the tuition freeze was lifted, and most institutions were allowed to increase tuition rates by 3% for the 2010-2011 academic year through the 2014-2015 academic year. At the start of the tuition freeze, based on the average tuition and fees at public four-year institutions, Maryland was ranked as the seventh most expensive among the 50 states, according to the College Board. Maryland's ranking steadily improved to twenty-seventh by the 2013-2014 academic year.

St. Mary's College of Maryland, which is formula funded and receives its base appropriation plus an inflation adjustment each year, did not participate in the tuition limits in fiscal 2007 through 2013. However, in response to rising tuition rates that made St. Mary's College of Maryland the most expensive public college in the State and one of the most expensive in the country, in-state tuition was frozen at the fall 2012 rate for two academic years beginning in fall 2013.

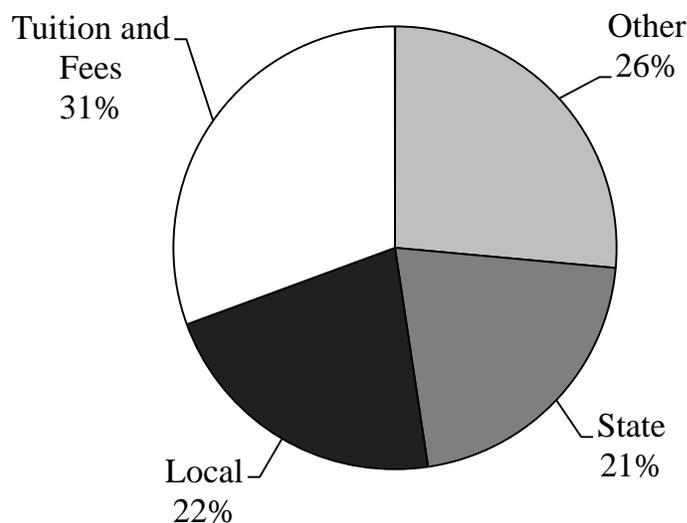
### **Regional Higher Education Centers**

The two University System of Maryland centers, Shady Grove and Hagerstown, are funded as line items in the University System of Maryland Office operating budget, while the other six centers are funded by grants through the Maryland Higher Education Commission operating budget. In 2005, the General Assembly charged the Maryland Higher Education Commission with developing an equitable, consistent, and ongoing funding strategy for the six centers under the commission. The funding strategy that was developed is based on certain components including base funding, per student funding, leasing costs, and incentive funding. The funding strategy was first partially funded in fiscal 2009.

## Community Colleges

From the establishment of the first community colleges in 1946, the State, counties, and students have shared the responsibility for funding the community colleges. Baltimore City Community College has been a State institution since fiscal 1991 and receives minimal local support. As shown in Exhibit 7.5, in fiscal 2013, student tuition and fees accounted for 31% of community college revenues, the State and local shares of support were 21% and 22%, respectively, and other sources accounted for 26% of community college revenues.

**Exhibit 7.5**  
**Community Colleges – Revenue Sources for Fiscal 2013**



Source: Maryland Association of Community Colleges; Maryland Higher Education Commission; Department of Legislative Services

## Community College Aid Formulas

The funding formula for the 15 local community colleges is known as the Senator John A. Cade Funding Formula. Baltimore City Community College has a separate formula. Both formulas tie the mandatory State contribution to a percentage of per student State funding for selected public four-year institutions of higher education. The Cade formula allocates the State aid among the 15 colleges using three components: prior-year costs; enrollment; and size.

When the Cade formula began in 1996, community colleges (other than Baltimore City Community College) were scheduled to receive 25.0% of the State general funds per full-time equivalent student at selected public four-year institutions. Legislation was passed in the 2006 legislative session that planned to phase in higher funding levels for all of Maryland's community colleges, including Baltimore City Community College, from fiscal 2008 to 2013. However, between fiscal 2007 and 2014, these formulas were altered several times to mitigate cost increases to the State. Under the Budget Reconciliation and Financing Act of 2014, each community college segment is to reach the full enhancement level in fiscal 2023 instead of 2013 as originally planned in the 2006 legislation (29.0% for local community colleges; 68.5% for Baltimore City Community College).

### **Retirement**

The State pays 100% of the employer retirement costs for qualifying local community college employees, mainly faculty, who are eligible to be members of the State Teachers' Retirement or Pension systems. Both systems are maintained by the State and guarantee a monthly retirement allowance based on a predetermined formula. In fiscal 2013, State support for these programs on behalf of community colleges totaled \$37.2 million. The community colleges pay a share of the administrative costs for the system proportional to their share of the participants in the system. In fiscal 2013, this totaled about \$0.6 million.

The State also offers a defined contribution plan, the Optional Retirement Program, instead of the defined benefit plan for certain higher education employees. Under this program, the employee and employer both make contributions toward investment products whose performance determines the amount available to the employee upon retirement. In fiscal 2013, State support for this program for qualifying community college employees totaled \$17.1 million.

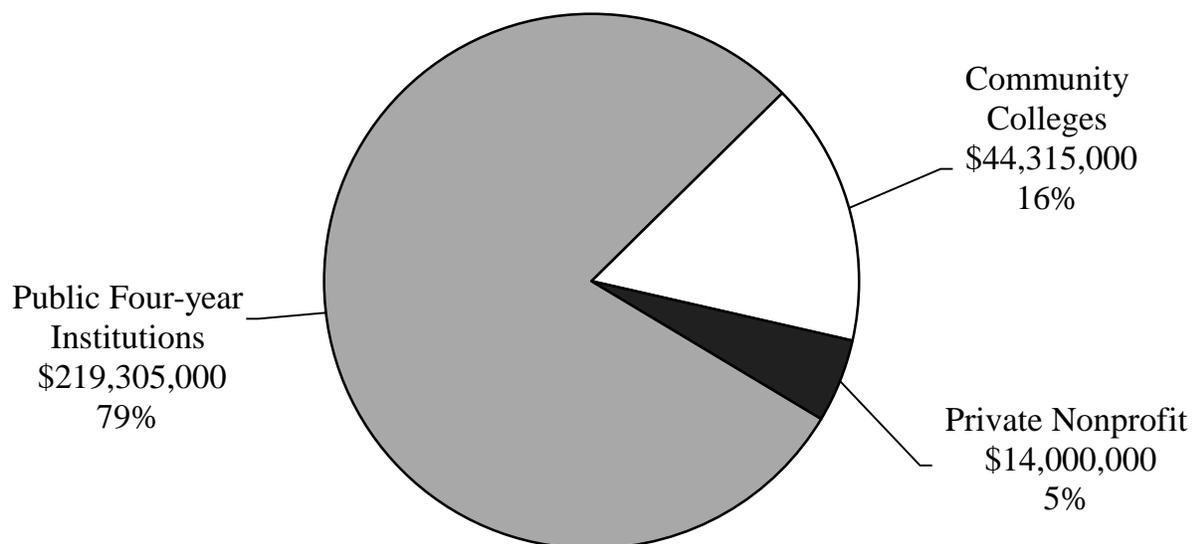
### **Aid to Private Nonprofit Colleges and Universities**

Recognizing their importance as an educational resource, the State provides eligible private nonprofit four-year colleges and universities with financial assistance. The grants are funded through the Joseph A. Sellinger Program and are calculated using a statutory formula that multiplies the number of full-time equivalent students by a specified percentage of State funds per full-time equivalent student at selected public four-year institutions. Since fiscal 2011, the percentage has been approximately 9.0%, due to cost containment actions, but it is scheduled to phase back up to 15.5% in fiscal 2021.

## Capital Funding

Higher education institutions also receive capital funding support from the State. As shown in Exhibit 7.6, a total of \$277.6 million in general obligation bond funds were authorized for higher education in fiscal 2013. Public four-year institutions received \$219.3 million or 79% of the total split among University System of Maryland institutions (\$189.3 million), Morgan State University (\$29.7 million), and St. Mary's College of Maryland (\$310,000). In addition, the University System of Maryland issued \$32.0 million in academic revenue bonds. Local community colleges received \$37.6 million in general obligation bond funds through the Community College Facilities Grant Program, which assists counties in improving the facilities and infrastructure of locally operated community colleges. For regional colleges, State support may total up to 75% of project costs, while other community colleges may receive between 50% and 70% of costs from the State, depending on the wealth of the jurisdiction. Baltimore City Community College, separate from the local community colleges, received \$6.7 million. Finally, eligible private nonprofit institutions received \$14.0 million in capital grants. Regional higher education centers, although eligible for State capital funding, did not receive any support in fiscal 2013.

**Exhibit 7.6**  
**Capital Funding by Higher Education Segment for Fiscal 2013**



Source: Department of Legislative Services

## **College Savings Plans of Maryland**

The College Savings Plans of Maryland is self-funded through fees charged to account holders and does not receive funding from the State. The prepaid trust was provided interest-free loans in fiscal 1998, 1999, and 2000 totaling \$650,000 from the Maryland Higher Education Commission to subsidize its start-up operations until it became self-funding. The loans were fully paid off in fiscal 2006. The agency's budget must be approved by the College Savings Plans of Maryland Board annually.



## **Chapter 8. Public Libraries and Public Television**

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### **Maryland Public Libraries**

The provision of library services in Maryland is essentially a county responsibility. Each county has established a public library system that, with the exception of Montgomery County, is governed by a local library board. In Montgomery County, the public library system is a county agency. The State establishes general guidelines, facilitates the sharing of library resources, supports a network of library resource centers, and provides funding assistance to local libraries.

### **Structure**

State law assigns to the State Board of Education the responsibility for general direction and control of library development in Maryland. The board may adopt rules and regulations and establish policies and procedures for a statewide system of public libraries. The State Superintendent of Schools certifies the professional qualifications of county librarians. The Division of Library Development and Services within the Maryland State Department of Education provides leadership and guidance for the planning and coordination of library services. Specific responsibilities of the division include the administration of federal and State funds for public libraries, the development of statewide and regional library services, and the provision of specialized services to the blind and other physically handicapped individuals through the Maryland State Library for the Blind and Physically Handicapped. The State Advisory Council on Libraries, which consists of 12 members, advises the Maryland State Department of Education on library matters.

Although not required to do so by State law, each county, including Baltimore City, has established a public library system. State law requires that a county's library system be governed by a board of trustees; however, charter counties may establish a county library agency in lieu of a board. Currently, Montgomery County is the only county to have a library agency, rather than a board of trustees.

The board of trustees or library agency for each public library system determines local library policies, adopts operating rules and regulations, handles local library personnel matters, and appoints a director to manage the library system. The boards of trustees and library agencies must report annually to the county governing bodies and the Maryland State Department of Education.

With a few exceptions, a library board of trustees generally consists of seven members appointed by the county governing body. State law provides that the

Harford County Board of Library Trustees consists of at least 7 members, but not more than 11 members. Currently, Harford County's board has 11 members. Board of trustee members must be residents of the county in which they serve and may serve five-year terms; however, there are several exceptions. The Baltimore City and Washington County boards operate under nineteenth century enactments that preceded the State general law of 1945. State law allows these boards to be self-perpetuating and of any size. Accordingly, the board members may indefinitely reappoint themselves or others. The Anne Arundel County and Queen Anne's County boards are also self-perpetuating. Under State law, Prince George's County board members may serve any number of terms, and Charles County board members serve four-year terms.

## **Services**

As required by State law, a county library provides free library services to residents of the county. A library may establish policies governing the use of the library by individuals living outside the county. Free library services include the use of all library materials and services available for reference and circulation, regardless of format. Five jurisdictions – Baltimore City and Baltimore, Charles, Montgomery, and Prince George's counties – may charge fees for the rental of video cassettes. All libraries may charge fees for the late return of borrowed materials and for the use of copying machines and other equipment. Libraries may also place reasonable limitations on online database searches. Exhibit 8.1 summarizes information relating to Maryland's local public libraries.

**Exhibit 8.1**  
**Selected Public Library Data – Fiscal 2013**

County	Branches	Bookmobiles	Total Holdings <sup>1</sup>	Registered Borrowers	% of	
					Population Registered	Professional Librarians <sup>2</sup>
Allegany	6	1	212,144	47,178	64%	5
Anne Arundel	15	0	1,148,853	254,257	47%	53
Baltimore City	23	1	2,609,414	197,934	32%	112
Baltimore	19	4	1,973,299	431,600	54%	92
Calvert	4	0	270,811	65,631	73%	10
Caroline	3	1	82,444	19,633	59%	3
Carroll	6	1	529,396	96,612	58%	22
Cecil	7	1	336,096	47,531	47%	11
Charles	4	0	247,959	83,017	57%	8
Dorchester	2	0	96,262	13,173	40%	3
Frederick	8	2	563,115	158,708	68%	30
Garrett	5	1	95,330	18,288	61%	2
Harford	11	2	1,000,273	182,000	74%	38
Howard	6	0	1,039,956	264,118	92%	37
Kent	3	0	51,953	16,217	80%	4
Montgomery	22	0	2,174,174	761,322	76%	92
Prince George's	19	0	1,675,111	422,597	49%	77
Queen Anne's	2	0	116,232	32,089	67%	9
St. Mary's	3	0	284,163	82,683	79%	6
Somerset	3	0	106,294	10,024	38%	5
Talbot	2	0	114,541	27,192	72%	7
Washington	8	1	292,665	68,674	47%	11
Wicomico	3	1	165,475	48,548	49%	5
Worcester	5	0	194,205	20,266	39%	2
<b>Total</b>	<b>189</b>	<b>16</b>	<b>15,380,165</b>	<b>3,369,292</b>	<b>59%</b>	<b>644</b>
Regional Libraries						
Eastern Shore			5,696			5
Southern Maryland			4,814			4
Western Maryland			74,761			4

<sup>1</sup> Holdings include book volumes, videos, audio recordings, current periodicals, electronic formats, and serial volumes. Some totals are estimates.

<sup>2</sup> Figures indicated are full-time-equivalent librarians. For Baltimore City, the State Library Resource Center staff serve dual roles for the center and the Enoch Pratt Free Library.

Source: Maryland Public Library Statistics, Fiscal 2013; Maryland Public Library Directory on Sailor, [www.sailor.lib.md.us](http://www.sailor.lib.md.us); websites of each county public library system

The State plays an important role in the coordination of statewide and regional library resources. The State Library Resource Center, located at the Central Library of the Enoch Pratt Free Library System in Baltimore City, was created in 1971 to expand access statewide to specialized library services and materials. The center makes available specialized library materials and resources to libraries throughout the State. The center is also the central depository for all State publications and is the headquarters for the Maryland Interlibrary Loan Organization.

Three rural county libraries have been designated as regional resource centers. Located in Charlotte Hall, Hagerstown, and Salisbury, the centers serve Southern Maryland, Western Maryland, and the Eastern Shore regions, respectively. The centers provide member libraries with greater access to library materials and resources than an individual library can provide on its own.

The State Library Resource Center administers Sailor, Maryland's online electronic information network. Overseen by the Division of Library Development and Services in conjunction with the center, Sailor connects Marylanders to information resources within the State and worldwide. It also provides access to Internet resources. Sailor allows users to identify and locate books; articles in magazines, newspapers, and journals; answers to specific questions; information on a particular topic; or information about services of public and private agencies and government information, such as proposed legislation, job listings, and census data. In all 23 counties and Baltimore City, Sailor is available without charge through libraries and through the Internet at <http://www.sailor.lib.md.us>. Exhibit 8.2 summarizes electronic access available at Maryland's public libraries.

**Exhibit 8.2**  
**Electronic Access at Public Libraries – Fiscal 2013**

<b>County</b>	<b>Total Computers</b>	<b>Internet Terminals Available to Public</b>	<b>Internet Users Per Year</b>	<b>E-Books</b>
Allegany	102	102	50,077	432
Anne Arundel	731	330	479,435	9,703
Baltimore City	1,460	745	416,888	6,366
Baltimore	1,113	553	839,970	46,973
Calvert	205	97	141,507	7,507
Caroline	121	55	42,939	1,691
Carroll	373	139	311,585	4,276
Cecil	207	117	142,853	2,278
Charles	213	108	116,371	626
Dorchester	52	29	25,143	301
Frederick	385	222	173,409	3,420
Garrett	81	47	28,654	1,428
Harford	732	351	416,473	15,846
Howard	776	385	1,609,321	10,843
Kent	73	36	27,748	314
Montgomery	729	438	548,958	7,010
Prince George's	1,006	605	997,826	1,944
Queen Anne's	54	16	22,041	318
St. Mary's	189	110	230,000	626
Somerset	32	26	26,853	2,297
Talbot	53	39	41,295	302
Washington	139	60	44,404	487
Wicomico	158	98	96,726	302
Worcester	194	116	79,175	302
<b>Total</b>	<b>9,178</b>	<b>4,824</b>	<b>6,909,651</b>	<b>125,592</b>

Source: Maryland Public Library Statistics, Fiscal 2013

## **Library Resources for the Blind, Physically Handicapped, Print Disabled, and Deaf**

The Maryland State Library for the Blind and Physically Handicapped provides comprehensive library services to eligible blind and physically handicapped residents of the State of Maryland, which includes individuals who are legally blind, visually or physically limited, or reading disabled. The library is part of the national network of the National Library Services for the Blind and Physically Handicapped, Library of Congress. The National Library Services selects and produces recordings of full-length books and magazines for a network of libraries providing alternative format materials. The Maryland State Library for the Blind and Physically Handicapped supplements the National Library Service collection with large print books, descriptive videos, children's braille books, and tactile materials such as maps, atlases, and art books. Books are lent, on a wide range of subject interests, in braille, audio, and large type. The service is free, statewide, and can be provided to individuals via the U.S. mail. Approximately 10,000 Maryland residents receive the services provided by the library annually.

To address the barriers faced by blind, visually impaired, and print disabled postsecondary students, in 2007, the General Assembly established an Instructional Materials Access Guidelines Committee to assist the Maryland Library for the Blind and Physically Handicapped in developing guidelines to facilitate the distribution of instructional materials to blind and print-disabled students. The Maryland Library for the Blind and Physically Handicapped must request that a publisher that sells electronic or print instructional materials used by postsecondary education students in Maryland provide the instructional materials to the Maryland Library for the Blind and Physically Handicapped in an electronic format. Legislation enacted in 2014 established a minimum State funding amount for the Library for the Blind and Physically Handicapped; annual State funding must be an amount equivalent to at least 25% of the State funding provided to the State Library Resource Center, beginning in fiscal 2016.

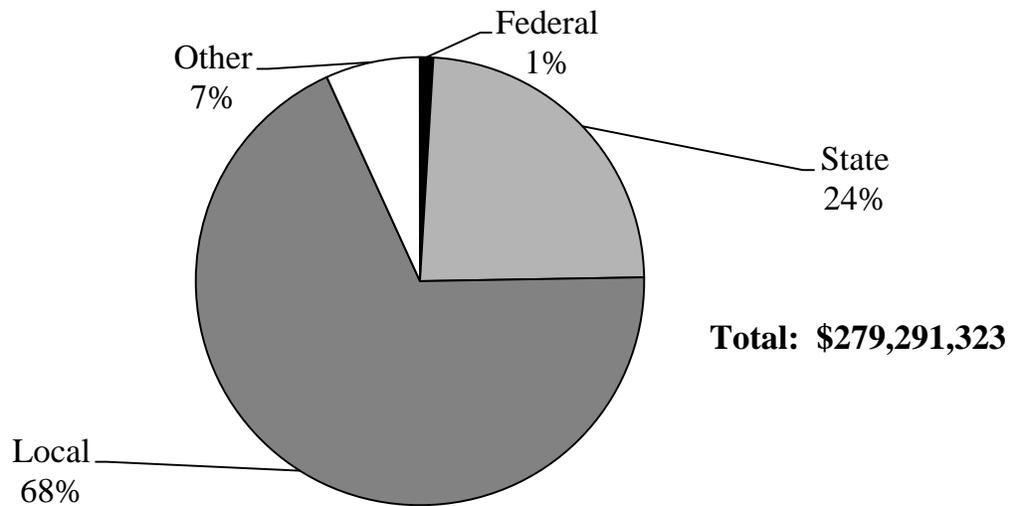
Pursuant to legislation enacted in 2014, the Division of Library Development and Services must establish a Deaf Culture Digital Library. The Deaf Culture Digital Library will serve as the primary information center on deaf library resources in the State. The 2014 legislation also required the Division of Library Development and Services to conduct a needs assessment to identify and fill gaps in library services for deaf patrons; develop and provide sensitivity training for State and county library staff; and develop partnerships, collaborations, and alliances with specified government and other entities.

## Funding

Public libraries in Maryland receive funding from several sources. As summarized in Exhibit 8.3, county appropriations accounted for 68% of public library funding in fiscal 2013, while the State contributed 24% of the total funding. Library-generated gifts, grants, and fees (7%), as well as federal funds (1%) constituted smaller revenue sources. Exhibit 8.4 shows a breakdown of the \$279.3 million in fiscal 2013 revenues available for local library systems, State and regional resource centers, and State-level library administration. Specifically, the fiscal 2013 State budget included \$16.3 million for State and regional resource centers and \$2.3 million for the Division of Library Development and Services within the Maryland State Department of Education.

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**Exhibit 8.3**  
**Sources of Funding for Public Libraries – Fiscal 2013**



Source: Maryland Public Library Statistics, Fiscal 2013; *Fiscal 2015 State Budget Books*; Department of Legislative Services

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**Exhibit 8.4**  
**Sources of Public Library Funding by County – Fiscal 2013**  
(\$ in Thousands)

County	Percent Local		Percent Other		Percent State		Percent Federal		Total
	Local	Other	Other	State	State	Federal	Federal		
Allegany	\$905	45%	\$224	11%	\$886	44%	\$0	0%	\$2,015
Anne Arundel	16,003	80%	903	4%	3,214	16%	0	0%	20,120
Baltimore City	15,706	55%	3,352	12%	9,552	33%	109	0%	28,719
Baltimore	33,914	77%	2,975	7%	7,063	16%	302	1%	44,255
Calvert	3,079	78%	223	6%	666	17%	0	0%	3,967
Caroline	1,100	67%	176	11%	378	23%	0	0%	1,654
Carroll	8,744	76%	1,012	9%	1,586	14%	112	1%	11,453
Cecil	4,284	77%	256	5%	1,008	18%	0	0%	5,548
Charles	5,656	79%	341	5%	1,125	16%	0	0%	7,122
Dorchester	513	55%	106	11%	306	33%	1	0%	926
Frederick	7,620	76%	515	5%	1,944	19%	0	0%	10,078
Garrett	983	76%	106	8%	202	16%	0	0%	1,291
Harford	16,055	82%	979	5%	2,474	13%	0	0%	19,508
Howard	16,961	83%	993	5%	2,177	11%	195	1%	20,327
Kent	550	65%	166	20%	128	15%	0	0%	843
Montgomery	31,181	78%	3,984	10%	4,725	12%	52	0%	39,941
Prince George's	17,267	65%	1,324	5%	7,911	30%	0	0%	26,502
Queen Anne's	1,278	75%	188	11%	237	14%	0	0%	1,703
St. Mary's	2,331	67%	284	8%	840	24%	0	0%	3,456
Somerset	464	52%	109	12%	319	36%	0	0%	892
Talbot	882	65%	253	19%	214	16%	0	0%	1,349
Washington	2,701	61%	211	5%	1,505	34%	0	0%	4,416
Wicomico	1,053	46%	188	8%	1,058	46%	0	0%	2,299
Worcester	1,983	86%	12	1%	324	14%	0	0%	2,319
<b>Subtotal</b>	<b>\$191,212</b>	<b>73%</b>	<b>\$18,876</b>	<b>7%</b>	<b>\$49,843</b>	<b>19%</b>	<b>\$771</b>	<b>0%</b>	<b>\$260,701</b>

County	Local	Percent Local	Other	Percent Other	State	Percent State	Federal	Percent Federal	Total
Regional Libraries	\$0	0%	\$170	3%	\$6,350	95%	\$149	2%	\$6,668
SLRC	0	0%	0	0%	9,642	100%	0	0%	9,642
MSDE-DLDS	0	0%	3	0%	532	23%	1,745	77%	2,280
<b>Total</b>	<b>\$191,212</b>	<b>68%</b>	<b>\$19,048</b>	<b>7%</b>	<b>\$66,367</b>	<b>24%</b>	<b>\$2,665</b>	<b>1%</b>	<b>\$279,291</b>

SLRC: State Library Resource Center

MSDE-DLDS: Maryland State Department of Education Division of Library Development and Services

Note: Numbers may not sum to total due to rounding. State funding includes State aid for local library retirement payments.

Source: Maryland Public Library Statistics, Fiscal 2013; *Fiscal 2015 State Budget Books*; Department of Legislative Services

## **Library Aid Formula**

The State and local governments share in the cost of funding local public library systems, with the library aid formula calculating minimum State and local contributions. The formula distributes funds on the basis of county population and wealth. Less wealthy counties, as measured by net taxable income and assessable property tax base, receive relatively more aid than wealthier counties. A total program cost for each county and Baltimore City, which is shared by the State and local governments, equals a specified dollar amount per county or city resident. The formula calculates a local share of the program cost using a uniform local contribution rate applicable to all jurisdictions, and the State pays the remainder of the program cost. The State pays approximately 40% of the total formula cost on a wealth-equalized basis, with the local jurisdictions providing the remaining 60%; however, no library board receives less than 20% of minimum per capita programs from the State. State aid for local libraries totaled \$33.7 million in fiscal 2013.

Legislation enacted in 2005 scheduled a phase-in of enhancements for the formula over a four-year period by increasing the per resident formula amount from \$12 in fiscal 2006 to \$16 per resident in fiscal 2010. In response to the 2008 recession and State revenue shortfalls, 2011 legislation froze the formula at \$14 per resident from fiscal 2012 to 2016. Legislation enacted in 2014 increased the formula to \$15 per resident for fiscal 2016, \$16 per resident for fiscal 2017, and the formula will continue to increase until reaching \$16.70 per resident for fiscal 2019 and thereafter.

## **Retirement**

The State pays all employer retirement costs for local library employees who are members of the State Teachers' Retirement or Pension systems. For Montgomery County, whose librarians elected to remain in the county's retirement system, the State pays the lesser of the employer retirement costs for the county or State systems. In fiscal 2013, the State paid a total of \$16.4 million for the employer share of retirement costs for library employees. The State also pays retirement administrative costs (\$274,650 in fiscal 2013) on behalf of the county library boards.

## **Library Network**

The State also provides funds to libraries that have been designated as resource centers and that support cooperative arrangements. The resource centers include the Central Library of the Enoch Pratt Free Library System in Baltimore City (as the State Library Resource Center) and three regional resource centers located in Charlotte Hall, Hagerstown, and Salisbury. Legislation enacted in 2011 set the funding levels for the State Library Resource Center at \$1.67 per resident from fiscal 2012 to 2016, increasing to

\$1.85 for fiscal 2019 and thereafter. For fiscal 2013, the State provided \$9.6 million to the State Library Resource Center and \$6.4 million for the three regional centers.

Under State law, the three regional resource centers receive State support based on a specified amount for each resident in the area served by the resource center. As with the library aid formula, annual increases in the per-resident State aid amount for regional resource centers were established for fiscal 2007 to 2010, but subsequent budget reconciliation legislation slowed the phase-in – setting funding at \$6.75 per resident for fiscal 2012 through 2016, before a phasing in to \$7.50 in fiscal 2019 and in subsequent years. Legislation enacted in 2014 increased per capita State aid for regional resource centers to \$7.50 in fiscal 2016, increasing each fiscal year until it reaches \$8.75 in fiscal 2019.

### **Library Capital Project Grants**

Legislation enacted in 2006 addressed the capital needs of county public library systems in Maryland by establishing a State grant program for county library capital projects to provide a uniform and objective analysis of proposed capital projects and to support projects that address library needs in the State. The Maryland State Department of Education administers the program. The Governor has been required to include \$5 million annually in the State operating or capital budget for the program since fiscal 2008. This requirement has remained unchanged with the exception of fiscal 2012 when the appropriation was \$4 million. The State capital budget included \$5 million for library grants in fiscal 2013.

Beginning with fiscal 2014, legislation altered the State share and local matching requirement for the State grant program for county public library capital projects based on the per capita wealth measure that is used to calculate the State aid formula for operating grants to county libraries. The State share percentage for an approved county library capital project is calculated by dividing the State aid formula grant amount by the full minimum program amount and multiplying the result by 1.25; however, the State share cannot be less than 50% or greater than 90% of the capital project.

For further information on Public Libraries, see *Volume VI – Maryland Local Government* of the Legislative Handbook Series.

### **Maryland Public Television**

The Maryland Public Broadcasting Commission is responsible for operating a system of State, regional, and local facilities to provide educational and cultural programs for broadcast in Maryland.

## Structure and Services

The commission consists of 11 members appointed by the Governor, two of whom must first be nominated by the State Board of Education. The State Superintendent of Schools serves as an *ex-officio* member. Commissioners serve five-year terms and may be reappointed. The commission appoints a president who serves as chief executive officer of the commission and Maryland Public Television.

The commission is responsible for and controls the preparation, content, and programming of all its programs for the general public. The commission is the federal licensee for all broadcasting stations operated by Maryland Public Television, which consists of six broadcast transmitters spanning the entire State.

The commission has two primary responsibilities: to prepare programs for the general public and, with the approval of the State Board of Education, to prepare educational material for public schools and adult education classes. In 2010, the commission discontinued K-12 broadcasts. Instead, the commission focuses its educational efforts on thinkport.org, an online resource for teachers, parents, and childcare providers. Maryland Public Television delivers approximately 23,000 hours of educational, informational, and cultural transmission to the citizens of Maryland each year.

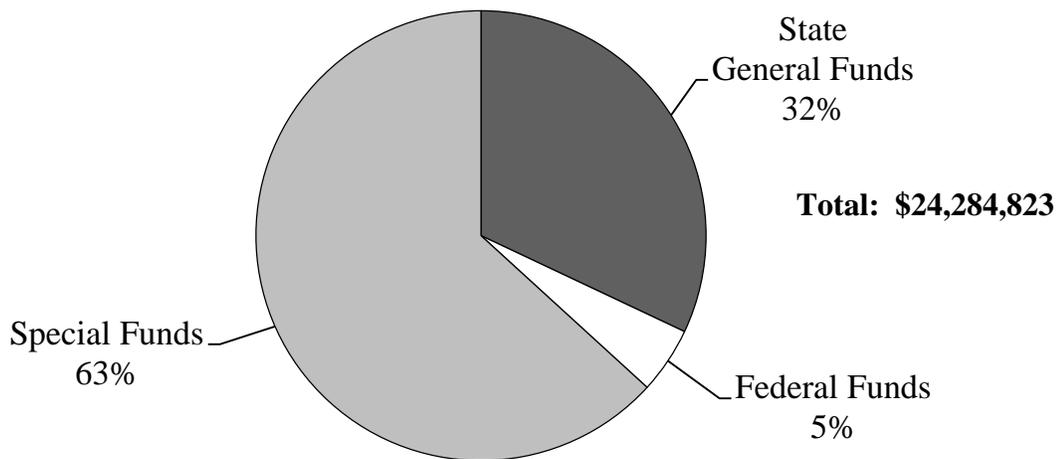
## Funding

The Maryland Public Broadcasting Commission is supported with a combination of general, special, reimbursable, and federal funds. In fiscal 2013, this amounted to a total funding level of \$24.3 million. State general funds are used primarily to fund overhead expenses such as salaries and contractual services, as well as costs of equipment needed for broadcast. Special funds generally support the production and broadcast of programs. Beginning in fiscal 2015, State general obligation bonds will be used to fund the replacement of transmission equipment.

As shown in Exhibit 8.5, State general funds represented 32% of fiscal 2013 Maryland Public Broadcasting Commission funding, while special funds accounted for 63%, and federal funds were 5%. Special funds include viewer support, corporate sponsorships, the sale of programs and transcripts, and grants from the Corporation for Public Broadcasting and the Public Broadcasting System. While only a small portion of funding comes directly from the federal government, the federal government does provide funds indirectly through the Corporation for Public Broadcasting.

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**Exhibit 8.5**  
**Sources of Funding for Maryland Public Broadcasting Commission**  
**Fiscal 2013**



Source: *Fiscal 2015 State Budget Books*

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Total fiscal 2013 funding for Maryland public television and public libraries is shown in Exhibit 8.6.

**Exhibit 8.6**  
**Maryland Public Television and Public Library Operating Funding**  
**Fiscal 2013**  
**(\$ in Millions)**

	<u>Local</u>	<u>Gifts, Grants, and Fees</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Maryland Public Television	\$0.0	\$15.4	\$7.8	\$1.2	<b>\$24.3</b>
Local Library Systems	191.2	18.9	49.8	0.8	<b>260.7</b>
Regional Libraries	0.0	0.2	6.3	0.1	<b>6.7</b>
State Library Resource Center	0.0	0.0	9.6	0.0	<b>9.6</b>
Library Development and Services	0.0	0.0	0.5	1.7	<b>2.3</b>
<b>Total</b>	<b>\$191.2</b>	<b>\$34.4</b>	<b>\$74.1</b>	<b>\$3.8</b>	<b>\$303.6</b>
<b>Percent of Total</b>	<b>63.0%</b>	<b>11.3%</b>	<b>24.4%</b>	<b>1.3%</b>	

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

Source: *Fiscal 2015 State Budget Books*; Maryland Public Library Statistics, Fiscal 2013; Department of Legislative Services

## Chapter 9. Transportation

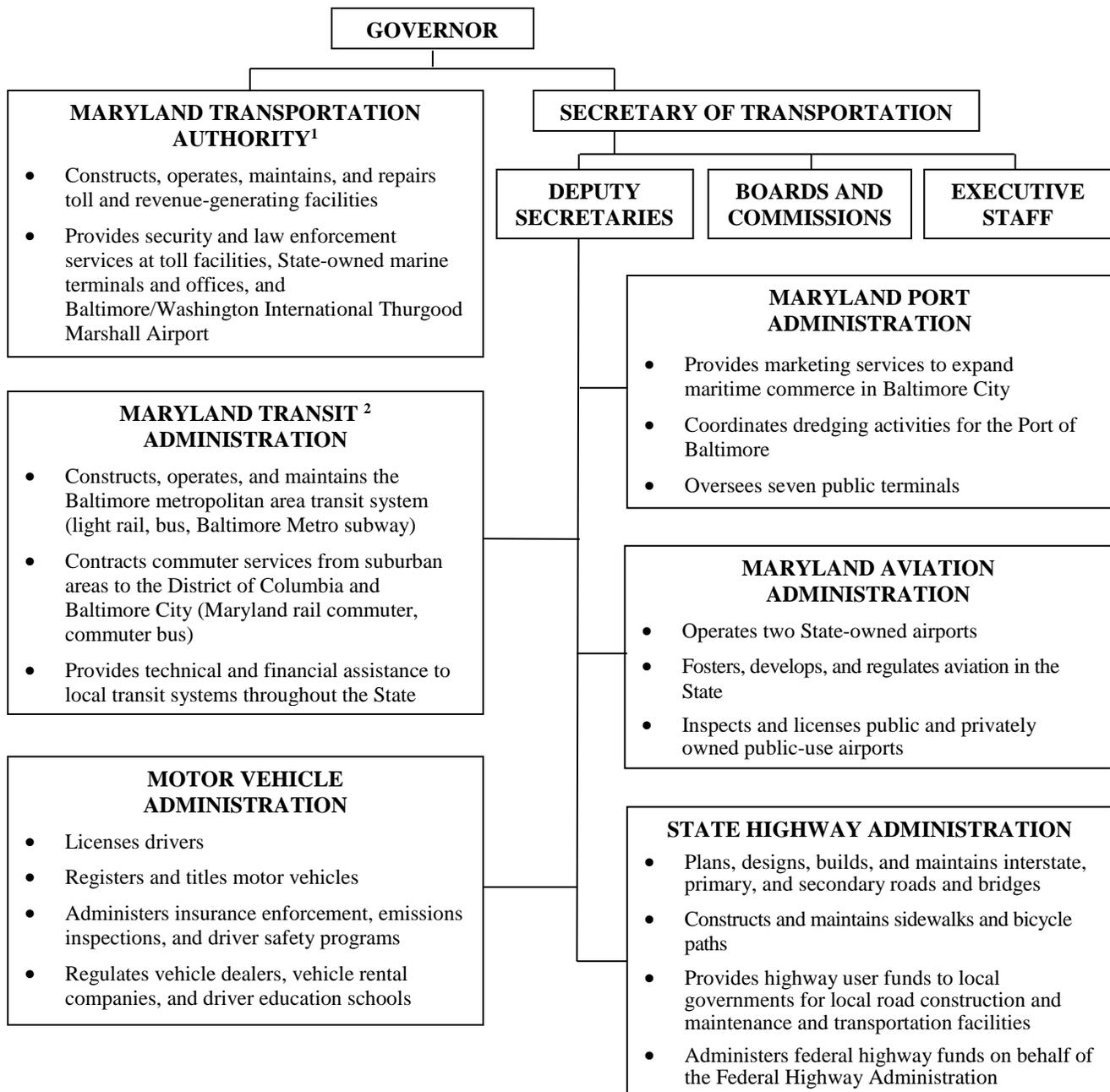
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The State and local governments work jointly to develop and maintain a safe and efficient transportation system. The State, serving the predominant role, constructs and maintains Maryland's major highways and roads outside Baltimore City, owns and operates toll facilities, licenses and registers all operators and vehicles, owns and operates the State's two largest airports, manages the public terminals and coordinates dredging and marketing activities for the Port of Baltimore, provides commuter rail service, subsidizes one of two major urban transit systems, and owns and operates the other. The counties and municipalities construct and maintain secondary roads and own and operate small regional airports. Montgomery and Prince George's counties augment the Washington area mass transit system, and several other local governments also provide transit services. Additionally, Baltimore City constructs and maintains all roads, except roads adjacent to and including toll facilities, within the city.

### Structure and Services

The Maryland Department of Transportation is charged with managing the State's transportation systems. The department is organized into the State Highway Administration, the Motor Vehicle Administration, the Maryland Aviation Administration, the Maryland Port Administration, and the Maryland Transit Administration. Other departmental components include the Office of the Secretary and certain advisory and zoning boards. The department is also responsible for making payments to the Washington Metropolitan Area Transit Authority apportioned to the State by formula or through agreements. Separately, the Maryland Transportation Authority operates revenue-generating transportation facilities in the State. Exhibit 9.1 outlines the organization of State transportation agencies, and Exhibit 9.2 shows a summary of the department's workload for certain activities from fiscal 2011 through 2015. Over that period, as the result of a significant increase in revenues, the department's budget has increased from \$2.3 billion to \$3.6 billion, and the department's outstanding debt has increased from \$1.6 billion to just over \$2.5 billion.

### Exhibit 9.1 State Transportation Agencies



<sup>1</sup> The Secretary of Transportation is chairman of the authority.

<sup>2</sup> Operating and capital grants to the Washington Metropolitan Area Transit Authority are provided through the Secretary's Office for accountability purposes.

**Exhibit 9.2**  
**Maryland Department of Transportation**  
**Workload for Certain Activities**  
**Fiscal 2011-2015**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> <sup>1</sup>	<u>2015</u> <sup>1</sup>
Highway Lane-miles Maintained	16,988	17,042	17,050	17,081	17,112
Port Tonnage – Public Terminals	8,700,000	9,300,000	9,600,000	9,600,000	9,700,000
BWI Airport Passengers <sup>2</sup>	22,391,785	22,679,887	22,376,319	22,100,137	22,738,452
Annual Transit Passenger Trips (in Thousands) <sup>3</sup>					
Core Bus	75,520	73,579	68,203	73,200	74,400
Commuter Bus	4,097	4,290	4,187	4,380	4,500
Mobility Paratransit	1,351	1,555	1,651	1,800	1,950
Baltimore Metro Subway	14,588	15,364	15,208	15,700	16,000
Light Rail	8,655	8,540	8,647	9,600	9,820
Commuter Rail	8,233	8,452	9,062	9,100	9,350
MVA Customer Wait Time <sup>4</sup>	28	27	33	27	25
VEIP Vehicles Tested	1,696,839	1,738,375	1,698,526	1,740,746	1,782,966

BWI: Baltimore/Washington International Thurgood Marshall Airport

MVA: Motor Vehicle Administration

VEIP: Vehicle Emissions Inspection Program

<sup>1</sup> Fiscal 2014 and 2015 data are estimates.

<sup>2</sup> Calendar year.

<sup>3</sup> Does not include Washington Metropolitan Area Transit Authority.

<sup>4</sup> Average wait time given in minutes.

Source: *Fiscal 2014 State Budget Books; Fiscal 2015 State Budget Books*

## Roads and Highways

Most State and local transportation resources are dedicated to the State's highway system. The State Highway Administration and the Maryland Transportation Authority are responsible for more than 5,264 miles, or approximately 17,827 lane-miles of road, 2,800 bridges, 3,181 small stream crossing structures, and 100 miles of sound barrier. The State Highway Administration also has responsibility for planning, designing, constructing, and maintaining these roads and bridges to meet safety and performance standards while considering sociological, ecological, and economic concerns.

Although the State Highway Administration is responsible for maintaining just 17% of Maryland's highway miles, this mileage accounts for 72% of the total vehicle miles of

travel in Maryland. The State is not responsible for construction or maintenance of the 21,323 miles of county roads or the 4,772 miles of municipal roads or any road system within Baltimore City – with the exception of roads adjacent to and including toll facilities. Usually, such roads are the responsibility of a local department of public works or a local highway department. The construction and maintenance of local roads is funded through locally generated revenues and highway user revenues distributed to local jurisdictions by the State.

With the exception of three jurisdictions, highway user revenues may only be used to repay debt service on outstanding transportation bonds; construct and maintain county roads; establish and maintain footpaths, bridle paths, and bicycle trails; and support the costs of certain transportation facilities. Revenues received by Kent County and Baltimore City may also be used to pay for traffic control, highway lighting, and street cleaning and drainage. Kent County also may expend funds for maintaining county-owned boat landings and providing traffic crossing guards. Highway user revenues may also be used for the maintenance of private roads in Talbot County.

The State Highway Administration maintains its headquarters in Baltimore City, where maintenance staff is responsible for establishing statewide maintenance policies and programs and providing technical resources to district staff. The State is divided into seven engineering districts encompassing a number of adjacent counties, with each having a district office that serves as its headquarters (Exhibit 9.3). The district offices, with a total of 31 maintenance shops, are responsible for the day-to-day management of highway and bridge construction contracts as well as all maintenance functions, such as pavement repairs, bridge repairs, snow removal, roadside management, and equipment maintenance. The districts also are responsible for traffic engineering operations, Emergency Traffic Patrols, and overseeing design of small capital projects. While the districts share these common duties, the geography and location of each district makes it distinct from the others.

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**Exhibit 9.3**  
**State Highway Administration**  
**Engineering Districts**

District 1	Dorchester, Somerset, Wicomico, and Worcester counties
District 2	Caroline, Cecil, Kent, Queen Anne's, and Talbot counties
District 3	Montgomery and Prince George's counties
District 4	Baltimore and Harford counties
District 5	Anne Arundel, Calvert, Charles, and St. Mary's counties
District 6	Allegany, Garrett, and Washington counties
District 7	Carroll, Frederick, and Howard counties

Source: State Highway Administration

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In addition to its district facilities, the administration's Hanover complex includes an in-house sign design and fabrication facility, an auto shop where the administration's vehicle fleet is maintained, and the Statewide Operations Center. The center is a 24-hour seven-day-a-week communication center that is home to the Coordinated Highway Action Response Team and Maryland's Emergency Operations Center, which is activated for emergencies such as snowstorms, hurricanes, and homeland security threats.

Maintenance staff in the districts keep the roads in repair, attending to pavements, drainage, and structures. They remove snow in the winter; mow grass in the spring, summer, and fall; and are concerned with both physical condition and appearance year-round. A number of the administration's activities are aimed toward beautification and aesthetics, such as the Adopt-A-Highway and wildflowers programs. It also administers ancillary programs, such as retrofitting sidewalks for improved bicycle and pedestrian access, that support the State's Smart Growth goals.

Baltimore City has a different transportation situation. All road construction and maintenance within the city is the sole responsibility of the city, except for a few miles of interstate highway (*i.e.*, Interstate 95) adjacent to and including the toll facilities that are maintained by the Maryland Transportation Authority. (See section on Maryland Transportation Authority for more information.)

## **Motor Vehicles**

The Motor Vehicle Administration is the principal regulatory unit of the department. It is responsible for licensing drivers; registering and titling motor vehicles; administering a compulsory automobile insurance enforcement program; managing vehicle emissions inspection and driver safety programs; and regulating motor vehicle dealers, vehicle rental companies, and driver education schools. Local governments have no role in this function.

The Motor Vehicle Administration routinely and directly interacts with the public. As a result, numerous efforts have been and continue to be made to address public service demands. As shown in Exhibit 9.4, as of 2014, there are 24 branch offices, including 19 full-service offices, 3 express offices, and 2 limited-service offices. Of these, 18 full-service offices, 1 express office, and 1 limited-service office are equipped to process out-of-country applications for driver's licenses and identification cards. This is intended to improve the security of the application process, with the examination of foreign documents by specially trained examiners. The Motor Vehicle Administration also oversees 18 stations under the Vehicle Emissions Inspection Program.

**Exhibit 9.4**  
**Motor Vehicle Administration**  
**Service Locations**

**Full-service Locations**

Annapolis <sup>2,3</sup>	Baltimore City <sup>1,2,3</sup>	Bel Air <sup>2,3</sup>	Beltsville <sup>1,2,3</sup>
Cumberland/LaVale <sup>2,3</sup>	Easton <sup>2,3</sup>	Elkton <sup>2,3</sup>	Essex <sup>1,2</sup>
Frederick <sup>2,3</sup>	Gaithersburg <sup>2,3</sup>	Glen Burnie <sup>2,3</sup>	Hagerstown <sup>2,3</sup>
Largo <sup>2,3</sup>	Loveville <sup>1,2,3</sup>	Salisbury <sup>2,3</sup>	Waldorf <sup>2,3</sup>
Montgomery County – Walnut Hill <sup>1,2,3</sup>	Westminster <sup>1, 2,3</sup>	White Oak <sup>1,2,3</sup>	

**Express Office Locations**

Baltimore County – Loch Raven/Parkville <sup>1,2</sup>	Columbia <sup>1,2</sup>
Glenmont <sup>1,2,3</sup>	

**Limited-service Office Locations**

Oakland <sup>1,2,3</sup>	Prince Frederick <sup>1,3</sup>
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**Vehicle Emissions Inspection Program Station Locations**

Annapolis	Baltimore City (2)	Clinton	Columbia
Derwood	Elkton	Frederick	Glen Burnie
Grasonville	Hagerstown	Hickory	Landover
Owings Mills	Prince Frederick	Waldorf	Westminster
White Oak			

<sup>1</sup> No truck driver road tests are given at this location.

<sup>2</sup> Offices with self-service kiosks.

<sup>3</sup> Also provides assistance for out-of-country applicants.

Source: Motor Vehicle Administration

The Motor Vehicle Administration also offers services through 51 self-service kiosks, MVA on Wheels (in which buses equipped to provide specific services such as license and registration renewal and registration plate return are stationed at locations at scheduled intervals), and its Customer Service Call Center in Cumberland. Since fiscal 2000, the administration has focused on implementing customer-driven technology to meet increasing demand and reduce office visit wait time. In addition to streamlining

its licensing, titling, financial, and regulatory information systems, the administration offers customers several services through its website, including registration renewal and the ability to request driver's records and replacement titles ([www.mva.maryland.gov](http://www.mva.maryland.gov)). Throughout the years, the Motor Vehicle Administration eStore has added a host of new online services for businesses, drivers, and vehicles. The Motor Vehicle Administration is using more alternative services to cater to customers and is providing more information on its website to assist customers, such as providing real time information regarding wait-times at branch offices and Vehicle Emissions Inspection Stations, allowing customers to schedule appointments for the Driver's Skills Test, and permitting online vision certificates.

As the State entity responsible for issuing State personal identification cards and driver's licenses, the Motor Vehicle Administration is responsible for implementing the federal REAL ID Act. The Act requires that a person may use a State-issued personal identification card or drivers license for a federal purpose (including passing through airline security or accessing federal buildings) only if the card or license meets federal certification standards. Implementation of the Real ID Act is being phased in by the U.S. Department of Homeland Security with the first phase – restrictions on access to areas of the U.S. Department of Homeland Security headquarters – effective January 2014 and the final phase – boarding of aircraft – to become effective no sooner than 2016. The federal standards relate to physical card or license security and fraud prevention, issuance, immigration status, and identity and document verification.

To meet the standards in the REAL ID Act, legislation enacted in 2009 defined "lawful status" as it relates to the Motor Vehicle Administration issuing identification cards and driver's licenses. The 2009 legislation also established a two-tiered system with the documents issued under one of these tiers considered invalid for certain official federal purposes. Legislation enacted in 2013 removed a requirement that noncompliant identification cards and driver's licenses expire by July 1, 2015, and made modifications to the documentation applicants for noncompliant products are required to provide.

## **Mass Transit**

There are two major transit operations within Maryland. One is the Maryland Transit Administration, which is responsible for construction, operation, and maintenance of the Baltimore metropolitan area transit system as well as for commuter services in suburban areas of the State. In addition, this administration provides technical and financial assistance to systems in small urban and rural areas of the State. It also operates programs for elderly and disabled riders and a commuter ride-sharing clearinghouse.

The other major transit operation is the Washington Metropolitan Area Transit Authority, which operates in Northern Virginia, the District of Columbia, and Montgomery and Prince George's counties. The State pays the entire share of the authority's expenses apportioned to Maryland. The Washington Suburban Transit Commission represents Maryland's policy and financial interest in the Washington Metropolitan Area Transit Authority. The Washington Metropolitan Area Transit Authority's services are augmented by local bus service in Montgomery and Prince George's counties.

In addition, most counties operate transit systems, as do the municipal corporations of Annapolis, Laurel, and Ocean City. Most are intended to provide transit to the elderly or the disabled. A number of these systems apply to the Maryland Transit Administration for State and federal funding, in addition to local funding and/or revenue from passenger fares (also known as farebox recovery). Local transit systems are listed in Exhibit 9.5.

**Exhibit 9.5**  
**Major Local Transit Systems**  
**Fiscal 2014**

<u>System</u>	<u>Local Agency</u>	<u>Service</u>			
		<u>DF</u>	<u>DR</u>	<u>FR</u>	<u>Taxi</u>
<i>County Systems</i>					
Allegany	Allegany County Transit		X	X	
Anne Arundel	Department of Aging and Department of Planning and Zoning		X		X
Baltimore City	Department of Aging				X
Baltimore	Department of Aging – County Ride		X		
Calvert	Office of Transportation	X	X	X	
Carroll	Carroll Area Transit System	X	X		
Cecil	Department of Aging	X	X		
Charles	VanGO	X	X	X	
Dorchester	Delmarva Community Transit	X	X	X	
Frederick	Frederick Transit	X	X	X	
Garrett	Garrett Transit Services		X		
Harford	Department of Community Services	X	X	X	
Howard	Howard Transit		X	X	
Kent, Caroline, Talbot	Delmarva Community Transit	X	X	X	
Montgomery	Ride-on			X	
Prince George’s	The Bus		X	X	
Queen Anne’s	Department of Aging – County Ride	X	X	X	
St. Mary’s	St. Mary’s Transportation Services	X	X	X	
Washington	Washington County Commuter		X	X	
Lower Shore TCC	Shore Transit	X	X	X	
<i>Municipal Systems</i>					
Annapolis	Annapolis Transit	X		X	
Ocean City	Ocean City Transit		X	X	
Laurel	Central Maryland Regional Transit			X	

**Service Types**

DF – Deviated Fixed Route

DR – Demand Response

FR – Fixed Route

Taxi – Voucher Program for the Elderly or Disabled

TCC: Tri-County Council for Lower Eastern Shore

Source: Maryland Transit Administration

There are four categories of local transportation systems:

- *fixed-route*, in which the transit system vehicles run on regular, predesignated, prescheduled routes, with no deviation;
- *demand response*, in which vehicles providing transit do not follow a fixed route but travel throughout the community transporting passengers according to their specific requests;
- *deviated fixed-route*, in which a bus or van passes along fixed stops and keeps to a timetable but can also deviate its course between two stops to go to a specific location for a prescheduled request; and
- *voucher system*, in which an individual is provided a voucher for a private taxi.

The deviated fixed-route, demand response, and voucher local transit systems tend to be limited to the elderly or the disabled.

The State is also engaged in significant projects to promote transit-oriented development that encourages Maryland residents to live and work near public transit.

### **Maryland Transit Administration**

The Baltimore area system consists of bus and rail elements providing intra-city transportation and linking the city to points in suburban counties. The system must recover set percentages of its operating costs through farebox revenues. Capital programs are budgeted separately and are supported with State transportation revenues and federal sources.

Exhibit 9.6 shows rail connections for the Baltimore area system.

### Exhibit 9.6 Rail Connections for the Baltimore Area System



Source: Maryland Department of Transportation

**Baltimore Metro Subway:** The Baltimore Metro Subway operates a 14-station, 14.7-mile line from Owings Mills to The Johns Hopkins Hospital, seven days a week. The subway opened in 1983 and was last extended in 1996. At that time, 1.5 miles were added to connect the Charles Center Station in downtown Baltimore to the Shot Tower/Market Place area in downtown Baltimore's east side and The Johns Hopkins Hospital, one of the State's largest employers. Ridership in fiscal 2015 is expected to be approximately 14.8 million.

**Bus Service:** The Maryland Transit Administration operates 57 bus routes (some 24 hours a day), seven days a week with Sunday and holiday schedules, throughout Baltimore City and Baltimore, Anne Arundel, and Howard counties. There will be an estimated 66.1 million passenger trips on the State's bus system in fiscal 2015.

**Mobility/Paratransit Service:** The Maryland Transit Administration's mobility/paratransit service provides a specialized door-to-door service for people with disabilities who are not able to ride fixed-route public transportation including lift-equipped buses. Mobility/paratransit service is provided within three-quarters of a mile of any fixed-route service in Baltimore City and Baltimore and Anne Arundel counties. In fiscal 2015, the administration estimates that 1.7 million passenger trips will be provided.

In July 2004, the administration implemented a premium taxi access service as a separate program from its federally mandated mobility/paratransit service for individuals who are certified to use mobility/paratransit but can board, ride, and exit vehicles without the assistance of the driver. This program provides on-demand transportation service within the Maryland Transit Administration's fixed-route service area. The administration estimates that 515,000 passenger trips will be provided by taxi access in fiscal 2015.

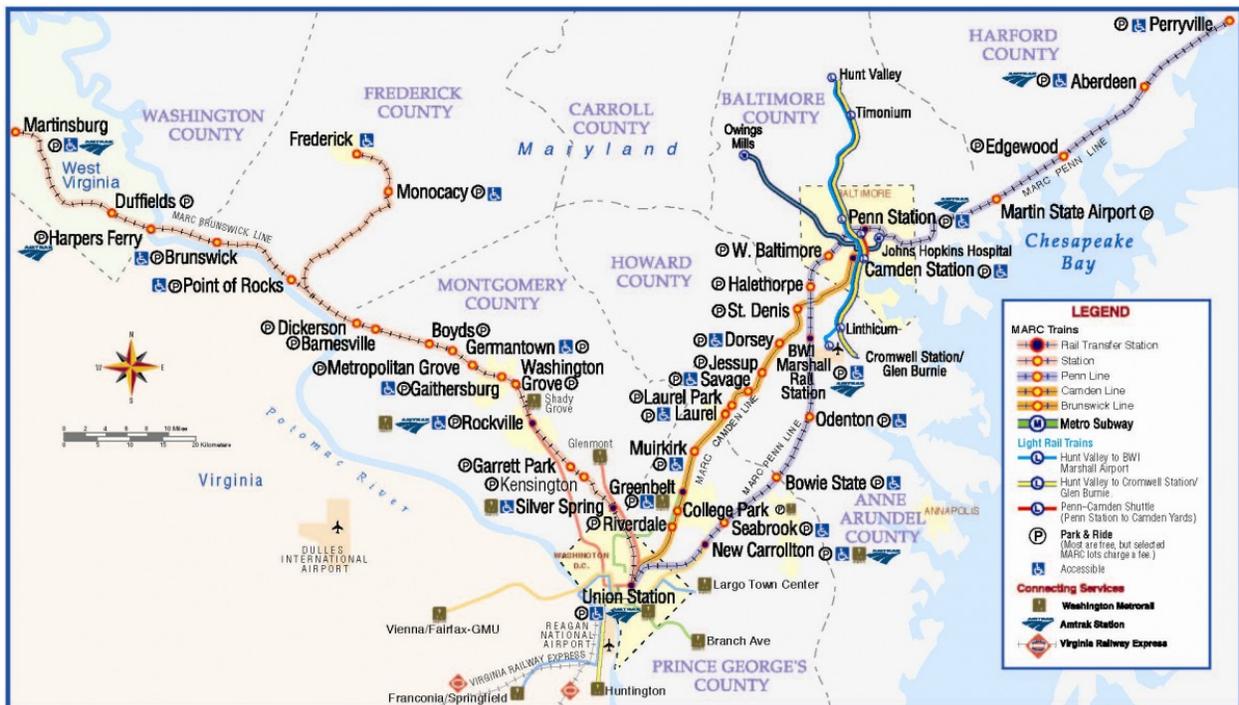
**Central Corridor Light Rail Line:** The system began limited operation in May 1992. The current configuration of the 30-station, 30-mile system from Hunt Valley (Baltimore County) to Cromwell Station/Dorsey Road (Anne Arundel County) was completed in 1998. An additional line, running from Penn Station to Baltimore/Washington International Thurgood Marshall Airport, opened in 1997. The administration expects 8.4 million passengers to ride the light rail in fiscal 2015.

**Commuter Bus:** In addition to its standard operation of local bus services, the administration runs a commuter bus program to accommodate expanding growth patterns and changing travel demands. The State subsidizes commuter bus service from Southern Maryland, Kent Island, Columbia, Frederick, Hagerstown, and the Annapolis area to the District of Columbia. Additional commuter buses connect Baltimore City with Cecil,

Harford, Howard, and Prince George’s counties. There will be an estimated 4.1 million commuter bus passenger trips statewide in fiscal 2015.

**Commuter Rail Service:** State-funded Maryland Area Regional Commuter (MARC) service consists of three lines covering 202 route miles, which operate in the Baltimore-Washington metropolitan area: the Penn Line from Perryville (Cecil County) through Penn Station (Baltimore City) into Union Station (District of Columbia); the Camden line from Camden Station (Baltimore City) into Union Station; and the Brunswick line from Martinsburg, West Virginia through Point of Rocks (Frederick County) and Rockville (Montgomery County) into Union Station. A 13.5-mile spur to the Brunswick line has stops in Frederick and Monocacy. Commuter rail service is provided along rail lines owned by Amtrak and CSX with the service provided by a third-party contractor. In December 2013, MARC began weekend service between Baltimore and Washington. In fiscal 2015, ridership is expected to be approximately 9.3 million. A map of the MARC system is presented in Exhibit 9.7.

**Exhibit 9.7  
Maryland Area Regional Commuter Service**



Source: Maryland Department of Transportation

**Planned Transit Lines:** Currently, the State has three major transit lines that are in the planning process:

- **Baltimore Red Line** – An east-west light rail transit line from the Centers for Medicare and Medicaid Services (Baltimore County) to the Johns Hopkins Bayview Medical Center (Baltimore City). Current plans show the cost of the Red Line to be \$2.6 billion with construction to start in 2015 and an opening date of 2022.
- **Purple Line** – A light rail transit line between New Carrollton (Prince George’s County) and Bethesda (Montgomery County) Metrorail stations. Current plans show the cost of the Purple Line to be \$2.4 billion with construction to start in 2015 and an opening date of 2020.
- **I-270 Corridor Cities Transitway** – A 15-mile bus rapid transit system from the COMSAT facility near Clarksburg, Maryland to the Shady Grove Metro Station (Montgomery County).

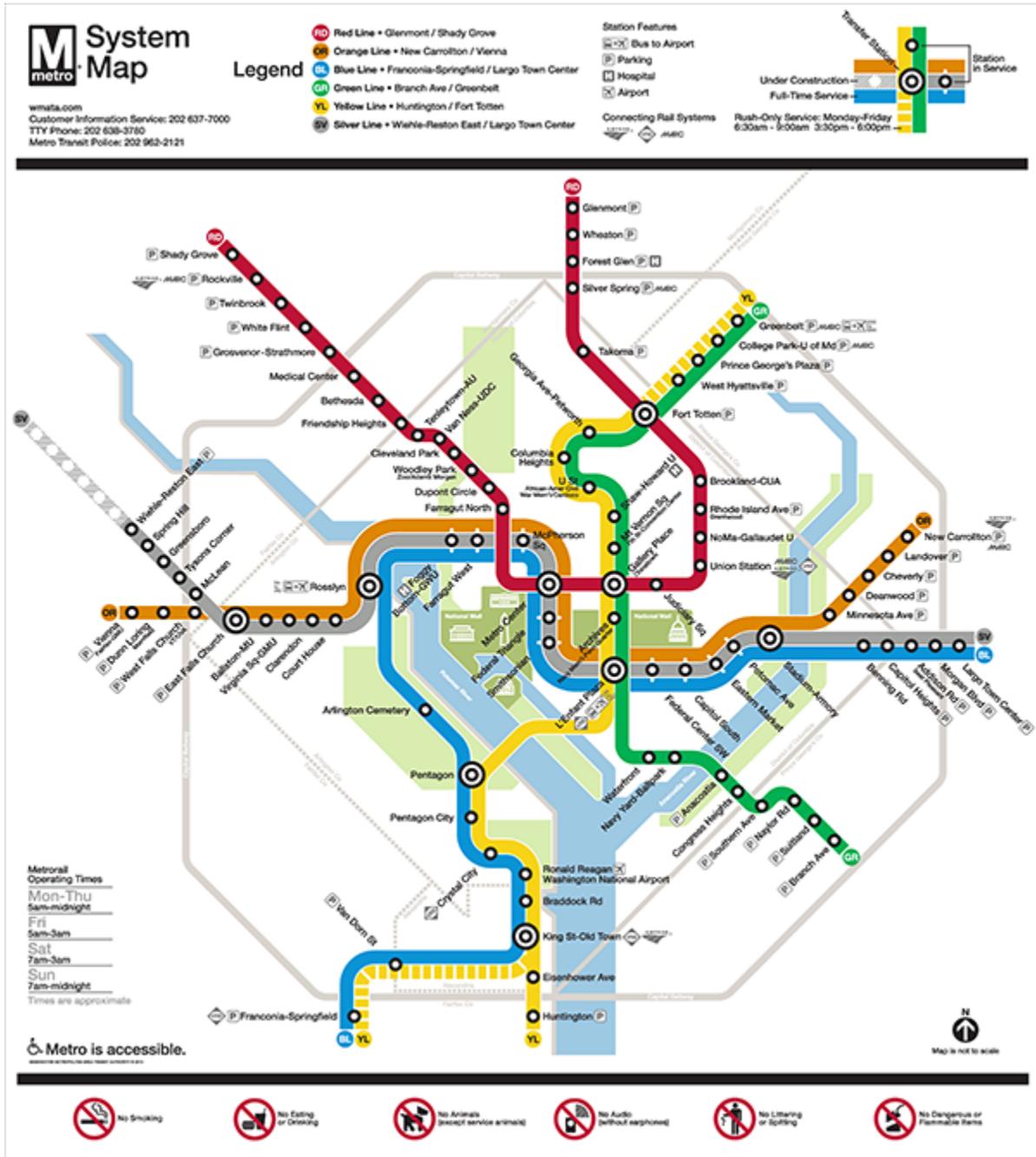
As part of the federal approval process, Records of Decision have been issued for the Red and Purple Lines and federal funds for construction were included in the President’s federal fiscal 2015 budget. The Locally Preferred Alternative for the Corridor Cities Transitway was identified in 2012, however, advancement to construction is dependent on additional federal or regional funding.

### **Washington Metropolitan Area Transit Authority**

The Washington Metropolitan Area Transit Authority was established in 1967 through an interstate compact among Maryland, Virginia, and the District of Columbia. The original purpose was construction and operation of a rapid rail transit system for the Washington metropolitan area. In 1973, the Washington Metropolitan Area Transit Authority purchased the assets of four major private bus companies operating in the area.

As shown in Exhibit 9.8, the Metrorail system includes 118 miles of track in Maryland, Virginia, and the District of Columbia, including 12 miles of track added for Silver Line Phase I, which opened for service in 2014. The opening of Phase II of the Silver Line, expected in 2018, will increase the system length to 129 miles.

### Exhibit 9.8 Washington Metropolitan Area Transit Authority Metrorail Transit System



Source: Washington Metropolitan Area Transit Authority; Maryland Department of Transportation

Maryland's overall participation in the Washington metropolitan transit system consists of the provision of annual funding to the Washington Metropolitan Area Transit Authority for the capital and operating costs of Metrorail, Metrobus, and MetroAccess systems. Funds for operating the Metrorail system are based on the number of stations, number of passengers, and population in each jurisdiction. Funds for Metrobus operation are based on the number of bus miles and bus hours of operation for each jurisdiction, as well as population and ridership. MetroAccess funding is determined by the share of trips taken by residents of each jurisdiction. The cost of each mode of service is partially offset by fare and other revenues generated by the service. In fiscal 2013, Maryland's share of Washington Metropolitan Area Transit Authority operating costs was \$263.7 million, and capital expenditures were \$132.4 million.

Funding for Maryland's portion of Washington Metropolitan Area Transit Authority costs is the sole responsibility of the State. These funds support the operating deficit, including payment of a maximum fare subsidy established by the authority. The State also pays 100% of the capital equipment costs and 100% of the debt service allocated to Maryland for "Metro Matters" revenue bonds issued to finance capital improvements to the Metrorail system.

In addition, the State pays the operating service deficit for eligible bus service in Prince George's and Montgomery counties. Eligible local bus service is service that replaces comparable authority bus service, or is otherwise eligible per a 1989 agreement. In fiscal 2013, the State provided Prince George's and Montgomery counties with \$34.5 million to subsidize local bus service.

## Port

The Helen Delich Bentley Port of Baltimore (Port of Baltimore) is a vast industrial complex that encompasses 45 miles of shoreline and over 3,000 waterfront acres. It includes 7 public terminals owned by the State, as well as 23 private terminals. In 2006, at a celebration of the port's three hundredth anniversary, the port was renamed in honor of Helen D. Bentley in recognition of the former congresswoman's lifelong dedication to maritime issues.

In 2013, the Port of Baltimore handled 30.3 million tons of foreign cargo, ranking it fourteenth among all United States port districts. The value of that cargo was \$52.6 billion, ranking the Port of Baltimore ninth among all U.S. port districts. Approximately two-thirds of all foreign cargo moving through the Port of Baltimore consists of bulk cargo such as coal, ores, sugar, fertilizers, salt, petroleum, *etc.* These types of bulk cargo are handled almost exclusively at the private terminals. The public terminals owned by the Maryland Port Administration handle the majority of general

cargo, such as containers, automobiles, roll on/roll off heavy equipment, and forest products. Roll on/roll off includes cargo that must be driven on or off a ship, such as construction and farm equipment but excluding automobiles.

The Maryland Port Administration functions under Title 6 of the Transportation Article of the Annotated Code of Maryland. Through its efforts to increase waterborne commerce, it promotes the economic well-being of the State of Maryland and manages the State-owned facilities at the Helen Delich Bentley Port of Baltimore. Activities include the developing, marketing, maintaining, and stewardship of the State's port facilities; improving access channels and dredging berths; developing and promoting international and domestic waterborne trade by promoting cargoes and economic expansion in the State; and providing services to the maritime community, such as developing dredged material placement sites.

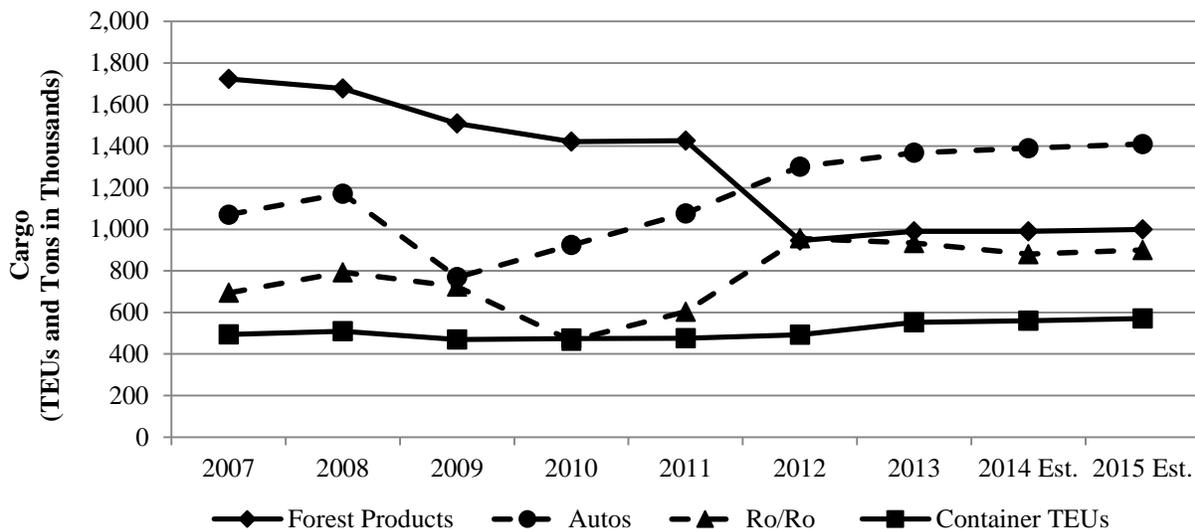
The Maryland Port Administration owns seven cargo terminals. In addition, the Maryland Transportation Authority owns the Intermodal Container Transfer Facility, an on-dock railyard leased to CSX Intermodal where cargoes may be transferred between rail and ship or truck. Cargo terminals owned by the Maryland Port Administration include:

- Dundalk Marine Terminal, which is often considered the workhorse of the public terminals. It is the largest and most versatile general cargo facility at the Port of Baltimore. Just under 30% of the cargo handled at the public terminals goes through Dundalk Marine Terminal. This 575-acre terminal handles autos, break bulk, roll on/roll off heavy equipment, containers, and forest products;
- Seagirt Marine Terminal, which is leased to Ports America Chesapeake as part of a public-private partnership executed in January 2010. In return for constructing and financing a 50-foot deep berth and providing annual payments to the Maryland Port Administration, Ports America Chesapeake is granted the right to operate, maintain, and retain revenues at Seagirt over the next 50 years;
- Masonville Terminal, a 104-acre auto terminal leased by Mercedes Benz USA;
- Fairfield Terminal, a 61-acre automobile terminal leased to Auto Warehouse Corp.;
- South Locust Point Marine Terminal, a 79-acre terminal, which primarily handles forest products and is home to the port's cruise terminal;

- North Locust Point, a 90-acre terminal handling primarily liquid bulks, project cargo, and breakbulk; and
- Hawkins Point Marine Terminal, a 19-acre bulk terminal leased to Alcoa Eastalco Works that handles aluminum ore, cement, and liquid fertilizer.

The amount of general cargo tonnage at the Maryland Port Administration's terminals has increased since 2009 and is estimated to total approximately 3.9 million tons in fiscal 2015. Exhibit 9.9 provides data on general cargo handled at State-owned terminals. The Port of Baltimore consistently ranks among the top three ports in the nation in terms of the amount of roll on/roll off, imported forest products, automobiles, sugar, iron ore, and gypsum handled.

**Exhibit 9.9**  
**General Cargo Tonnage at Public Terminals**  
**Fiscal 2007-2015**



TEU: twenty-foot equivalent unit

Source: Maryland Port Administration

The administration has also been successful in increasing the cruise ship business. Following the opening of a new cruise terminal in 2006, the number of cruises and number of passengers utilizing the new terminal has been increasing and totaled over 212,000 passengers on 91 cruises in calendar 2013. The Port of Baltimore offers year-round cruises on Carnival Cruise Lines and Royal Caribbean International.

## **Dredging**

Each year, the system of navigational channels serving the Port of Baltimore requires maintenance dredging of about four to five million cubic yards of material. The dredging demand for the Port of Baltimore also includes periodic new work to complete channels and berth improvements that enable the port to grow in a competitive marketplace.

Legislation enacted in 2001 required an end to open water placement of dredged material in 2010 and emphasized beneficial use and innovative reuse as the preferred dredged material management options. Beneficial use means putting dredged material to work for environmental benefits, such as creating wildlife habits and restoring eroded islands. Innovative reuse refers to using dredged material in place of other raw materials, or in combination with them, for construction, manufacturing, and reclamation projects. The administration continues to explore cost-effective options for innovative reuse, but the amounts of dredged material handled this way are minimal.

The options for placement of dredged material are not sufficient to meet the capacity demand needed in the near future and plans to identify and develop new sites are still underway. Cost remains a critical factor, as about two-thirds of the administration's six-year capital budget is typically spent on dredging and the identification, construction, and maintenance of placement sites. In fiscal 2014, the administration was responsible for constructing and operating the following dredged material placement sites:

- Hart Miller Island Containment Facility (statutorily closed in 2009);
- Poplar Island Environmental Restoration Project;
- Pooles Island Open Water Placement Site (statutorily closed in 2010);
- Cox Creek Dredged Material Containment Facility; and
- Masonville Dredged Material Containment Facility.

## **Aviation**

The Maryland Aviation Administration is responsible for maintaining and operating the Baltimore/Washington International Thurgood Marshall Airport and Martin State Airport and for fostering, developing, and regulating aviation within the State. The Maryland Aviation Administration also administers noise assistance activities

such as voluntary land acquisition, homeowners' assistance, and school soundproofing programs; inspects and licenses public and privately owned public use airports; and registers private use airports. In total, there are 137 airports in Maryland, including 36 public use and 101 private use airports.

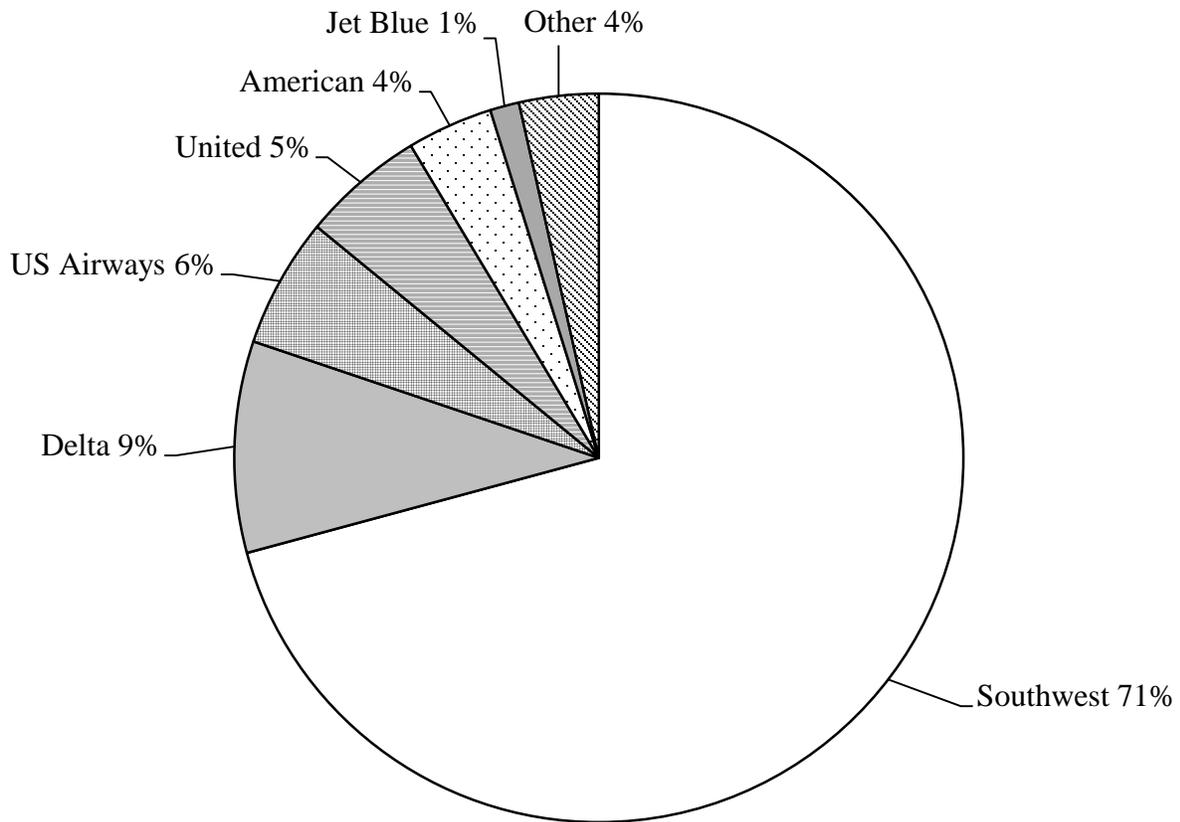
### **Baltimore/Washington International Thurgood Marshall Airport**

Friendship International Airport was purchased by the State from Baltimore City in 1972 for \$36 million. Upon acquisition, the State renamed the facility Baltimore/Washington International Airport and began a program to modernize and expand the facilities to accommodate modern aircraft and provide for maximum passenger convenience and safety. This program resulted in a rebuilding of the old terminal facility and expansion of existing runways. During the 1990s, the airport was further improved to include a new international pier, an expanded Pier C, a new parking garage, and the extension of one of the runways. In 2001, the Maryland Aviation Administration embarked on a five-year, \$1.4 billion expansion program, which included construction of a new passenger terminal, a consolidated rental car facility, skywalks connecting the terminal to parking garages, and additional parking; utility upgrades; acquisition of a fleet of shuttle buses and improvements to the roadways surrounding the airport. In 2005, the airport was renamed to recognize the achievements and legacy of Supreme Court Justice Thurgood Marshall.

Since calendar 2000, passenger volumes at Baltimore/Washington International Thurgood Marshall Airport have hovered around 20 million passengers. In calendar 2013, the airport served 22.5 million passengers. As Exhibit 9.10 shows, Southwest Airlines alone carries 71% of all passengers.

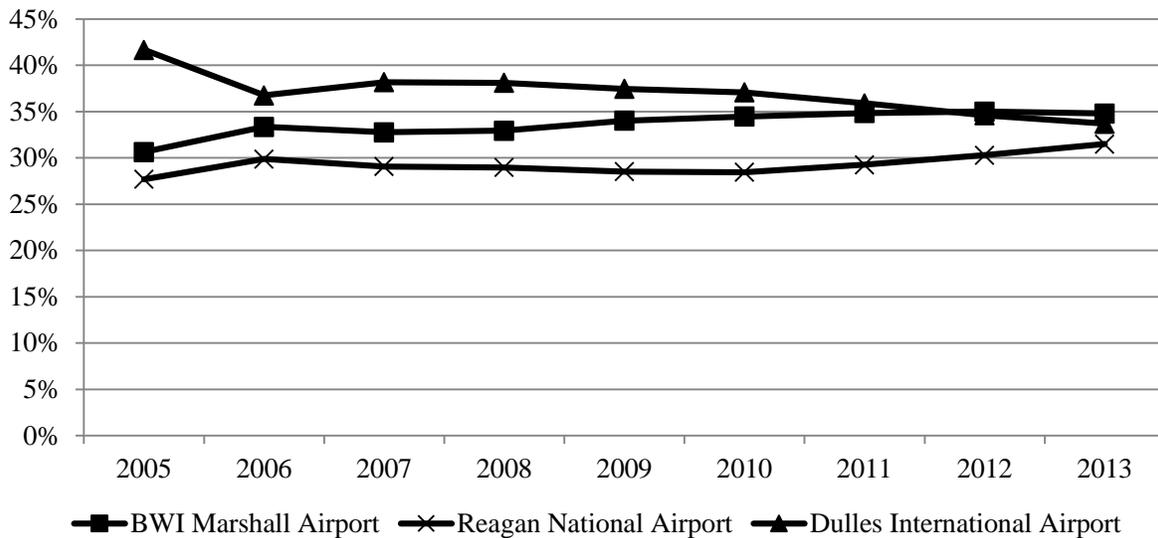
The proximity of Dulles Airport and Ronald Reagan Washington National Airport forces Baltimore/Washington International Thurgood Marshall Airport to compete for passengers in the Washington, DC metro area. Exhibit 9.11 shows the percentage of regional market share that each of these airports captures. For many years, Dulles had the largest regional market share; however, beginning in 2012 and again in 2013, Baltimore/Washington International Thurgood Marshall Airport had the largest market share at 35.0% and 34.8%, respectively. This increase in market share is due to Baltimore/Washington International Thurgood Marshall Airport's proximity to the federal government and the significant presence of Southwest Airlines.

**Exhibit 9.10**  
**Market Share by Carrier**  
**Baltimore/Washington International Thurgood Marshall Airport**  
**Calendar 2013**



Source: Maryland Aviation Administration

**Exhibit 9.11**  
**Market Share – BWI Marshall, Dulles, and Reagan National Airports**  
**Calendar 2005-2013**



BWI Marshall: Baltimore/Washington International Thurgood Marshall Airport

Source: Maryland Aviation Administration

### Martin State Airport

Martin State Airport was acquired by the State in 1975 at a cost of \$5.8 million. It is a general aviation facility located in eastern Baltimore County that augments the airfield capacity of the Baltimore/Washington International Thurgood Marshall Airport. Martin State Airport handles many general aviation activities (corporate, air charter, *etc.*), which otherwise would be forced to operate at Baltimore/Washington International Thurgood Marshall Airport and would decrease that airport's capacity to handle scheduled air carrier operations. Accordingly, Martin State Airport has been designated a "reliever airport" by the Federal Aviation Administration and, as such, is eligible for federal funding assistance for certain capital projects.

Additionally, Martin State Airport is the home base for the Maryland Air National Guard, the Aviation Division of the Maryland State Police, the Baltimore City Police Helicopter Unit, the Baltimore County Police Aviation Unit, and many of Maryland's leading corporations' aircraft. Flight activity for fiscal 2009 at Martin State Airport

resulted in 74,000 aircraft operations and the sale of 1.0 million gallons of Jet A and 100-LL aviation fuel.

### **Local Airports**

Aside from the two airports owned by the State of Maryland, local governments own and operate 16 airports that are open to the public. Anne Arundel, Baltimore, Carroll, Dorchester, Garrett, Queen Anne's, St. Mary's, Talbot, Washington, and Wicomico counties all own and operate airports. The municipalities of Frederick and Ocean City also own and operate airports, and the City of Crisfield and Somerset County cooperate in the ownership and operation of an airport.

The Montgomery County Revenue Authority owns and operates an airport in that county, and the Maryland-National Capital Park and Planning Commission owns and operates an airport in Prince George's County. In addition, the City of Cumberland and Allegany County participate with several West Virginia local governments in an authority that owns and operates the Greater Cumberland Regional Airport located in Mineral County, West Virginia.

An additional 18 airports open to the public are wholly owned by private entities. These private-owned/public-use airports are located in several different counties. Of the 34 non-State owned airports, 15 are listed within the Federal Aviation Administration's National Plan of Integrated Airports System. These airports are eligible to receive federal funds for airport improvements.

### **Regional Air Service**

Of Maryland's 137 airports – including the Greater Cumberland Regional Airport located in Mineral County, West Virginia – 3 are certified by the Federal Aviation Administration to have scheduled passenger flights as commercial service airports (Baltimore/Washington International Thurgood Marshall, Hagerstown Regional, and Salisbury Regional). Hagerstown Regional operates twice daily round trip flights to Washington Dulles Airport under the U.S. Department of Transportation's Essential Air Service subsidy program. This subsidy program is set to terminate for Hagerstown Regional on September 30, 2015. Hagerstown Regional is also serviced by once a week scheduled air service by Allegiant Airlines to Orlando, Florida. Salisbury Regional operates three round trip flights to Philadelphia, Pennsylvania and two round trip flights to Charlotte, North Carolina.

## **Maryland Transportation Authority**

The Maryland Transportation Authority operates and maintains Maryland's toll facilities: four toll bridges (the Chesapeake Bay Bridge, Thomas J. Hatem Memorial Bridge, Harry W. Nice Memorial Bridge, and Francis Scott Key Bridge), two tunnels (the Harbor Tunnel and Fort McHenry Tunnel), and two turnpikes (John F. Kennedy Memorial Highway/Interstate 95 from the northern Baltimore line to the Delaware State line and the Intercounty Connector). In addition, the authority owns the Chesapeake House and Maryland House, two travel plazas along Interstate 95. The authority may issue revenue bonds to finance the cost of projects associated with toll facilities, vehicle parking facilities in priority funding areas, and any other revenue-producing transportation facility.

The authority consists of eight members appointed by the Governor with the advice and consent of the Senate. Section 4-202 of the Transportation Article requires that of the members of the authority, one shall have expertise in structural engineering, one in transportation planning, one in land use planning, and one in finance. The Secretary of Transportation chairs the authority. Day-to-day operations are directed by an executive director who serves at the pleasure of the members of the authority. The General Assembly's statutory oversight of the authority consists of:

- reviewing the authority's operating and capital spending plans (however, the General Assembly has no authority to reduce the authority's budget or restrict its expenditures);
- establishing a cap of \$3 billion on the aggregate outstanding and unpaid principal balance of revenue bonds and loans or draws on a line of credit issued under the federal Transportation Infrastructure Finance and Innovation Act as of June 30 of any year;
- requiring semi-annual submissions of a six-year financial forecast providing estimates of operating and capital expenses, revenues, debt service, bond issuances, and debt coverage ratios over a six-year planning period; and
- requiring notification to the fiscal committees of the General Assembly of proposed toll rate changes on toll facilities.

## **Maryland Transportation Authority Police**

The Maryland Transportation Authority Police is responsible for security and law enforcement services at the authority's toll facilities and for law enforcement services at Baltimore/Washington International Thurgood Marshall Airport, facilities owned by the Maryland Port Administration at the Port of Baltimore, and the Motor Vehicle Administration headquarters in Glen Burnie.

## **Funding**

### **Transportation Trust Fund**

The Transportation Trust Fund is the State's principal transportation funding mechanism. The trust fund is credited with taxes, fees, charges, bond proceeds, federal grants, and other receipts of the Maryland Department of Transportation. All expenditures of the Maryland Department of Transportation are made from the Transportation Trust Fund. Unexpended funds remaining in the Transportation Trust Fund at the close of each fiscal year are retained in the fund. However, in exceptional circumstances, balances in the trust fund have been diverted through legislation to general fund purposes. For additional information regarding the Transportation Trust Fund, please refer to Chapter 10 (Transportation Revenues) of *Volume III – Maryland's Revenue Structure* of the Legislative Handbook Series.

The Maryland Port Administration, Maryland Aviation Administration, Maryland Transit Administration, and Motor Vehicle Administration generate revenues that are deposited into the Transportation Trust Fund and help to offset the operating expenses of those administrations. Both the Maryland Transit Administration and the Motor Vehicle Administration have statutory cost recovery requirements.

***Maryland Transit Administration:*** Statute requires that 35% of operating expenses of bus, light rail, and subway, otherwise known as Baltimore area services, be raised from fares, with the remainder drawn from State and federal sources. In fiscal 2013, revenues from fares totaled \$82.1 million, representing 27.1% of operating expenses. Commuter rail must also recover 50% of its operating expenses from fares. In fiscal 2013, commuter rail revenues totaled \$40.6 million, representing 51.4% of operating expenses. Beginning in fiscal 2015, and biennially thereafter, the Maryland Transit Administration is required by statute to increase fares for transit services other than commuter rail and commuter bus by an amount equal to the increase in the Consumer Price Index. For commuter rail and commuter bus, fare increases are required at five-year intervals in an amount equal to the five-year increase in the Consumer Price Index. Statute also requires that performance goals be established each

fiscal year for each type of transit provided and a report be submitted on the goals and the department's efforts to meet the goals.

***Motor Vehicle Administration:*** Statute requires the Motor Vehicle Administration to recover 95% to 100% of its operating costs, its average annual capital program, and the administration's share of the Maryland Department of Transportation's data center operations. These costs must be recovered through miscellaneous fees – comprising all fees except for vehicle registration fees and motor vehicle excise taxes. If the amount collected by the administration exceeds 100% of the costs, the administration must lower the fees.

### **Debt Authority**

The Maryland Department of Transportation may issue 15-year Consolidated Transportation Bonds which are payable only from the Transportation Trust Fund and are not backed by the full faith and credit of the State. The limit on maximum debt outstanding for these bonds was increased from \$2.6 billion to \$4.5 billion during the 2013 session in recognition of additional revenues anticipated from passage of the Transportation Infrastructure Investment Act of 2013.

The department also has limited authority to issue nontraditional debt, including certificates of participation, and debt backed by customer facility charges, passenger facility charges, or other revenues. Debt may also be issued by the Maryland Economic Development Corporation, the Maryland Transportation Authority, or any third party on behalf of the department. Certificates of participation are purchase agreements that are backed by a dedicated revenue source. Once the certificates of participation are repaid, the Maryland Department of Transportation will own the facility being built; until that time, however, other parties have a financial hold on the facility. Outstanding debt for nontraditional debt may not exceed \$726.6 million as of June 30, 2015.

The department has used nontraditional debt to finance improvements at the Baltimore/Washington International Thurgood Marshall Airport and Port of Baltimore and construction of a new headquarters facility.

### **Highway User Revenues**

In addition to the State program, the department serves as a funding conduit for local government transportation programs through the Gasoline and Motor Vehicle Revenue Account, commonly known as the highway user fund. The highway user fund is credited with a portion of fuel taxes, vehicle registration fees and specified percentages of vehicle titling taxes (66.0%), short-term vehicle rental taxes (80.0%), and corporate

income taxes (16.6% of net receipts but slated to decrease to 14.6% in fiscal 2017 and remain at that level thereafter). The account is then split between the department (90.4%), Baltimore City (7.7%), the counties (1.5%), and municipalities (0.4%).

Distributions among the counties and municipalities are based upon each county's or municipality's share of road miles and registrations as a percent of the statewide total for counties and municipalities. Further information on the distribution of revenues to local jurisdictions is provided in *Volume VI – Maryland Local Government* of the Legislative Handbook Series. Exhibit 9.12 details the fiscal 2013 highway user distribution.

### **Transportation Authority Fund**

The Transportation Authority Fund is a nonlapsing fund into which all Maryland Transportation Authority revenues are deposited and from which all expenses are paid, except to the extent that they are pledged under a trust agreement. Authority revenues include revenues from toll facilities, concessions revenues from the travel plazas it owns along Interstate 95, and payments from the Maryland Department of Transportation. Payments are received from the department for law enforcement services at Baltimore/Washington International Thurgood Marshall Airport, the Port of Baltimore, and the Motor Vehicle Administration's headquarters and for lease payments for port facilities constructed by the authority. The authority's revenues are not part of the Transportation Trust Fund; however, under the authority's trust agreement, which allows funding of transportation projects, occasionally authority resources are used for projects primarily funded from the trust fund and vice versa.

**Exhibit 9.12**  
**State Highway Administration**  
**Distribution of Highway User Revenues**  
**Fiscal 2013**

<b>County</b>	<b>County Portion</b>	<b>Municipality Portion</b>	<b>Total</b>
Allegany	\$424,914	\$325,330	\$750,244
Anne Arundel	2,568,114	279,286	2,847,400
Baltimore	3,624,066	-	3,624,066
Baltimore City	130,084,781	-	130,084,781
Calvert	556,511	79,742	636,253
Caroline	353,933	115,395	469,328
Carroll	990,540	408,612	1,399,152
Cecil	573,024	180,031	753,055
Charles	831,449	106,711	938,160
Dorchester	393,374	130,311	523,685
Frederick	1,190,779	674,231	1,865,010
Garrett	467,156	107,425	574,581
Harford	1,237,617	307,133	1,544,750
Howard	1,386,043	-	1,386,043
Kent	201,633	67,199	268,832
Montgomery	3,253,044	1,026,297	4,279,341
Prince George's	2,548,509	1,316,171	3,864,680
Queen Anne's	467,199	44,283	511,482
St. Mary's	683,079	22,171	705,250
Somerset	250,463	49,728	300,191
Talbot	287,984	177,363	465,347
Washington	776,308	424,238	1,200,546
Wicomico	572,904	361,634	934,538
Worcester	451,130	219,935	671,065
<b>Total</b>	<b>\$154,174,554</b>	<b>\$6,423,226</b>	<b>\$160,597,780</b>

Note: There are no municipalities in Baltimore City and Baltimore and Howard counties.

Source: Maryland Department of Transportation, Office of Finance

All revenues generated by the Maryland Transportation Authority are expended only for the operating and capital expenses of the authority unless specific action is taken

by the authority's members and the Board of Public Works to transfer funds. The revenues and expenditures of the authority are governed by a trust agreement with its bondholders. The authority's budget is provided to the General Assembly as informational only and may not be altered by the Governor or by the General Assembly. Similarly, in order to maintain the independent rate-setting ability required by the trust agreement, toll rate increases require prior legislative notice but not approval.

The Maryland Transportation Authority may issue revenue bonds backed by toll revenues. The bonds are not backed by the full faith and credit of the State. Statute allows for a maturity of up to 40 years; however, the authority typically issues bonds with a maturity of 30 or 33 years. The limit on maximum debt outstanding for these bonds was increased to \$3.0 billion during the 2008 session.

## **Conclusion**

The State, with local jurisdictions, plays a critical role in developing, maintaining, and regulating the multi-modal transportation network. As shown in Exhibit 9.13, the funding of transportation services in Maryland reflects the State's central role. In fiscal 2013, the State contributed approximately 63% of the transportation funds expended, while the local and federal shares accounted for 20% and 17%, respectively.

**Exhibit 9.13  
Transportation Expenditures and Funding  
Fiscal 2013**

<u>Service</u>	<u>County</u>	<u>Municipal</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
<b>Roads</b>	\$490,874,751	\$114,668,370	\$899,555,683	\$611,412,188	\$2,116,510,992
<b>Parking</b>	13,266,400	11,388,208	0	0	24,654,608
<b>Motor Vehicles</b>			174,442,004	64,478	174,506,482
<b>Aviation</b>	22,760,891	3,292,293	226,094,529	22,896,577	275,044,290
State Airport			224,174,218	16,908,307	241,082,525
County/Municipal Airports	22,760,891	3,292,293	1,920,311	5,988,270	33,961,765
<b>Port</b>			121,649,879	6,723,596	128,373,475
<b>Transit</b>	181,680,262	12,303,974	1,249,149,880	297,875,929	1,741,010,045
Maryland Transit/ Other			805,953,827	184,405,821	990,359,648
WMATA			396,094,303	91,100,000	487,194,303
Local Transit Systems	181,680,262	12,303,974	47,101,750	22,370,108	263,456,094
<b>Administration/ Other</b>	216,805,435	22,412,824	92,660,281	10,067,519	333,737,593
<b>Subtotal</b>	\$925,387,739	\$164,065,669	\$2,763,552,256	\$949,040,287	\$4,802,045,951
Maryland Transportation Authority			653,135,153		
<b>Total</b>	\$925,387,739	\$164,065,669	\$3,416,687,409	\$949,040,287	\$5,455,181,104

WMATA: Washington Area Metropolitan Transit Authority

Note: Figures include operating and capital. Funding sources include user fees.

Source: *Fiscal 2013 State Budget Books, Local Government Finances in Maryland, and Uniform Financial Reports, Department of Legislative Services; Maryland Department of Transportation*

## Chapter 10. Health Services

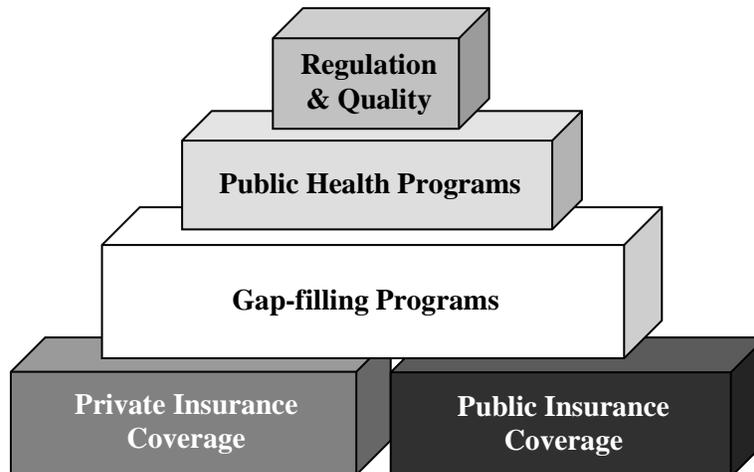
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### Overview of Maryland's Health Care System

Maryland's health care system comprises five major components: private insurance coverage, public insurance coverage, gap-filling programs, public health programs, and regulation and quality assurance activities. These components are illustrated in Exhibit 10.1.

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**Exhibit 10.1**  
**Major Components of Maryland's Health Care System**



Source: Department of Legislative Services

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Public insurance programs are provided by both the federal and State governments for certain populations and include Medicare, Medicaid, and the Maryland Children's Health Program. Local involvement in public insurance is limited to assisting with the eligibility determination process. The Maryland Health Benefit Exchange provides a marketplace for individuals and small businesses to purchase affordable health coverage and establishes requirements for the qualified health plans sold through that marketplace.

State and local governments provide gap-filling programs for individuals who cannot find private insurance coverage but do not qualify for public insurance coverage

or have health issues that the State has decided to provide extra assistance for, such as developmental disabilities.

Federal, State, and local governments all take a role in promoting public health through screening and testing, preventive care, and the treatment of chronic conditions. The State sets policy, monitors and evaluates programs, operates institutions for the developmentally disabled and the mentally ill, and supports a variety of community-based programs and services. Local health departments take the lead in the delivery and coordination of public health services. The federal role in public health is primarily as a regulator and source of funding, as well as a provider for certain populations such as veterans.

Several State agencies, principally the Department of Health and Mental Hygiene, the Maryland Insurance Administration, and the Maryland Health Benefit Exchange, perform regulatory and/or quality assurance activities, including overseeing individual health care providers, health care facilities, and some private health insurance products.

## **Funding of Maryland's Health Care Services**

Funding for health care services in Maryland is provided by federal, State, and local funds. Exhibit 10.2 provides an overview of Maryland's health spending by the source of funds and the target population.

Federal funds account for approximately 74% of all the health funding, with most of the federal funding supporting Medicaid and Medicare. State programs have only limited interaction with the Medicare program (*i.e.*, Medicaid provides Medicare premium assistance for low-income individuals), and similarly, the State Executive and Legislative branches are not involved in policymaking concerning Medicare. However, it is included in this review because, as shown, in Exhibit 10.2, it is the largest public health program in the State. Federal Medicaid spending for eligibility determinations performed by the Department of Human Resources and special education services offered through the Maryland State Department of Education is discussed in Chapters 6 and 11 of this volume of the Legislative Handbook Series and is not included in the exhibit.

**Exhibit 10.2**  
**Public Health Spending in Maryland**  
**Fiscal 2013**  
**(\$ in Thousands)**

	<u>State</u>	<u>Local</u>	<u>Federal</u>	<u>Fees</u>	<u>Total</u>
Medicaid/Maryland Children's Health Program <sup>1</sup>	\$3,319,274		\$3,530,003	\$2,723	\$6,852,000
Medicare <sup>2</sup>			10,670,400		10,670,400
Behavioral Health <sup>3</sup>	818,452		383,690		1,202,142
Developmental Disabilities <sup>4</sup>	526,046		378,938		904,984
Infectious Disease and Environmental Health	49,184		68,577		117,761
Local Health Departments <sup>5</sup>	38,051	\$149,407	4,493		191,951
Chronic Hospitals	45,654				45,654
Family Health	75,923		141,174		217,097
Regulation of Providers/Health System <sup>6</sup>	11,072		8,901	58,071	78,044
Uncompensated Care and Trauma Physicians Funds	141,503				141,503
Maryland Health Insurance Plan/ Senior Prescription Drug Assistance Program <sup>7</sup>	156,502		21,273		177,775
Maryland Health Benefit Exchange	8,022		72,960		80,982
Other <sup>8</sup>	60,087	57,470	38,545		156,102
<b>Total</b>	<b>\$5,249,770</b>	<b>\$206,877</b>	<b>\$15,318,954</b>	<b>\$60,794</b>	<b>\$20,836,395</b>

<sup>1</sup> Includes State-funded Kidney Disease Program.

<sup>2</sup> Estimated share of 2012 health care expenditures in Maryland.

<sup>3</sup> Includes Medicaid funds for mental health.

<sup>4</sup> Includes Medicaid funds for developmental disabilities.

<sup>5</sup> Targeted State and federal funds for local health departments. Funds for other grants and contracts with local health departments are included elsewhere.

<sup>6</sup> Includes the Office of Health Care Quality, health occupations boards, Maryland Health Care Commission, Health Services Cost Review Commission, and Maryland Community Health Resources Commission.

<sup>7</sup> Includes hospital assessment and premiums collected to fund the Maryland Health Insurance Program and payments by nonprofit health care organizations in lieu of the insurance premium tax which fund the Senior Prescription Drug Program.

<sup>8</sup> Includes Department of Health and Mental Hygiene administrative activities, Office of the Chief Medical Examiner, Office of Preparedness and Response, and Laboratories Administration.

Source: *Fiscal 2015 State Budget Books*; Department of Health and Mental Hygiene; Maryland Health Care Commission Department of Legislative Services

## **Impact of the Federal Patient Protection and Affordable Care Act**

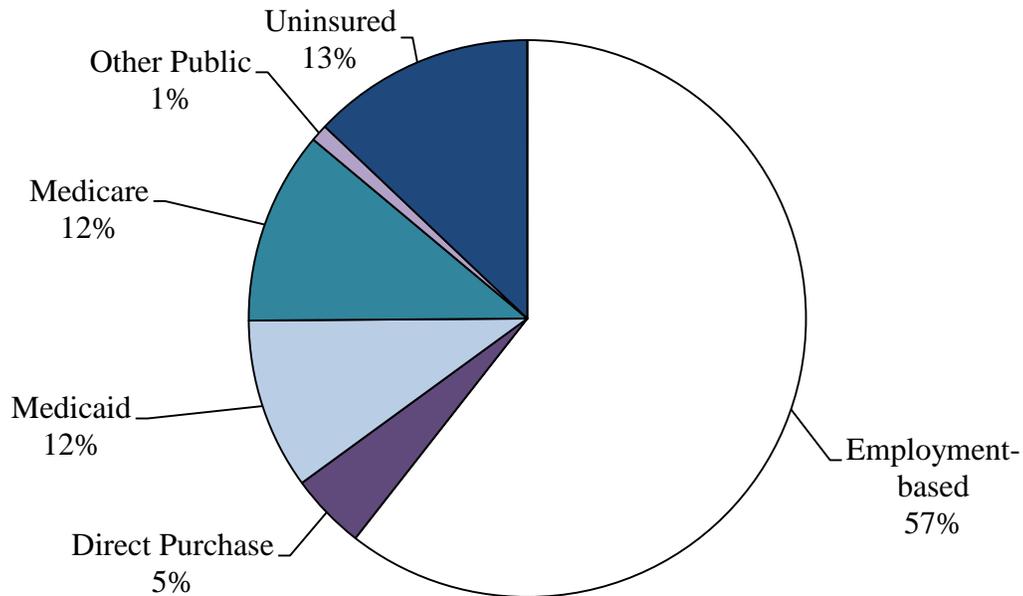
Since 2010, Maryland's health care system has substantially changed, primarily due to enactment of federal health care reform legislation and ensuing legislative and regulatory changes to implement such reforms at the State level. The federal Patient Protection and Affordable Care Act was enacted in March 2010 to expand health care coverage, control health care costs, and improve the health care delivery system. Major features of the law include individual and employer mandates, expansion of Medicaid eligibility, creation of health benefit exchanges, premium and cost-sharing subsidies, and various changes to private insurance intended to make it easier to obtain insurance and protect patients. The Act altered the health care landscape nationally and in Maryland.

In response to passage of the Act, Maryland established the Maryland Health Care Reform Coordinating Council and the Governor's Office of Health Care Reform to oversee and coordinate health care reform in the State. The State also brought the insurance laws into compliance with new federal consumer protections, standardized health insurance premium rate review and approval, created a temporary federal high-risk pool within the Maryland Health Insurance Plan and provided for the transition of Maryland Health Insurance Plan members to coverage under Medicaid or private health insurance, established the Maryland Health Benefit Exchange to develop and operate the Individual Exchange and Small Business Health Options Program Exchange, and expanded Medicaid coverage for low-income individuals.

## **Health Insurance Coverage in Maryland**

The foundation of Maryland's health care system is insurance coverage, which individuals generally obtain through one of three sources: (1) employment-based coverage; (2) private coverage purchased directly from a health insurance carrier; or (3) public health insurance programs provided by the State or federal government (including Medicaid, the Maryland Children's Health Program, Medicare, and military-related coverage). As shown in Exhibit 10.3, in calendar 2011 and 2012, (prior to full implementation of the federal Patient Protection and Affordable Care Act) 57% of the State's population had employment-based coverage, 5% purchased their coverage directly from a carrier, and 25% were covered through public health insurance programs. The remaining 13% of Marylanders were uninsured.

**Exhibit 10.3**  
**Health Insurance Coverage in Maryland**  
**Calendar 2011-2012**



Source: Kaiser State Health Facts

Following full implementation of the federal Patient Protection and Affordable Care Act in 2014, the source of health care coverage in Maryland is changing, particularly with respect to Medicaid. While an estimated 706,500 individuals (12% of the State population) were enrolled in Medicaid and the Maryland Children's Health Program in 2011-2012, enrollment in these programs is projected to reach 1,178,000 in fiscal 2015 (20% of the estimated State population in 2015).

### **Private Insurance Coverage**

As described above, private health insurance is the primary source of coverage for Marylanders, with most individuals covered by a plan offered through their employer. A small proportion of Marylanders purchase their coverage directly from a health insurance carrier.

For those commercial health benefit plans that are regulated by the State, the Maryland Insurance Administration serves as the regulator. The administration is funded by the entities it regulates. Funding comes from an annual assessment on insurers based on the market share of the insurer, as well as from various fees charged for services provided by the administration. The fiscal 2013 budget for the Maryland Insurance Administration was \$27.9 million. The estimated fiscal 2015 budget for the administration is \$30.6 million. A more detailed discussion of the regulation of commercial health benefit plans can be found under the Additional Regulatory Activities section of this chapter.

### **Maryland Health Benefit Exchange**

The federal Patient Protection and Affordable Care Act required states to have a health insurance exchange, either state-based or federal, in place as of January 1, 2014. Maryland was 1 of 14 states that opted to develop a state-based exchange, known as Maryland Health Connection. The exchanges are intended to provide a marketplace for individuals and small businesses to purchase affordable health coverage by certifying and making available qualified health plans and qualified dental plans to individuals and businesses and serving as a gateway to an expanded Medicaid program. The Maryland Health Benefit Exchange is a public corporation and independent unit of State government with a nine-member Board of Trustees and is responsible for the administration of Maryland Health Connection.

Through Maryland Health Connection, Maryland residents can determine if they qualify for federal tax subsidies or cost-sharing reductions to help pay for health insurance or if they, or members of their family, are eligible for Medicaid or another program such as the Maryland Children's Health Program. Small businesses can utilize authorized brokers to find plans that meet the needs of employees and qualify for tax credits. Maryland Health Connection works with health insurance carriers, insurance producers, assisters, and advocates and is supported by a statewide consolidated call center. In-person assistance is available statewide by individuals known as navigators.

As of May 31, 2014, approximately 372,517 Marylanders had enrolled in health insurance through Maryland Health Connection, including more than 300,000 individuals enrolled in Medicaid (including 95,889 individuals formerly enrolled in the Primary Adult Care Program, which provided a limited Medicaid benefit) and 72,207 individuals enrolled in qualified health plans. Maryland Health Connection faced significant information technology challenges during its inaugural open enrollment period from October 2013 through March 2014. The State is implementing a new information technology platform for use beginning with the 2014-2015 open enrollment period.

## **Public Insurance Coverage**

Public health insurance coverage is provided through several different programs overseen by both the State and the federal government. The Centers for Medicare and Medicaid Services, located under the U.S. Department of Health and Human Services, is charged with administering Medicare and Medicaid at the federal level. Medicare provides public health insurance for U.S. citizens who are age 65 or older and certain other segments of the population. It is provided, funded, and regulated exclusively by the federal government.

The State administers other public insurance programs through the Department of Health and Mental Hygiene, with local departments of health and State-funded local departments of social services assisting in determining eligibility. Medicaid and the Maryland Children’s Health Program are joint federal and State programs, with the federal government setting broad program parameters and the State providing administration. Both the federal and State governments also provide funding for these programs. Those public insurance programs provide benefits for both physical and behavioral health.

For nearly a decade, the State has also provided access to health insurance for medically uninsurable individuals through the Maryland Health Insurance Plan, which included both a standard plan and MHIP+, which provided discounted premiums and cost sharing to members with limited incomes. As members were largely able to transition to private coverage following federal health care reforms, MHIP+ terminated March 31, 2014, and the standard plan is set to terminate on December 31, 2014.

### **Medicare**

A federally funded and administered program, Medicare provides hospital inpatient and outpatient, home health, physician coverage, and prescription drug coverage. Individuals age 65 years and older, certain disabled individuals, and all individuals with end-stage renal disease are eligible for the program. In all, based on 2012 data, just over 51.8 million individuals nationwide receive at least some Medicare benefits, including 827,426 in Maryland (12% of the State population). In federal fiscal 2013, national outlays for Medicare totaled \$591 billion with projected program outlays of \$577 billion for federal fiscal 2015. In 2013, Medicare spending in Maryland was an estimated \$10.7 billion (21.6% of total personal health care expenditures in 2012).

Medicare coverage is divided into four parts. Part A, which is hospital insurance, is provided to most individuals once the individual turns 65 without cost to the individual because either the individual or the spouse of the individual paid into Medicare while

working. Other individuals may buy into Part A. Individuals who are eligible to buy into Part A are either age 65 or older but did not pay enough money into Medicare to get free coverage or are disabled but have returned to work.

Part B is the medical insurance component to Medicare. Under Part B, an individual receives coverage for medically necessary services, such as doctors' services and outpatient hospital care. Whether to enroll in Part B is up to the individual. Most individuals are required to pay a monthly premium for the coverage.

Part C is called Medicare Advantage. Under the program, Part A and Part B services are provided through private insurance companies. The private insurance companies include health maintenance organizations, preferred provider organizations, private fee-for-service companies, and Medicare special needs plans.

Part D is the prescription drug coverage portion of Medicare. Each individual who has Medicare is eligible for the prescription drug program. Premiums and a yearly deductible apply to the coverage. Part D gives individuals coverage for both brand name and generic drugs at local participating pharmacies.

## **Medicaid**

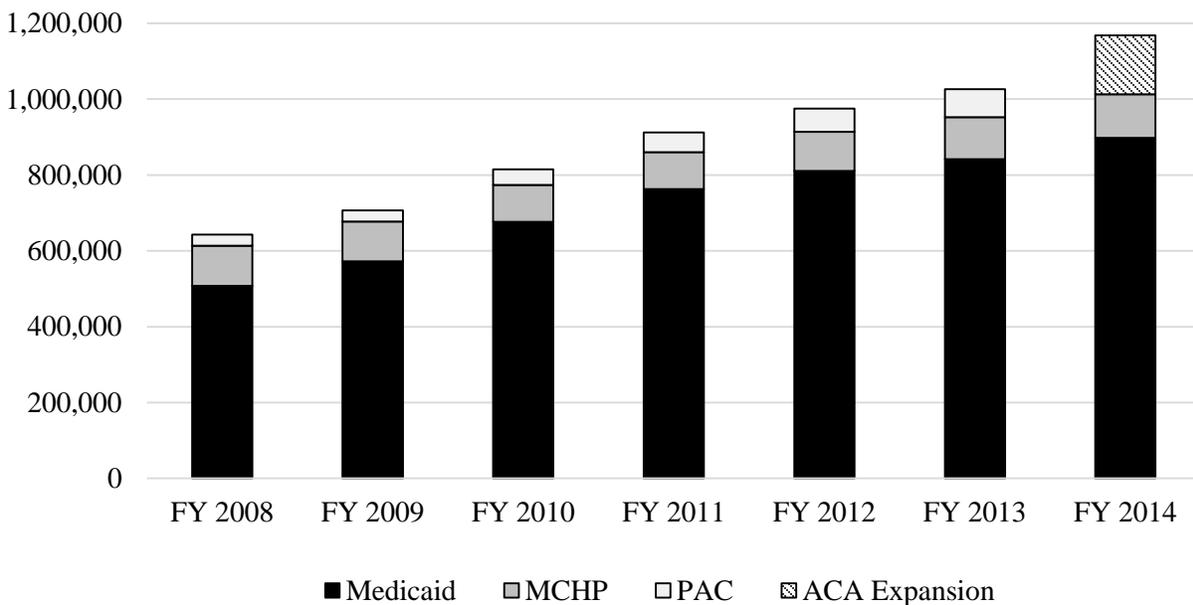
Medical Assistance (Title XIX of the Social Security Act) is a joint federal and state program that provides assistance to indigent and medically indigent individuals. In Maryland, the federal government generally covers 50% of Medicaid costs. Medical Assistance eligibility is limited to children, pregnant women, elderly or disabled individuals, low-income parents, and childless adults. To qualify for benefits, applicants must pass certain income and asset tests.

Recipients of Temporary Cash Assistance or federal Supplemental Security Income benefits automatically qualify for Medicaid while other individuals qualify based on their income or due to an inability to pay extraordinary medical bills resulting from a catastrophic illness or extended nursing home or hospital stay. Pregnant women and women with breast or cervical cancer qualify for Medicaid if other requirements are met. Children receiving foster care services or subsidized adoption services are automatically covered. Individuals in other categories such as aliens, refugees, and asylees are eligible for Medicaid under certain circumstances. Medically needy individuals may be required to "spend down" assets to meet the income requirements for Medicaid.

As authorized by the federal Patient Protection and Affordable Care Act, legislation enacted in 2013 expanded Medicaid eligibility (effective January 1, 2014) to children ages 6 through 18 and adults younger than age 65 with family or household

incomes up to 133% of the federal poverty level and former foster care adolescents up to age 26. As the federal definition of adjusted gross income was also modified, the income threshold for eligibility is effectively 138% of the federal poverty level. The Medicaid expansion is 100% federally funded for calendar 2014 through 2016 and at least 90% federally funded thereafter. Exhibit 10.4 displays Medicaid enrollment for fiscal 2008 through 2014, including initial enrollment uptake under the federal Patient Protection and Affordable Care Act, which began January 1, 2014.

**Exhibit 10.4  
Medicaid Enrollment  
Fiscal 2008-2014**



MCHP = Maryland Children’s Health Program; PAC = Primary Adult Care Program; ACA = the federal Patient Protection and Affordable Care Act

Note: Enrollment includes Medicaid, the Maryland Children’s Health Program, and the now defunct Primary Adult Care Program.

Source: Department of Health and Mental Hygiene; Department of Legislative Services

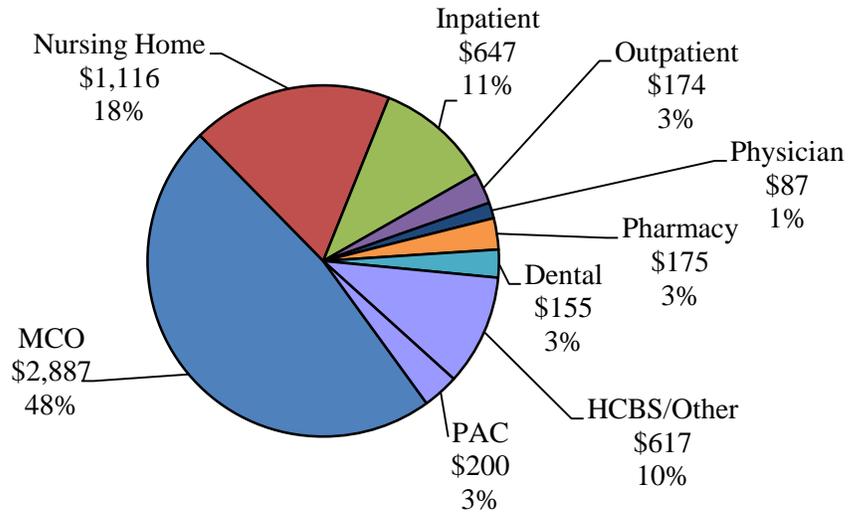
The Maryland Medical Assistance Program funds a broad range of services. The federal government mandates that the State provide nursing facility services; hospital inpatient and outpatient services; x-ray and laboratory services; early and periodic screening, diagnosis, and treatment services for children; family planning services; transportation services; physician care; federally qualified health center and

rural health clinic services; and some nurse practitioner services. The federal government also allows optional services, which Maryland provides, that include vision care; podiatric care; pharmacy; medical supplies and equipment; intermediate-care facilities for the developmentally disabled; and institutional care for people older than age 65 with mental diseases. Maryland also provides behavioral health services to Medicaid enrollees, including mental health and certain substance abuse services on a fee-for-service basis.

Most of Maryland's Medicaid recipients are required to participate in HealthChoice, the statewide mandatory managed care program that began in 1997, with the remainder continuing to receive their care on a fee-for-service basis. Groups excluded from HealthChoice participation include institutionalized individuals and people qualifying for both Medicaid and Medicare. Under HealthChoice, participating managed care organizations are paid a capitated monthly fee for each Medicaid patient they enroll and are then responsible for meeting all of the individual's medical needs with the exception of services carved out of the managed care program. Carve-outs such as behavioral health and medical day care are paid for on a fee-for-service basis.

Medicaid costs are generally split by the State and the federal government, although costs associated with the Medicaid expansion under the federal Patient Protection and Affordable Care Act are funded almost exclusively with federal funds. Federal fund participation rates vary by state. In Maryland, costs are generally split evenly, although rates for such things as administration can be higher. The State is responsible for administering the program. Local departments of social services have primary responsibility for determining eligibility. The program's remaining administrative functions are handled by the Department of Health and Mental Hygiene's Medical Care Programs Administration. In fiscal 2015, Medicaid will spend approximately \$7.7 billion to provide coverage for an estimated 1,062,000 people in Maryland. Exhibit 10.5 shows expenditures by service type for Medicaid and the Maryland Children's Health Program. Exhibit 10.6 displays Medicaid cost drivers for fiscal 2009 through 2013.

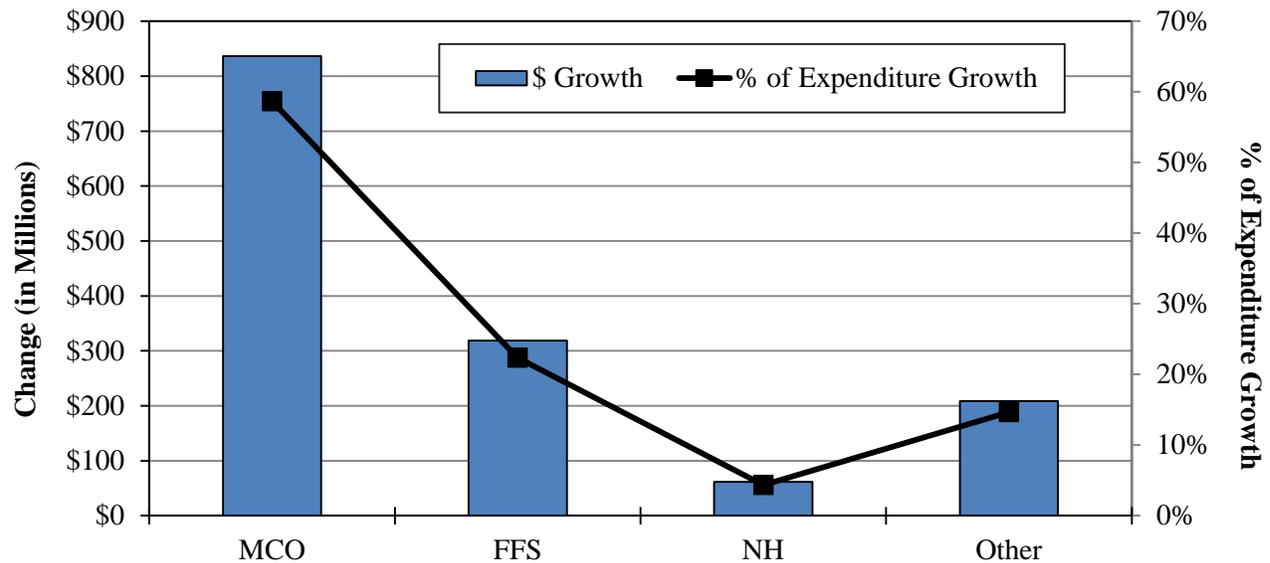
**Exhibit 10.5**  
**Medicaid and Maryland Children’s Health Program**  
**Reimbursements by Type of Service**  
**Fiscal 2013**  
**(\$ in Millions)**



HCBS = home and community-based services; PAC = Primary Adult Care Program; MCO = managed care organization

Source: Department of Health and Mental Hygiene; Department of Legislative Services

**Exhibit 10.6**  
**Medicaid Cost Drivers: \$ and % Change**  
**Fiscal 2009-2013**



MCO = managed care organization; FFS = fee-for-service; NH = nursing home

Source: Department of Health and Mental Hygiene; Department of Legislative Services

### **Maryland Children's Health Program**

The Maryland Children's Health Program extends health coverage to children up to the age of 19 with family incomes at or below 300% of the federal poverty level and pregnant women with incomes at or below 250% of the poverty level. The program, like Medicaid, is jointly operated by the federal and State governments, with the State providing administration for the program. Program participants are primarily enrolled into the State's Medicaid managed care program, HealthChoice.

The State receives a 65% federal match for services provided through the Maryland Children's Health Program. Families participating in the program with incomes above 200% of the federal poverty level must pay a premium of approximately 2% of their income. Program expenditures in fiscal 2013 were approximately \$197.5 million. In fiscal 2015, an estimated 116,000 children will be covered under the program at a cost of approximately \$225.7 million.

The federal Patient Protection and Affordable Care Act extended funding for the Maryland Children’s Health Program and provides for an increased match of 23 percentage points beginning in 2015. States must maintain their income eligibility levels for children as of March 2010 until 2019.

## **Gap-filling Programs**

Gap-filling programs address issues that are not fully addressed by insurance coverage and assist certain special needs populations. Gap-filling programs are provided through a variety of administrations within the Department of Health and Mental Hygiene, as well as local health departments. The department assumes complete responsibility for services provided through State mental health facilities, State residential treatment centers for the developmentally disabled, and chronic disease centers. For individuals not being provided services in State facilities, the State typically contracts with community-based organizations to provide services.

The five main areas addressed by gap-filling programs are prescription drug assistance, behavioral health, developmental disabilities, kidney disease treatment, and diagnostic and treatment services for breast and cervical cancer.

### **Prescription Drug Assistance**

**Senior Prescription Drug Assistance Program:** The Senior Prescription Drug Assistance Program, which is overseen by the Maryland Health Insurance Plan, offers a State subsidy toward out-of-pocket costs under Medicare Part D and Medicare Advantage Prescription Drug Coverage to Medicare beneficiaries with incomes at or below 300% of the federal poverty level. Once enrolled in the program, the individual still pays a premium and copayments or coinsurance to participate. CareFirst is required by statute to subsidize the program as part of its role as the State’s nonprofit health service plan. In December 2013, there were 27,463 individuals enrolled in the program. Enrollment is expected to grow to 29,480 in fiscal 2015. The program is expected to spend approximately \$19.2 million in fiscal 2015.

**Maryland AIDS Drug Assistance Program:** The Maryland AIDS Drug Assistance Program is a statewide program funded primarily through the federal Ryan White CARE Act that pays for medications for eligible clients with no insurance and helps clients with insurance by paying for eligible copayment and deductible costs to ensure that individuals with HIV/AIDS have access to the medication they need to stay healthy. The Department of Health and Mental Hygiene’s Prevention and Health Promotion Administration administers the program, which, in calendar 2014, served approximately 7,300 clients at a cost of \$44.4 million.

## **Behavioral Health**

The Department of Health and Mental Hygiene's Behavioral Health Administration is responsible for the treatment and rehabilitation of the mentally ill; individuals with drug, alcohol, and problem gambling addictions; and those with co-occurring addiction and mental illness. The Behavioral Health Administration reflects the 2014 merger of the Mental Hygiene Administration and the Alcohol and Drug Abuse Administration.

### **Mental Health Services**

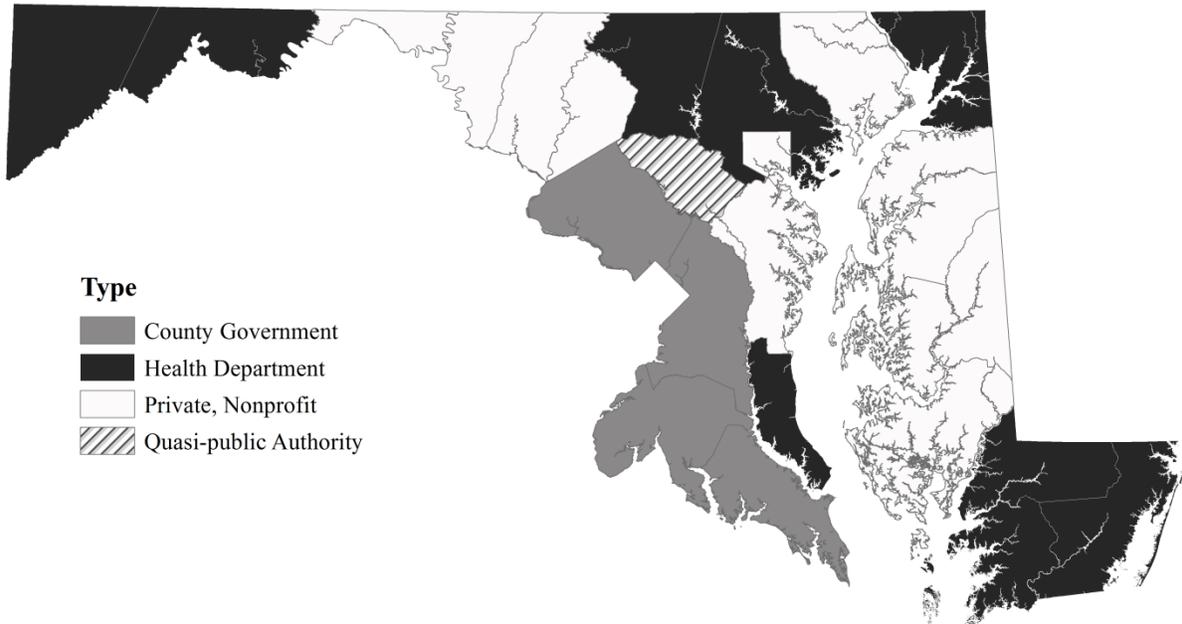
Individuals with psychiatric illness can access care through the State's public mental health system, which includes five State-run psychiatric hospitals (including one maximum-security unit that handles only court-involved individuals), two Regional Institutes for Children and Adolescents, and three assisted living programs. The State also provides mental health services to individuals who are ineligible for Medicaid.

State law establishes mental health advisory boards at both the State and local levels. The Maryland Advisory Council on Mental Hygiene is charged with advising the Department of Health and Mental Hygiene on mental health issues and advocating for a comprehensive, broad-based approach. Members are appointed by the Governor. In alignment with the newly formed Behavioral Health Administration, the two State councils for mental health and substance use disorders have facilitated a process to create one behavioral health advisory council. Efforts are underway, as of August 2014, to revise State statute to delineate the parameters for a Behavioral Health Advisory Council.

Mental health advisory committees in each county and Baltimore City serve in an advisory capacity to local governments and core service agencies. Voting members vary by jurisdiction but generally include representatives of local government, mental health professionals, State officials, recipients of mental health benefits, parents of children or adults with mental disorders, and members of the general public.

Core service agencies, which are agents of local government, are responsible for planning, coordinating, and monitoring publicly funded mental health services. Some core service agencies act as direct service providers. Exhibit 10.7 displays each of the 20 core service agencies by type. Core service agencies receive administrative and service funding in the form of grants and contracts from the Behavioral Health Administration.

**Exhibit 10.7**  
**Core Services Agencies in Maryland by Type**



Notes: Mid-shore location includes Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties. Wicomico and Somerset counties are served by the Wicomico Somerset Behavioral Health Authority.

Source: Maryland Association of Core Services Agencies

The Behavioral Health Administration is responsible for planning and developing a comprehensive system of services for the mentally ill; supervising State-run psychiatric facilities; reviewing and approving local plans and budgets for mental health programs; providing consultation to State agencies concerning mental health services; establishing personnel standards; and developing, directing, and assisting in the formulation of educational and staff development programs for mental health professionals. The State works closely with the local core service agencies to coordinate and deliver mental health services in the counties.

Mental health care is provided through a system of community-based programs and public and private psychiatric hospitals with the goal of service delivery in the least restrictive setting. The mental health services for Medicaid recipients that are funded through the fee-for-service system are specialty mental health services (*i.e.*, clients meet certain diagnostic criteria). Medicaid recipients with mental health issues that do not meet these diagnostic criteria are served through the managed care organizations. In addition to serving Medicaid-eligible recipients with Medicaid-eligible services, the

administration offers those same recipients certain Medicaid-ineligible services (for example, supported employment and housing). Services are also provided to certain Medicaid-ineligible populations.

Specifically, the safety net serves uninsured and underinsured individuals:

- who have received services within the public mental health system in the past two years or who are homeless;
- who receive Social Security Disability Insurance due to psychiatric impairment and are eligible for Medicare but who need services beyond those covered by Medicare;
- who are on court-ordered conditional releases from a State-run psychiatric hospital;
- who have been discharged from a Maryland psychiatric hospital in the past three months; and
- who have been incarcerated within the last three years.

In the past, public psychiatric care in Maryland was provided almost exclusively in State mental hospitals. The trend over the last few decades has been to expand community services and downsize institutions. Instead of State psychiatric hospitals being the point of entry for inpatient psychiatric care, private psychiatric hospitals and psychiatric wards of acute-general hospitals have become the point of entry for most inpatient psychiatric care.

The State operates seven psychiatric hospital centers. In fiscal 2013, these facilities treated 2,275 inpatient clients and had an average daily population of 1,068 patients with expenditures of \$267.2 million, almost entirely State funds. In fiscal 2015, the State psychiatric hospital centers will treat an estimated 2,400 inpatient clients and have an average daily inpatient population of 1,087 at an expense of \$282.2 million. Descriptions of the facilities that are open in fiscal 2015 are provided in Exhibit 10.8.

**Exhibit 10.8**  
**Overview of State Psychiatric Hospital Centers**  
**Fiscal 2015 Estimates**

<b><u>Facility and Location</u></b>	<b><u>Type of Population</u></b>	<b><u>Average Daily Inpatient Population</u></b>
Eastern Shore (Cambridge)	Adult Domiciliary Care	76
Springfield (Sykesville)	Adult	228
Spring Grove (Catonsville)	Adult Domiciliary Care	377
Finan (Cumberland)	Adult Domiciliary Care	88
C. T. Perkins (Jessup)	Adult Forensic	248
RICA Baltimore (Catonsville)	Severely emotionally disturbed children and adolescents	38
RICA Gildner (Rockville)	Severely emotionally disturbed children and adolescents	32

RICA: Residential Institution for Children and Adolescents

Source: *Fiscal 2015 State Budget Books*

In recent years, admissions to State psychiatric hospital centers have fallen significantly. Additionally, the mix of admissions across all facilities has also changed dramatically. In fiscal 2012, 80% of all admissions (not just those at C.T. Perkins) were for forensic patients.

The State receives disproportionate share payments from the federal government for services provided in the State's psychiatric hospital centers, due to the lack of private reimbursement for services provided in the centers. These disproportionate share payments are recognized in the State budget as revenue and go directly to the general

fund. In fiscal 2013, the State received \$25.4 million in disproportionate share payments as compensation for services provided in the State's psychiatric hospital centers.

The Behavioral Health Administration's role in the community-based system is to oversee expenditures in the fee-for-service public mental health system, monitor the delivery of services, develop long-range plans and policies, and administer grants and contracts for the delivery of services that are excluded from the fee-for-service system, primarily through core service agencies. An administrative services organization is retained to assist with oversight of the fee-for-service mental health system. Responsibilities of the administrative services organization include processing claims, screening provider networks, verifying eligibility of recipients, authorizing services, performing utilization reviews, and establishing and maintaining a management information database. The fiscal 2013 State budget contained approximately \$679.3 million to provide services to more than 167,680 clients in the public mental health system, including services for Medicaid recipients. Federal funds comprised almost \$304.2 million of the 2013 budget.

### **Substance Abuse Treatment Services**

The Behavioral Health Administration oversees the provision and funding of substance abuse treatment and prevention services. Services are provided through grants and contracts with private, nonprofit agencies or local health departments. Services include detoxification, inpatient/residential, outpatient, maintenance programs, and prevention. In recent years, the State has funded less traditional treatment slots and instead supported more community services such as housing, peer support, and drop-in centers.

Treatment services are provided to the uninsured and underinsured as well as to Medicaid-eligible individuals for services not eligible for Medicaid reimbursement. Each county in the State is required to have a local drug and alcohol abuse council. The council must develop a local plan that includes the plans, strategies, and priorities of the county in meeting identified needs of both the general public and criminal justice system for alcohol and drug abuse evaluation, prevention, and treatment services.

In fiscal 2015, an estimated 72,200 people will receive substance abuse treatment through the administration, including 44,700 individuals in outpatient and intensive outpatient treatment programs, 10,500 individuals in long-term residential programs or intermediate care facilities, 3,200 in halfway house or therapeutic community settings, and 13,800 individuals who will receive methadone maintenance. Also, approximately 8,200 individuals are expected to be treated with Buprenorphine in addition to being treated in one of the administration's other programs. Buprenorphine, like methadone, is

used in substitution maintenance therapy for opioid dependence. It is considered less likely than methadone to result in an opioid overdose, but it is more expensive.

Substance abuse spending is financed with a combination of State general funds, monies from the Cigarette Restitution Fund, and federal block grant dollars. The fiscal 2013 budget for substance abuse services was \$149.3 million. This included \$103.8 million in awards to local jurisdictions for substance abuse treatment and approximately \$8.4 million for local and statewide prevention programming.

## **Developmental Disabilities**

The Developmental Disabilities Administration provides services to individuals with chronic disabilities attributable to mental or physical impairments manifested before age 22. The administration funds community services and operates State residential centers.

A developmental disability is a condition attributable to a mental or physical impairment that results in substantial functional limitations in major life activities and which is likely to continue indefinitely. Examples include autism, blindness, cerebral palsy, deafness, epilepsy, and multiple sclerosis. The Department of Health and Mental Hygiene's Developmental Disabilities Administration is responsible for planning, developing, and directing a statewide system of services for the developmentally disabled and their families.

Goals of the administration include empowerment of the developmentally disabled and their families; integration of individuals with developmental disabilities into community life; provision of quality support services that maximize individual growth and development; and establishment of a responsible, flexible service system that maximizes available resources.

The Developmental Disabilities Administration provides direct services to individuals in two State residential centers and two specialized units for developmentally disabled individuals who are also court-involved and funds a coordinated service delivery system that supports the integration of these individuals into the community with services delivered by private providers. In fiscal 2015, the State residential centers are operated with an estimated total average residential population of 121 clients and 63 clients receiving day services at a cost of approximately \$30.5 million, primarily State funds.

Individuals who are also court-involved are primarily served in two Secure Evaluation and Therapeutic Treatment units. Located on the grounds of Clifton T. Perkins Hospital, the Jessup treatment unit houses individuals for 21 to

90 days, during which the administration completes competency and behavioral evaluations and develops comprehensive service plans for the individuals. The therapeutic long-term treatment facility, Sykesville treatment unit, is located on the grounds of Springfield Hospital. After a plan is developed, an individual may reside at another State facility or in a community placement appropriate to that individual's needs. A brief overview of each facility is presented in Exhibit 10.9.

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**Exhibit 10.9**  
**Developmental Disabilities Administration Facility Overview**  
**Fiscal 2015 Estimates**

<b><u>Facility and Location</u></b>	<b><u>Type of Population Served</u></b>	<b><u>Average Daily Population</u></b>
Potomac (Hagerstown)	Adults with severe or profound developmental disabilities	73
Holly (Salisbury)	Adults with severe or profound developmental disabilities	111
Secure Evaluation and Therapeutic Treatment Unit (Jessup)	Developmentally disabled individuals who are court involved	12
Secure Evaluation and Therapeutic Treatment Unit (Sykesville)	Developmentally disabled individuals who are court involved	19

Source: *Fiscal 2015 State Budget Books*; Department of Health and Mental Hygiene

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Community-based services funded by the administration include residential placements; day programs where disabled individuals learn and maintain daily living skills such as eating, dressing, and cooking; individual and family support services that provide specialized equipment; and supported employment. An estimated 26,000 clients are expected to receive community services in fiscal 2015 at a cost of approximately \$947.3 million, including an estimated \$419.0 million in federal funds provided under the State's Medicaid Home and Community-based Services Waiver.

## **Chronic Hospitals**

The State runs two chronic care and rehabilitative hospitals, Western Maryland Center and Deer’s Head Center, that provide specialized services for those in need of complex medical management, comprehensive rehabilitation, long-term care, or dialysis. Among other medical services, both centers provide:

- chronic care and treatment to patients requiring rehabilitation at a level greater than that available at a nursing home;
- long-term care for patients no longer in need of hospital-level care but unable to function in traditional nursing homes; and
- inpatient and outpatient renal dialysis services.

In recent years, the combined average daily population for the hospitals has ranged from a high of 152 in fiscal 2008 to a low of 119 in fiscal 2013. Due to changes in federal reimbursement rates for patient days, the State chronic disease hospital centers are working to efficiently treat patients so that they can be moved to a setting that requires a lower level of care. The fiscal 2013 budget for the two hospitals totaled approximately \$46.4 million. Long-term care provided in chronic hospitals is predominantly State financed, while renal dialysis services are primarily financed with patient fees. The dependence on State dollars for services delivered in chronic hospitals is largely a reflection of the lack of any direct federal reimbursement for the individuals served. The State does, however, receive very limited federal Medicaid disproportionate share payments as compensation for services provided to low-income individuals in State chronic hospitals.

## **Kidney Disease Program**

In addition to the programs discussed above, the State is the payor of last resort for approximately 2,000 patients annually through the Kidney Disease Program that funds hospital services, renal transplantation, chronic maintenance dialysis, physician services, medications, and laboratory services. The Kidney Disease Program is funded solely through State funds totaling \$5.2 million in fiscal 2015.

## **Breast and Cervical Cancer Diagnostic and Treatment Program**

The Breast and Cervical Cancer Diagnostic and Treatment Program funds services for uninsured, low-income (below 250% of the federal poverty level) women ages 19 and older. The program is administered by the Prevention and Health Promotion

Administration and covers services such as biopsies, mastectomies, radiation therapy, breast reconstruction, and other costs related to diagnosis and treatment. In fiscal 2012, the program served approximately 3,277 patients at a cost of \$15.0 million. Funding for the program began to decline in fiscal 2015 as a greater proportion of individuals eligible for the program are now served within Medicaid or private health insurance due to the full implementation of federal health care reform.

### **Family Planning Programs**

The Maryland Family Planning and Reproductive Health Program, administered by the Prevention and Health Promotion Administration, provides preconception health, teen pregnancy prevention, reproductive health, colposcopy, birth control, sexually transmitted disease screening and treatment, and related education and counseling services to approximately 78,000 Marylanders annually at clinics located throughout the State. The program is partly funded by the federal Title X Family Planning Grant.

The Maryland Medicaid program provides medical services to eligible women younger than age 51 and for women who lost their Medicaid coverage after they were covered for a pregnancy under the Maryland Children's Health Program. The Medicaid Family Planning Program is a limited benefit package.

## **Public Health**

### **Federal Role**

Covering areas from infectious disease to terrorism preparedness, the Centers for Disease Control and Prevention is the primary federal agency for public health activities. The budget for the Centers for Disease Control and Prevention in federal fiscal 2015 will be approximately \$11.1 billion, which includes funding for the Agency for Toxic Substances and Disease Registry. As the primary federal agency for medical research, the National Institutes of Health works toward the prevention, treatment, cures, and causes of diseases and disorders, and supports medical research through the funding of its own laboratories and through grants provided to outside researchers. The budget for the National Institutes of Health in federal fiscal 2015 will be approximately \$30.4 billion. The Food and Drug Administration regulates and oversees drugs, vaccines, biological products, medical devices, food and dietary supplements, cosmetics, products that emit radiation, and tobacco products. The budget for the administration in federal fiscal 2015 will be approximately \$4.7 billion. All three agencies, as well as the Department of Health and Human Services, also disseminate information on a wide range of public health topics.

## State Role

The Department of Health and Mental Hygiene oversees public health at the State level through various administrations within the department. Under the Catastrophic Health Emergency Disease Surveillance and Response Program, the Secretary of Health and Mental Hygiene has emergency public health powers. The Secretary is authorized to use the powers to monitor diseases; investigate exposure to deadly agents; and treat, prevent, or reduce the effects of exposure to deadly agents. The powers include authority to:

- require health facilities to have contingency plans that would assist in the detection and treatment of individuals exposed to a deadly agent;
- require health care providers to report information on individuals that have certain symptoms;
- order individuals exposed to a deadly agent to seek evaluation and treatment;
- order individuals to undergo isolation or quarantine;
- order local law enforcement officers to enforce evaluation and treatment or isolation and quarantine orders; and
- coordinate with health occupation boards to certify, license, and credential health care practitioners that may be needed to respond to an emergency.

***Health Systems and Infrastructure Administration:*** The Health Systems and Infrastructure Administration contains offices that maintain and improve the health of Marylanders by assuring access to primary care services and school health programs, by assuring the quality of health services, and by supporting local health systems' alignment to improve population health. Administration offices define and measure Maryland's health status, access, and quality indicators for use in planning and determining public health policy. The agency improves access to quality health services in Maryland by developing partnerships with agencies, coalitions, and councils; funding and supporting local public health departments through the Core Funding Program; collaborating with the Maryland State Department of Education to assure the physical and psychological health of school-aged children through adequate school health services and a healthy school environment; seeking public health accreditation of State and local health departments; identifying areas where there are insufficient numbers of providers (primary care, dental, and mental health) to care for the general, rural,

Medical Assistance, low-income, and Health Enterprise Zone populations in Maryland; working to recruit and retain health professionals through loan repayment programs and access to J1 Visa waivers; and creating and promoting relevant State and national health policies.

***Prevention and Health Promotion Administration:*** The Prevention and Health Promotion Administration provides public health leadership through community-based public health efforts in partnership with local health departments, providers, community-based organizations, and public- and private-sector agencies. The administration focuses, in part, on the prevention and control of infectious diseases, investigation of disease outbreaks, protection from food-related and environmental health hazards, and helping impacted persons live longer, healthier lives. Additionally, the administration works to assure the availability of quality primary, prevention, and specialty care health services with special attention to at-risk and vulnerable populations. Finally, the administration aims to prevent and control chronic diseases, engage in disease surveillance and control, prevent injuries, provide health information, and promote health behaviors.

Administered by the Prevention and Health Promotion Administration, the Women, Infants, and Children Supplemental Nutrition Program is one of the largest and most widely known public health programs, with a fiscal 2013 budget of approximately \$115 million. Funded almost entirely with federal dollars, the Women, Infants, and Children Program serves pregnant, postpartum, and breastfeeding women; infants younger than age one; and children younger than age five with a nutritional risk such as anemia or poor diet and with a family income below 185% of the federal poverty level. Beneficiaries receive a nutrition assessment, supplemental foods, and referrals to other health and social service programs for which they may qualify. More than 143,000 women, infants, and children were served by the program in fiscal 2013.

***Cigarette Restitution Fund:*** The Cigarette Restitution Fund was created in 1999 for payments received by the State from the Master Settlement Agreement with cigarette manufacturers. The Act establishing the Cigarette Restitution Fund specified nine health- and tobacco-related priorities (reduction in tobacco by youth; tobacco control campaigns in schools; smoking cessation programs; enforcement of tobacco sales restrictions; primary health care in rural areas; programs concerning cancer, heart disease, lung disease, and tobacco control; substance abuse treatment and prevention; Maryland Health Care Foundation; and crop conversion), to which no less than half of the funds must be appropriated annually. To support this goal, the General Assembly created the Tobacco Use Prevention and Cessation Program and the Cancer Prevention, Education, Screening, and Treatment Program within the Prevention and Health Promotion

Administration to address both the causes and effects of tobacco use. The fund also supports existing health programs such as substance abuse treatment and Medicaid.

The Tobacco Use Prevention and Cessation Program is a statutory program incorporating best practice recommendations of the federal Centers for Disease Control and Prevention. The program provides comprehensive smoking cessation assistance and tobacco use prevention services and countermarketing initiatives directed at Maryland youth and young adults. The program is mandated to conduct biennial, county-level youth and adult tobacco surveys. The program is funded through the Cigarette Restitution Fund. Fiscal 2013 expenditures for the program were about \$1.3 million.

The Cancer Prevention, Education, Screening, and Treatment Program is charged with developing initiatives to reduce morbidity and mortality rates due to cancer in Maryland through implementation of local public health and statewide academic health center initiatives. The mission of the program is to enhance cancer surveillance, implement community-based programs to prevent and/or detect cancer early, enhance cancer research, and translate cancer research into community-based clinical care. Fiscal 2013 expenditures for the program were about \$17.5 million.

***Laboratories Administration:*** The mission of the Laboratories Administration is to promote, protect, and preserve the health of the people of Maryland from the consequences of communicable diseases, environmental factors, and unsafe consumer products through the following measures:

- adopting scientific technology to improve the quality and reliability of laboratory practice in the areas of public health and environmental protection;
- expanding newborn hereditary disorder screening;
- maintaining laboratory emergency preparedness efforts; and
- promoting quality and reliability of laboratory data in support of public health and environmental programs.

The Department of Health and Mental Hygiene has regional laboratories in Salisbury and Cumberland, in addition to the central laboratory in Baltimore. The new \$170 million Maryland Public Health Laboratory, located at Baltimore Science and Technology Park at Johns Hopkins, is anticipated to be operational by fall 2014. The fiscal 2013 budget for the administration was approximately \$24.1 million. Federal funds covered approximately \$3.5 million of the costs of the administration.

**Maryland Community Health Resources Commission:** The Maryland Community Health Resources Commission was established in 2005 to strengthen the safety net for uninsured and underinsured Marylanders (*i.e.*, community health resource centers, which range from federally qualified health centers to smaller community-based clinics). Commission responsibilities include identifying and seeking federal and State funding for the expansion of community health resource centers; developing outreach programs to educate and inform individuals of the availability of community health resource centers; assisting uninsured individuals under 200% of the federal poverty level to access health care services through community health resource centers; and overseeing implementation of the Health Enterprise Zones initiative, a four-year pilot program that provides public incentives and resources to help attract private health care practitioners to serve in underserved communities.

The Maryland Community Health Resources Fund is used to award grants and provide community assessments. Through community assessments, the commission 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. The fund receives a portion of the premium tax exemption subsidy provided by CareFirst. The Insurance Article prohibits the subsidy from being less than \$8.0 million. In calendar 2013 through 2016, approximately \$4.0 million annually is dedicated to Health Enterprise Zone projects. The estimated fiscal 2015 budget for the commission is \$8.0 million.

**Office of the Chief Medical Examiner:** The Office of the Chief Medical Examiner provides post mortem examining services. The mission of the office is to provide competent, professional, thorough, and objective death investigations in cases mandated in Maryland statute that assist State's Attorneys, courts, law enforcement agencies, and families. The office also seeks to strengthen partnerships between federal, State, and local governments through training and education of health, legal, and law enforcement professionals; supports research programs directed at increasing knowledge of pathology of disease; and protects and promotes the health of the public by assisting in the development of programs to prevent injury and death. Fiscal 2013 expenditures for the office were \$10.7 million.

**Office of Preparedness and Response:** The Office of Preparedness and Response oversees programs focused on enhancing the public health preparedness activities for the State and local jurisdictions. The key aspects of the work conducted under the leadership of the office are interagency collaboration and preparedness for public health emergencies. Fiscal 2013 expenditures for the office were \$18.2 million, almost exclusively federal funds.

## Local Role

Local health departments in each county and Baltimore City function as the local health agency with primary responsibility for policy development, assessment, and assurance of public health in each jurisdiction. Services provided by local health departments reach both individuals and the community as a whole.

Each county is required by State law to establish a local board of health. The local board of health is charged with setting and implementing health policy on the local level. A local health officer, who is nominated by each county and appointed by the Secretary of the Department of Health and Mental Hygiene, serves as the executive director of the board, appoints the staff of the local health department, and enforces policies adopted by the Secretary and the local jurisdiction.

Staff at the local health departments may be considered State or county employees, at the option of home rule subdivisions. In non-home rule subdivisions, the employees are in the State merit system and paid through the State's Central Payroll Bureau, although they are generally excluded from counts of State employees. Health department employees in Baltimore City and Baltimore, Montgomery, and Prince George's counties are employees of the local jurisdiction.

The local health departments in each jurisdiction can implement various programs that are approved by the Secretary of Health and Mental Hygiene. The Department of Health and Mental Hygiene encourages the local jurisdictions to establish programs in the areas of maternity care, infant and child care, family planning, cancer control, and AIDS education and research. Core local health services are broadly divided into the six service areas described below:

- **Communicable Disease Control** – includes programs to prevent and control the spread of the Human Immunodeficiency Virus as well as other sexually transmitted diseases, tuberculosis-control programs, and childhood vaccination programs;
- **Environmental Health** – works in conjunction with the Maryland Department of the Environment to increase awareness of environmental hazards, examples of which include carbon monoxide, ozone, and indoor molds;
- **Family Planning** – provides planning and reproductive health services, including pregnancy prevention and female reproductive health screening;

- **Maternal and Child Health** – provides case management for medically vulnerable children, administers pre-school vaccination programs, and provides school-based programming in conjunction with the Maryland State Department of Education, as well as abstinence education and lead poisoning prevention and control;
- **Wellness Promotion** – promotes healthy lifestyles and physical activity; and
- **Adult and Geriatric Health** – coordinates programs to reduce death and disability due to chronic disease.

State, local, and federal dollars support the operations of local health departments. State and federal dollars are provided to the local health departments through the Targeted Local Health Program and individual grant agreements between local health departments and various administrations at the Department of Health and Mental Hygiene. Local health officers are considered State employees – with the exception of the health officer of Baltimore City, who is a city employee. The salaries of the health officers are funded with a mixture of State (through grant funding) and local dollars. The officers report to both the local governing body and the Secretary of Health and Mental Hygiene. Exhibit 10.10 provides a county-by-county summary of the State, local, and federal funding provided and the source.

**Exhibit 10.10**  
**Funding for Local Health Departments**  
**Fiscal 2013**

<u>County</u>	<u>Targeted Local Health Grants</u>	<u>Other Grant Agreements with DHMH</u>	<u>Local Funding</u>	<u>Total Funding</u>
Allegany	\$986,601	\$10,109,344	\$1,309,469	\$12,405,414
Anne Arundel	3,587,747	14,596,551	22,719,776	40,904,074
Baltimore City	7,606,142	35,017,599	20,811,091	63,434,832
Baltimore	5,012,586	24,088,616	16,812,166	45,913,368
Calvert	441,397	4,208,461	2,731,739	7,381,597
Caroline	576,183	3,884,639	449,748	4,910,570
Carroll	1,372,259	9,556,641	3,152,759	14,081,659
Cecil	902,317	5,399,959	2,570,337	8,872,613
Charles	1,122,864	9,887,013	2,576,977	13,586,854
Dorchester	465,979	5,185,891	698,250	6,350,120
Frederick	1,693,052	6,688,506	4,768,738	13,150,296
Garrett	470,344	4,527,268	1,447,289	6,444,901
Harford	1,946,857	7,043,420	4,028,316	13,018,593
Howard	1,414,537	5,496,927	10,356,596	17,268,060
Kent	358,006	5,776,759	380,127	6,514,892
Montgomery	3,666,098	20,662,023	21,052,384	45,380,505
Prince George's	5,816,566	31,398,673	17,569,393	54,784,632
Queen Anne's	460,306	3,413,965	1,811,402	5,685,673
St. Mary's	895,836	2,536,638	1,646,827	5,079,301
Somerset	461,119	4,051,098	596,549	5,108,766
Talbot	362,493	3,209,404	1,900,906	5,472,803
Washington	1,519,288	8,477,491	2,339,270	12,336,049
Wicomico	1,043,524	9,234,375	3,058,264	13,336,163
Worcester	361,686	7,367,737	4,618,965	12,348,388
<b>Total</b>	<b>\$42,543,787</b>	<b>\$241,818,998</b>	<b>\$149,407,338</b>	<b>\$433,770,123</b>

DHMH: Department of Health and Mental Hygiene

Note: Data for "Other Grant Agreements" and local spending are based on unaudited figures provided by local health departments through the county uniform financial reports and State budget information on actual fiscal 2013 spending.

Source: *Fiscal 2015 State Budget Books*; Local Health Departments; Department of Legislative Services; *Uniform Financial Reports*

The Targeted Local Health Program is funded at a level established by a statutory formula. The minimum funding level for the program was established at \$41.0 million in general funds in fiscal 1997; subsequent increases based on inflation and population growth increased minimum funding to over \$57.0 million in fiscal 2010. However, due

to budget constraints, legislation enacted in 2010 lowered the base funding level for the program to approximately \$37.3 million for fiscal 2011 and 2012, with inflationary increases beginning again in fiscal 2013. Any funding in excess of the “hold harmless” provision (defined under the legislation as the amount received in fiscal 2012) is to be distributed based on local health need and local funding effort. A local match is required to secure the State and federal funds.

Local health departments also obtain revenue from charges for services. The Department of Health and Mental Hygiene sets the fees for various clinic services, and the local health departments apply the charges on a sliding scale, based on income and family size. Revenues generated from collection of the fees are available to the local health departments for the provision of services.

Local expenditures on health services are not limited to funding the operations of local health departments. Public health spending by each of the jurisdictions also includes an indeterminate amount of federal grants which may include funds for substance abuse treatment, child and maternal health programs, school health services, health services for the aged, and mental health programs.

## **Regulation and Quality Assurance**

Primary oversight of the State’s health care system is undertaken by the Department of Health and Mental Hygiene, principally the Office of Health Care Quality, various health occupations boards, and three commissions. The department not only oversees the public health sector, but also private-sector hospitals, health care providers, health maintenance organizations, and others. Local health departments also take a role in regulation through environmental testing linked to county permits and the permitting and inspection of food service facilities and other licensed food operations.

The Office of Health Care Quality is charged with the licensing and inspection of most health care facilities, as well as the regulation of health maintenance organizations for quality purposes. The Commission on Kidney Disease certifies dialysis and transplant centers. Two other commissions, located within the department also take part in the regulation of the health care system. The Maryland Health Care Commission is charged with developing a State plan of health care needs for the State and issuing certificates of need for health care facilities and services. The Health Services Cost Review Commission sets hospital rates for all health care payors in the State and manages the all-payer model contract.

The Department of Health and Mental Hygiene’s health care financing office regulates the managed care organizations that participate in various medical assistance

programs, while the Prevention and Health Promotion Administration inspects and oversees other industries and activities, such as the food industry and swimming pools, which affect the health of the State’s residents.

Regulation of some private health insurance sold in the State is performed by the Maryland Insurance Administration, the Maryland Health Care Commission, and the Maryland Health Benefit Exchange.

### **Regulation of Health Care Facilities**

The Department of Health and Mental Hygiene’s Office of Health Care Quality inspects hospitals, nursing homes, and other community providers to determine their compliance with federal and State standards for safety and sanitation. The office also conducts certification reviews for facilities participating in the Medicare and Medicaid programs. In total, the office regulates more than 14,400 health care and community residential sites in Maryland, with a staff of approximately 200 administrative personnel and surveyors. Fiscal 2013 expenditures for the office were \$17.2 million. Additional information on the facilities regulated by the office can be found in Chapter 9 of *Volume VII – Business Regulation in Maryland* of the Legislative Handbook Series.

The Maryland Commission on Kidney Disease is responsible for certifying dialysis and transplant centers, receiving and resolving complaints regarding health care providers working in such centers, and setting standards for the practice of chronic dialysis and transplantation that reflect new and emergent developments in the practice of chronic dialysis and kidney transplantation through regulations and legislation. Fiscal 2013 expenditures for the commission were \$141,000.

### **Regulation of Health Care Professionals**

Nineteen health occupations boards share responsibility for regulating various health professions in Maryland. The boards are responsible for the examination, licensure, certification, or registration; regulation; and discipline of more than 417,000 health care providers. Additionally, the boards set standards of practice and continuing education requirements. Exhibit 10.11 displays the number of active health care providers licensed, certified, or registered by each board, as well as expenditures for each of the boards in fiscal 2013. The boards charged with regulating the health care professionals, with the exception of the Board of Examiners of Nursing Home Administrators and the State Board for the Certification of Residential Child Care Program Professionals, are funded through fees that are recognized in the budget as State special funds. Additional information on the health occupations boards can be found in Chapter 9 of *Volume VII – Business Regulation in Maryland* of the Legislative Handbook Series.

**Exhibit 10.11**  
**Health Occupations Regulatory Boards**  
**Fiscal 2013**

<u>Regulatory Board</u>	<u>Estimated Number of Active Licensed/Certified/Registered</u>	<u>Expenditures</u>
Acupuncture	996	\$259,823
Audiologists, Hearing Aid Dispensers, and Speech-language Pathologists	4,277	330,698
Chiropractic Examiners	4,975	1,055,951
Dental Examiners	15,011	2,142,688
Dietetic Practice	1,643	214,232
Environmental Health Specialists	629	23,113
Morticians and Funeral Directors	1,413	543,992
Nursing and Ancillary Professions	303,267	6,983,223
Nursing Home Administrators	531	197,076
Occupational Therapy Practice	3,378	529,716
Optometry	865	265,428
Pharmacy	21,836	2,708,789
Physical Therapy Examiners	6,865	789,687
Physicians and Ancillary Professions	28,896	7,964,842
Podiatric Medical Examiners	490	317,113
Professional Counselors and Therapists	5,419	614,946
Psychologists	3,485	644,118
Residential Child Care Professionals	125	145,581
Social Work Examiners	13,275	1,397,414
<b>Total</b>	<b>417,376</b>	<b>\$27,128,430</b>

Source: *Fiscal 2015 Budget Books*; Department of Health and Mental Hygiene

### Additional Regulatory Activities

Two independent commissions in the department have responsibilities for health care systems planning and regulation – the Maryland Health Care Commission and the Health Services Cost Review Commission.

**Maryland Health Care Commission:** The Maryland Health Care Commission is responsible for making timely and accurate information available to the public on the availability, cost, and quality of health care services statewide. The commission is responsible for (1) overseeing the Medical Care Data Base, a database of health insurance claims for covered services received by privately insured Maryland residents; (2) monitoring the fiscal impact of State-mandated health insurance benefits; (3) developing quality and performance measures for health maintenance organizations, hospitals, ambulatory care facilities, and nursing homes; (4) overseeing electronic claims clearinghouses; (5) directing and administering State health planning functions to produce the State Health Plan; (6) conducting the certificate of need program; and (7) enhancing the adoption of health information technology (such as electronic health records) in the State.

At least every five years, the commission adopts a State health plan, which sets the methodologies, standards, and criteria for certificate of need review. The certificate of need process was established to ensure that new health care facilities and services were only added to the State as needed. The commission must issue a certificate of need before any health care facility can be built, relocated, or modified in the State. All projects requesting certificate of need approval are evaluated for consistency with review standards and need projections in the State Health Plan and are evaluated against five additional criteria: need, viability, impact, the cost and effectiveness of alternatives to the proposed project, and the applicant's track record in complying with conditions and terms placed on project approvals previously issued to the applicant.

The commission also administers the Maryland Trauma Physician Services Fund jointly with the Health Services Cost Review Commission. The fund provides payments to offset the costs of medical care provided by trauma physicians at Maryland's designated trauma centers for uncompensated care, Medicaid patients, trauma-related on call and standby expenses, and trauma equipment grants. The fund is financed through a \$5.00 surcharge on motor vehicle registrations and renewals. The surcharge generated about \$11.6 million in fiscal 2013.

The commission also provides subsidies to eligible small employers and their employees to help offset the cost of private health insurance premiums through the Maryland Health Insurance Partnership. In fiscal 2014, 293 businesses were enrolled in the program and received total subsidies of just under \$2.0 million. As federal subsidies are now available for small businesses, the partnership closed to new enrollment effective January 1, 2014, and to renewals effective June 1, 2014. Once the Maryland Health Benefit Exchange makes the Small Business Health Options Exchange operational, the partnership will likely be phased out.

In fiscal 2013, the commission's total budget, including funding provided from the Maryland Trauma Physician Services Fund, was \$30.8 million and in fiscal 2015, it is projected to be \$31.6 million. Commission administrative expenses are funded with user fees assessed on hospitals, nursing homes, insurance companies, and various health care practitioners. The law limits the amount of user fees the commission may collect in any fiscal year to \$12.0 million. In fiscal 2013, the commission collected just under this amount.

***Health Services Cost Review Commission:*** The Health Services Cost Review Commission was established in 1971 to contain hospital costs, maintain fairness in hospital payment, provide for financial access to hospital care, and disclose information on the operation of hospitals in the State. The commission administers the nation's only all-payer hospital rate regulation system, as authorized by State and federal law. The commission sets hospital rates paid by all private and public payers, including Medicare and Medicaid.

In January 2014, the State received federal approval for a new Maryland all-payer model to replace the State's all-payer, rate-regulated hospital financing system. The new five-year demonstration model contract includes the following major components:

- **All-payer Total Hospital Cost Growth Ceiling:** Maryland will limit inpatient and outpatient hospital cost growth for all payers to a trend based on the State's 10-year compound annual gross State product (3.58% for the first three years).
- **Medicare Total Hospital Cost Growth Ceiling:** Maryland will limit Medicare per-beneficiary total hospital cost growth, setting a per-beneficiary spending target sufficient to produce \$330.0 million in cumulative Medicare savings over five years beginning with an estimated \$49.5 million in savings in 2015.
- **Population-based Revenue:** Hospital reimbursement will shift from a per-case system to a population-based system, with at least 80% of hospital revenues shifted to global budgeting over the five-year period.
- **Reduction of Hospital Readmissions:** Maryland will commit to reducing its Medicare readmission rate over five years.
- **Reduction of Hospital Acquired Conditions:** Maryland will achieve an annual aggregate reduction of 6.89% in potentially preventable conditions as measured through the Hospital Acquired Conditions Program for a cumulative reduction of 30% over five years.

The demonstration will be deemed successful if Maryland can meet the hospital cost and quality targets without inappropriately shifting costs to nonhospital settings and if there is a measurable improvement in quality of care. The Department of Health and Mental Hygiene anticipates that the model will produce net savings for the federal government, the State, and private payers, while providing stability and predictability for Maryland.

The commission is supported entirely by user fees assessed on hospitals. The law limits the total fees that may be assessed to \$12.0 million annually; the commission collected approximately \$6.0 million in fiscal 2013. The commission's administrative budget for fiscal 2015 is estimated to be \$9.9 million.

**Regulation of Health Insurance:** The State also plays a role in the regulation of some private health insurance. Regulation of the business of insurance falls almost exclusively to states. However, the federal Employee Retirement Income Security Act preempts states' ability to require private employers to offer insurance coverage and exempts the coverage offered by self-insured entities from state insurance regulation. Self-insured entities assume risk and pay all claims for services directly, usually through a third-party administrator, rather than purchasing a fully insured health benefit plan from an insurer.

Insured health benefit plans are regulated by the Maryland Insurance Administration and subject to Maryland law, while other (self-insured) employment-based plans are not regulated by the Maryland Insurance Administration and are generally not subject to Maryland law. In 2013, approximately 2.83 million Maryland residents younger than age 65 (55.2%) were insured through commercial health benefit plans – either an insured health benefit plan (*i.e.*, individual and group insured health benefit plans) or other employment-based health benefit plans (*i.e.*, self-insured health benefit plans and the Federal Employees Health Benefit Plan). Yet as State regulation applies only to *insured* plans, only 20.5% of the State's nonelderly population were covered by a plan subject to State regulation. Of the total number of covered lives enrolled in commercial health insurance in the State in 2013, 37.1% were in plans subject to State regulation, while 62.9% were in plans not subject to such regulation.

Exhibit 10.12 shows the types of health benefit plans offered in the State and how they have changed between calendar 2009 and 2013. Approximately 34.7% of all nonelderly individuals, more than one-third of the commercial insurance market, are enrolled in a plan that the State does not regulate.

**Exhibit 10.12**  
**Health Benefits and Maryland Covered Lives by Type of Health Benefit Plan**  
**as a Percentage of the Population Younger than Age 65**  
**Calendar 2009 and 2013**

	<b>Percentage of Population Younger Than Age 65 <u>2009</u></b>	<b>Percentage of Population Younger Than Age 65 <u>2013</u></b>	<b>Percentage Change <u>2009 to 2013</u></b>
Overall Commercial Health Insurance Market	73.4%	55.2%	-24.8%
Group – Insured	21.7%	17.6%	-18.9%
Group – Self-insured	36.3%	27.4%	-24.5%
Federal Employees Health Benefit Plan	12.0%	7.3%	-39.2%
Individual	3.4%	2.9%	-14.7%

Note: Information is based on self-reported data from health insurers and third-party administrators and may not match with coverage information in Exhibit 10.1.

Source: Maryland Insurance Administration

In addition to comprehensive health insurance policies, the Maryland Insurance Administration regulates Medicare supplement policies, long-term care policies, and other types of ancillary health insurance coverage. The administration regulates health insurers and insurance producers through licensing, solvency, rate and form approval, financial and market conduct examinations, consumer protection enforcement, and fraud investigation.

### **The Future of Maryland’s Health Care System**

Although Maryland’s health care system has already undergone significant changes following enactment of the federal Patient Protection and Affordability Act, many aspects of the system will continue to be affected as the Act is further implemented. Preliminary reports show a substantial decline in the uninsured rate nationally since October 2013 (the first open enrollment period under the Act), with an estimated 10.3 million adults gaining coverage. In Maryland, coverage gains have been most

dramatic for those eligible for the Medicaid expansion, while fewer individuals appear to have gained private health insurance coverage. Rapidly expanding Medicaid enrollment presents administrative and provider capacity challenges and some Maryland residents, particularly noncitizens, still remain without coverage. The significant expansion of the health care safety net under federal health care reform will also necessitate continued reevaluation of many of the State’s gap-filling programs. Many of these programs will no longer be necessary as greater numbers of individuals gain health insurance coverage, while new programs may be needed to address any remaining gaps in coverage or continue to ensure that available coverage is affordable.



# Chapter 11. Human Services

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Maryland's human service delivery system has evolved since the 1930s from a joint State and local effort to a State- and federally funded and State-supervised system. While Baltimore City and the counties may supplement expenditures on human services, the amount of local funding is quite small. Social services accounted for about 1.5% of total county government spending in fiscal 2013.

Although county governments do not play a major role in paying for or furnishing social services, the State, through the Systems Reform Initiative which began in the late 1980s, has transferred a significant amount of responsibility for planning and coordinating the delivery of services to the local management boards. These boards, which are State-funded but locally staffed, operate in each county and Baltimore City.

## Structure and Service Delivery

At both the State and local levels, the structure of Maryland's human service delivery system varies by the population being served. The State's Department of Human Resources, providing public welfare, child support enforcement, and social services, is Maryland's largest human service agency in both expenditures and personnel. Many of the department's services are coordinated and delivered through offices in the counties and Baltimore City. Other State agencies with an active role in human service delivery are the Maryland Department of Aging, Department of Disabilities, Department of Juvenile Services, Department of Veterans Affairs, Governor's Office for Children, and Office of the Deaf and Hard of Hearing. At the local level, local management boards and area agencies on aging are also involved with coordinating the delivery and direct provision of services to clients. The State also uses other organizational structures, such as contracts with community organizations, to deliver human services.

This chapter discusses the delivery of human services based on the population served: children and families, youth in the juvenile justice system, the aged, the disabled, and veterans. Local projects and funding provided by various levels of government for human services are also reviewed in this chapter.

## Services to Children and Families

### Coordination of Services for Children and Families

Coordination of services for children, youth, and families in Maryland is provided by the Children's Cabinet. The cabinet, which was established by executive order on

June 9, 2005, provides ongoing examination of the structure of Maryland's service delivery system and aims to facilitate a comprehensive, effective, efficient, and integrated service delivery system. The executive order requires the Children's Cabinet to prepare and annually update a three-year plan establishing priorities and strategies for the coordinated delivery of State interagency services for children and families. Membership of the cabinet consists of:

- the Executive Director of the Governor's Office for Children – who serves as chair;
- the Secretary of the Department of Budget and Management;
- the Secretary of the Department of Disabilities;
- the Secretary of the Department of Health and Mental Hygiene;
- the Secretary of the Department of Human Resources;
- the Secretary of the Department of Juvenile Services; and
- the State Superintendent of Schools.

The Governor's Office for Children provides staff support to the Children's Cabinet. The office also plans, monitors, and coordinates services for at-risk children and their families. Specific functions undertaken by the office include coordinating the Systems Reform Initiative implementation and supporting the operations of the State Coordinating Council, which oversees the residential placement of children with disabilities.

### **Systems Reform Initiative and Local Management Boards**

Initiated in the late 1980s, the Systems Reform Initiative is a legislatively driven effort to transform Maryland's service delivery systems for children and families to make them more effective, efficient, and responsive to the needs of their clients. The impetus for the reform was frustration with a fragmented delivery system that failed to provide troubled families and children with a single access point for all required services, or "one-stop shopping." The restructuring included changes to (1) the way decisions about services for children and families are made at the State level; (2) the role of local jurisdictions in the provision of services to children and families; and (3) the way these services are funded.

State law enacted in 1990 required every jurisdiction to establish a local management board. This was complete by the end of fiscal 1998. Local management

boards are selected by the chief elected or appointed local official and include parents; advocates; directors of the local child and family service agencies (such as departments of social services, boards of education, health departments, and core service agencies); representatives of other local agencies (the judiciary, police, etc.); and local government officials. Local management boards receive their funding from the State upon agreement to a memorandum of understanding, which must be signed by the chief elected or appointed local official.

Local management boards, which are organized as either public agencies considered to be an instrument of local government or as nonprofit organizations, are charged with ensuring the implementation of a local, interagency service delivery system for children, youth, and families. Specific responsibilities include developing a local five-year plan, setting priorities for the allocation of funds, ensuring collaboration across State and local agencies, and contracting for the provision of certain services. The local management boards focus primarily on family preservation and return/diversion services, which return children from out-of-state placements and prevent out-of-state placements by using community placements and available in-home services. Generally, the boards have not been direct service providers; instead, they purchase services from public and private providers. While not required to contract with traditional service providers (local departments of social services and other State agencies), many local management boards have continued to do so.

### **Local Departments of Social Services**

The local departments of social services play a more visible role in the State's human service delivery system than the local management boards as they are the focal points for most beneficiaries of Maryland's human service programs, especially those intended for children and families. Despite the tag "local," local departments of social services are essentially arms of the State's Department of Human Resources in each county and Baltimore City.

Each local department has a director appointed with the concurrence of the Secretary of Human Resources and the county executive, county council or commissioners, or Mayor of Baltimore City. Except in Montgomery County, local department directors and most of their staff are State employees. Legislation enacted in 1996 transferred the duties of the local department of social services in Montgomery County from the State to the county. While the State continues to fund social service programs in the county through a grant to Montgomery County, all social service staff in the county except the local director are county employees.

Local departments in each county and Baltimore City are responsible for the supervision, direction, and delivery of an array of social services. The Family Investment

Administration, Social Services Administration, and Child Support Enforcement Administration in the Department of Human Resources use the local departments of social services as the primary mechanism for service delivery. The major programs operated by these administrations are described in the following sections.

Federal and State funds finance all of the mandated operations of the local departments. While there is no mandatory local contribution, many county governments supplement State funds to support local programs. The allocation of State and federal funds to the local departments is controlled by the Department of Human Resources, which also sets policy for most of the programs administered by the local departments.

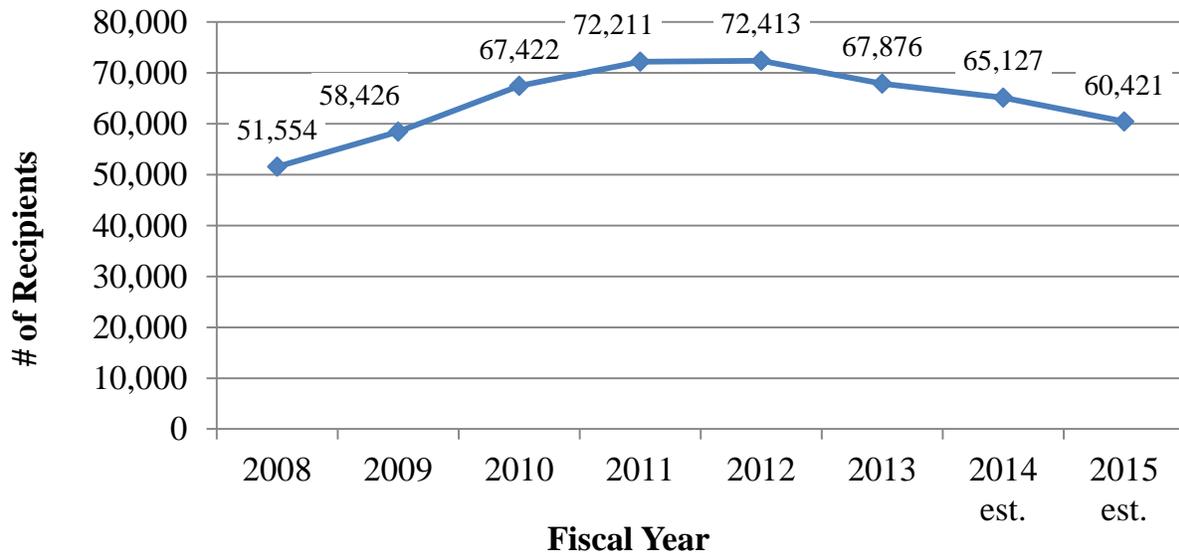
Local boards of social services provide additional input into the activities of the local departments. The role of the nine-member boards, which are mandated by State law, is to advise the local departments, advocate on social service issues, and annually evaluate the local director in conjunction with the local government and the Department of Human Resources. The local governing body appoints board members to serve three-year terms (or four-year terms in the case of Charles County). The board members serve without compensation and typically hold monthly meetings.

### **Cash/In-kind Assistance**

The State provides a wide range of cash and in-kind assistance to families, and in some cases, adults without children.

- ***Temporary Cash Assistance:*** Temporary Cash Assistance, the State's largest cash assistance program, provides a monthly subsidy to indigent children and their families. Healthy adults must participate in a work activity to continue receiving benefits. In addition, federal law limits families to five years of federally funded assistance but provides a hardship exemption for a specified percentage of the caseload. In federal fiscal 2013, under this exemption, 1,570 Maryland families who reached the five-year cumulative time limit were able to continue receiving monthly benefits funded with federal dollars. As provided by State law, if the State exceeds its limit of "hardship" cases, the department, through the exclusive use of State dollars, provides benefits to families in compliance with program requirements. The fiscal 2015 budget assumes an average monthly grant of \$183.94 per individual recipient. Exhibit 11.1 provides information on the recent caseload of the program.

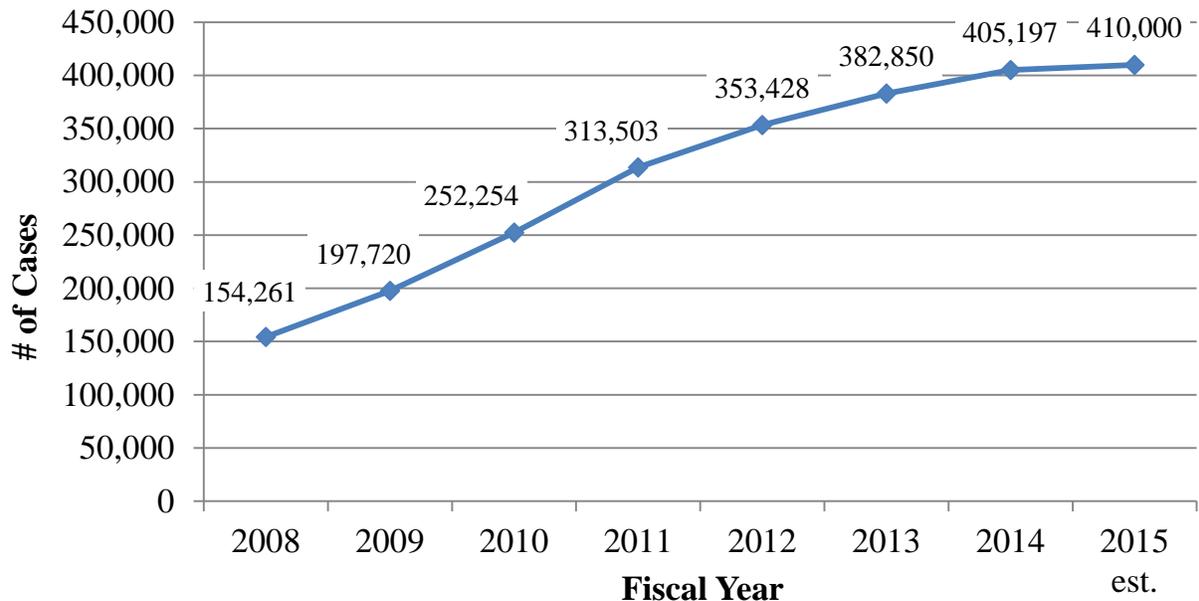
**Exhibit 11.1**  
**Temporary Cash Assistance Average Monthly Recipients**  
**Fiscal 2008-2015 est.**



Source: Department of Human Resources

- Supplemental Nutrition Assistance Program:** The federal Supplemental Nutrition Assistance Program, formerly known as the Food Stamp Program, provides benefits solely for the purchase of food items to families who meet income and resource requirements. Benefit costs are 100% federally funded, while administrative costs are split equally between the State and federal government. Program rules and regulations are issued by the federal government. Benefits are provided to recipients through an electronic benefit card, which is similar to an electronic banking card. Temporary Cash Assistance benefits are also accessed through the electronic benefit card. The number of participants in this program has increased dramatically since 2007 with more than 775,000 individual recipients in fiscal 2014. A case may be composed of multiple individuals. The fiscal 2015 budget assumes an average monthly grant of \$254.60. Exhibit 11.2 provides information on the caseload for this program.

**Exhibit 11.2**  
**Supplemental Nutrition Assistance Program Average Monthly Cases**  
**Fiscal 2008-2015 est.**

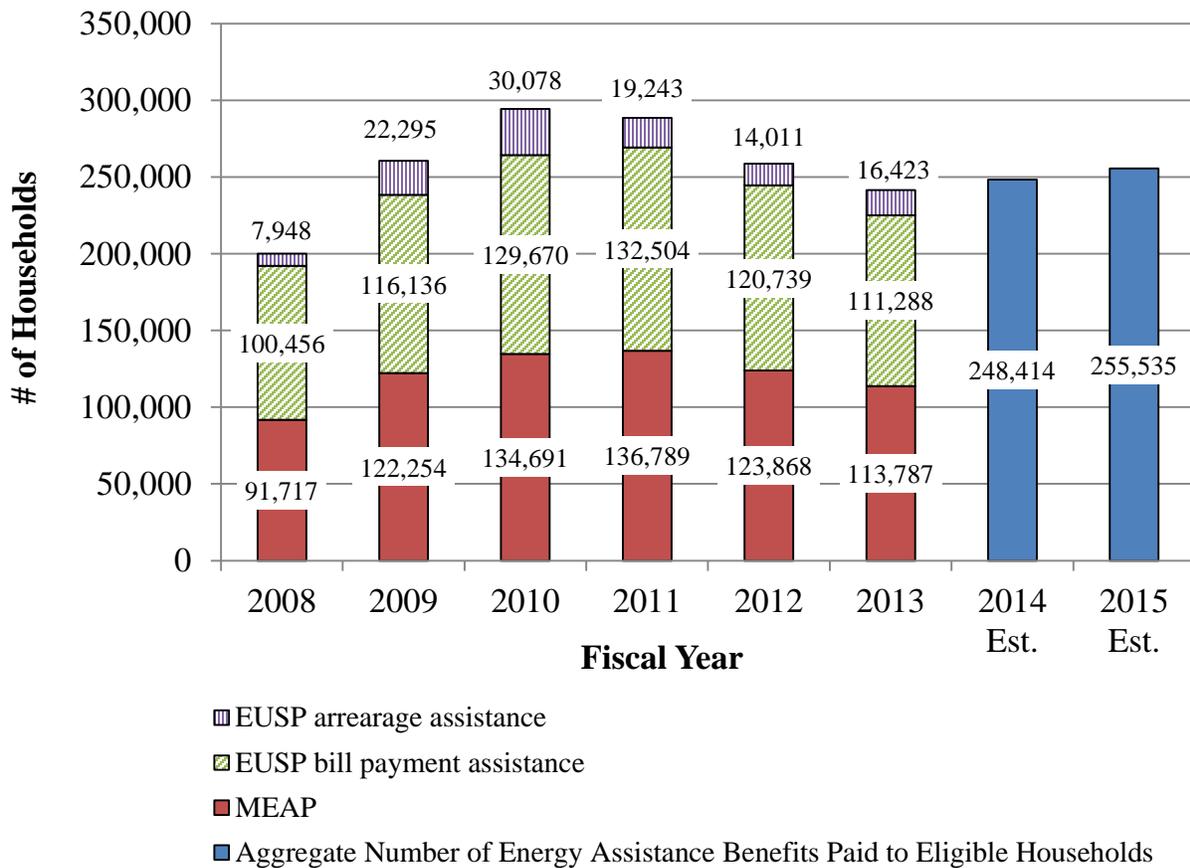


Source: Department of Human Resources

- Energy Assistance Programs:** Home energy program offices, typically operated by local departments of social services, units of local government, or nonprofit organizations with funding from the Department of Human Resources, provide low-income families with access to energy assistance programs. The Maryland Energy Assistance Program, funded through the federal Low-Income Home Energy Assistance Program, provides bill payment assistance. The Electric Universal Service Program provides both bill payment and arrearage assistance. The Electric Universal Service Program is funded through two sources. A total of \$37.0 million (\$26.4 million from commercial and industrial customers and \$9.6 million from residential customers) is authorized to be collected for this purpose through a surcharge on customers' electric bills. The Public Service Commission determines the surcharge levels necessary to collect the required revenue. Of the \$37.0 million, a portion may be provided for weatherization services. Beginning with fiscal 2009, the Electric Universal Service Program also receives funding through an allocation of the proceeds from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions, which are held in the Strategic Energy Investment Fund. Although the energy assistance share of the proceeds was initially provided

at 17%, the allocation was temporarily increased to up to 50% for fiscal 2010-2014. Legislation enacted in 2014 permanently increased the allocation of Regional Greenhouse Gas Initiative proceeds for energy assistance to at least 50%. As shown in Exhibit 11.3, the number of households receiving assistance through these programs peaked in fiscal 2010. Decreases in the following years resulted in part from funding availability which resulted in limitations on arrearage assistance and warmer winter weather reducing demand.

**Exhibit 11.3  
Energy Assistance Caseload  
Fiscal 2008-2014**

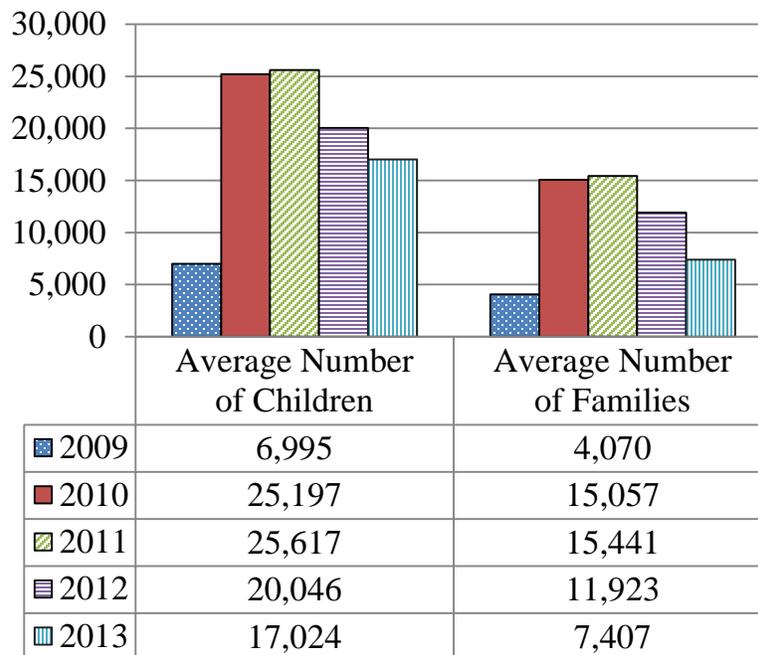


EUSP = Electric Universal Service Program  
MEAP = Maryland Energy Assistance Program

Source: Department of Human Resources

- Child Care Subsidy:** The Maryland State Department of Education administers the State's child care subsidy program which provides vouchers to disadvantaged families to allow parents to work or participate in activities that lead to employment. The local departments of social services provided eligibility determination and case management services for the program. However, this is expected to change in fiscal 2015 because the Maryland State Department of Education and Department of Human Resources have agreed to outsource the eligibility and case management services to a private contractor. Exhibit 11.4 provides information on the program caseload. More information on early childhood development programs can be found in Chapter 6 (Public Education) of this volume of the Legislative Handbook Series.

**Exhibit 11.4**  
**Child Care Subsidy Recipients**  
**Fiscal 2009-2013**



Source: Maryland State Department of Education

- Burial Assistance Program:** The Burial Assistance Program administered by the Family Investment Administration in the Department of Human Resources aids indigent families with burial costs. In fiscal 2013, the Department of Human

Resources provided 532 grants with an average grant of \$1,734; total expenditures in the program were \$922,575.

- ***Welfare Avoidance Grants:*** Welfare Avoidance Grants administered by the Family Investment Administration in the Department of Human Resources provide one-time grants to families to help them avoid welfare. The applicant must meet certain eligibility criteria which are the same as the Temporary Cash Assistance program to qualify for this grant. In fiscal 2013, the Department of Human Resources provided a total of \$341,916 in Welfare Avoidance Grants.
- ***Emergency Assistance to Families with Children:*** The Emergency Assistance to Families with Children program administered by the Family Investment Administration in the Department of Human Resources offers grants to families experiencing a crisis such as eviction. In fiscal 2013, the Department of Human Resources had 880 cases monthly on average in the Emergency Assistance to Families with Children program with an average monthly grant of \$501.93 and total expenditures of \$5.3 million.
- Although administered by the Department of Health and Mental Hygiene, local departments of social services also participate in determining eligibility for Medicaid. More information on this benefit is provided in Chapter 10 (Health Services) of this volume of the Legislative Handbook Series.

### **Other Children and Family Services**

- ***Family Investment Program:*** The goal of the Family Investment Program is to assist Temporary Cash Assistance applicants and recipients in becoming self-sufficient. After assessing each family's specific needs and resources, staff focuses on the services required to move clients into work. Temporary Cash Assistance is provided only as a last resort. Applicants for cash assistance are required to cooperate with child support enforcement staff as a condition of eligibility and must undertake job search activities if asked to do so. Screening of Temporary Cash Assistance recipients for substance abuse problems is mandatory, with participation in treatment required of individuals offered appropriate treatment. In fiscal 2013, 39,615 applicants and recipients were screened for substance abuse, of which 1,335 applicants were referred for further screening. Of the individuals referred for additional screening, 794 were referred to treatment, of which 533 enrolled in treatment and 133 were placed on waiting lists for treatment.

The Family Investment Program, as well as the healthy economy of the late 1990s, has received much of the credit for the dramatic reduction in the Temporary Cash Assistance caseload that occurred from January 1995 to January 2000. Over that

period, the number of recipients fell from more than 227,000 to 77,340. While the number of recipients continued to trend downward for several years reaching its lowest level in March 2007 (47,949), during the economic recession in recent years, the caseload increased. However, with the economic recovery, the caseload has generally trended down again.

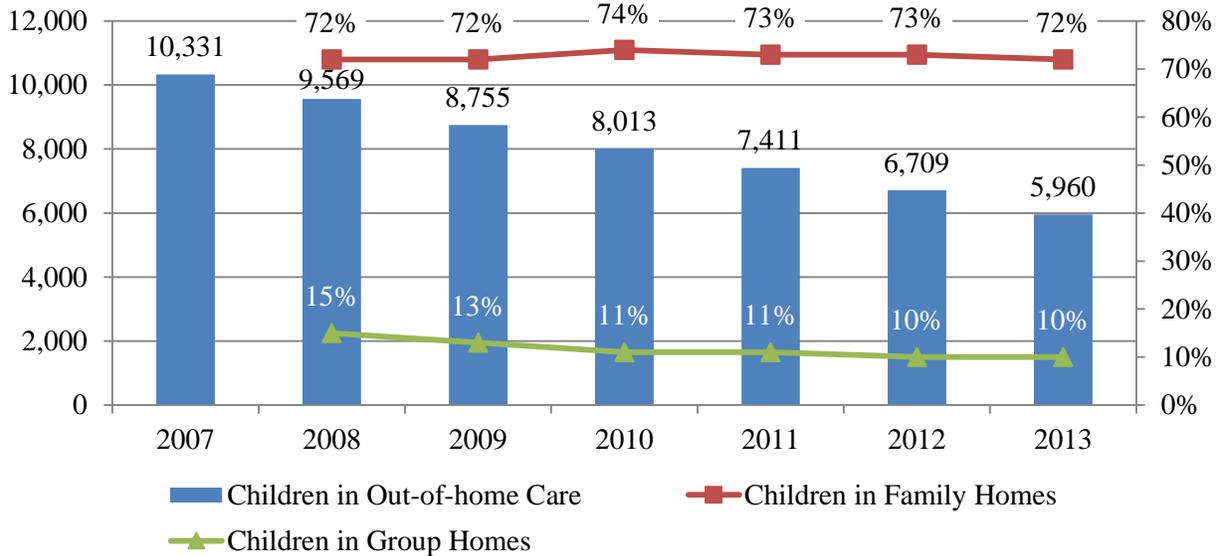
- ***Child Welfare Services:*** Child welfare services, administered by the Social Services Administration of the Department of Human Resources and provided primarily by the local departments of social services, support the healthy development of families, assist families and children in need, and protect abused and neglected children. Specific social service programs include foster care, family preservation, adoption, child protective services, and family reunification.

The Department of Human Resources investigates reports of abuse and neglect. For children determined to be at immediate risk, the department will file a child in need of assistance petition, requesting the removal of the child from the child's home and the placement of the child in foster care or with a relative (referred to as Kinship Care). Exhibit 11.5 presents information on the number of children in out-of-home placements and the type of placements. In July 2013, the Department of Human Resources launched an alternative response program as a result of legislation enacted in 2012. Under the alternative response program, reports of abuse or neglect which are deemed low risk may be treated differently than under a traditional investigation. The department determines an appropriate set of services to be provided to the family and a formal finding of abuse or neglect may not occur. Cases may be re-referred to a traditional investigation if circumstances warrant. Certain types of reports are ineligible for treatment under alternative response.

In cases where family reunification services are unsuccessful or unwarranted, the Department of Human Resources requests termination of parental rights and, if the petition is granted, seeks to place the child in an adoptive home. In fiscal 2013, 344 children exited foster care through adoption. The department may also place a child in a subsidized guardianship, under which parental rights are not terminated, but children are placed in a permanent home through a legal guardian. In fiscal 2013, 304 children exited care through subsidized guardianship. Exhibit 11.6 presents information on children's exit from foster care.

The Maryland Legal Services Program in the Department of Human Resources provides representation for Children in Need of Assistance and Termination of Parental Rights cases primarily through contracts with legal service providers. The Citizen's Review Board for Children in the Department of Human Resources reviews certain child welfare and out-of-home placement cases and makes findings regarding those cases.

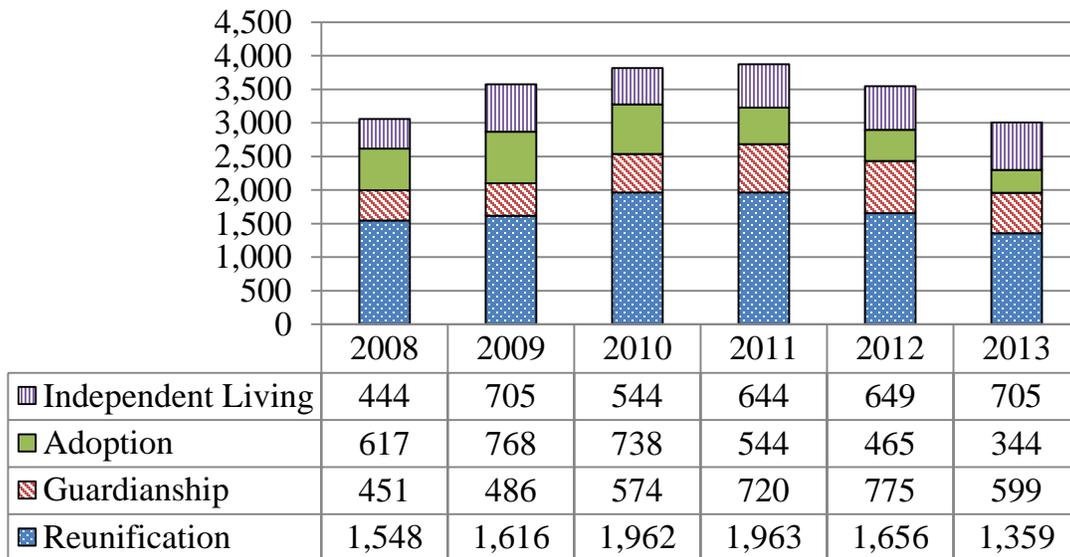
**Exhibit 11.5**  
**Out-of-home Placements**  
**Fiscal 2007-2013**



Notes: Fiscal 2007 data is not available for percent of children in family homes, percent of children in group homes, and exits from care.

Group homes and family homes compose the two largest placement types. Other placement types include: independent living, residential treatment center, college, own home/apartment, secure detention/correctional facility, and halfway house.

**Exhibit 11.6**  
**Exits from Foster Care**  
**Fiscal 2008-2013**



Source: Department of Human Resources

- Child Support Enforcement Services:*** Child support enforcement services are typically provided through the local departments of social services. However, in the largest jurisdictions (Anne Arundel, Baltimore, Montgomery, and Prince George’s counties and Baltimore City), child support services are administered through offices that are separate from the local departments of social services and are supervised directly by the Executive Director of the State Child Support Enforcement Administration. In addition, some services may be provided by a county or State agency through cooperative reimbursement agreements with the Department of Human Resources. Cooperative reimbursement agreement participants, which vary from county to county, include State’s Attorneys, sheriffs, circuit court masters, and clerks of the court. Under the cooperative reimbursement agreements, the county or State agency must provide the State’s share of the program costs (34%) with the Department of Human Resources passing on the federal share of costs (66%).

From October 1996 through September 2009, the State operated Baltimore City and Queen Anne’s County child support operations through privatization contracts

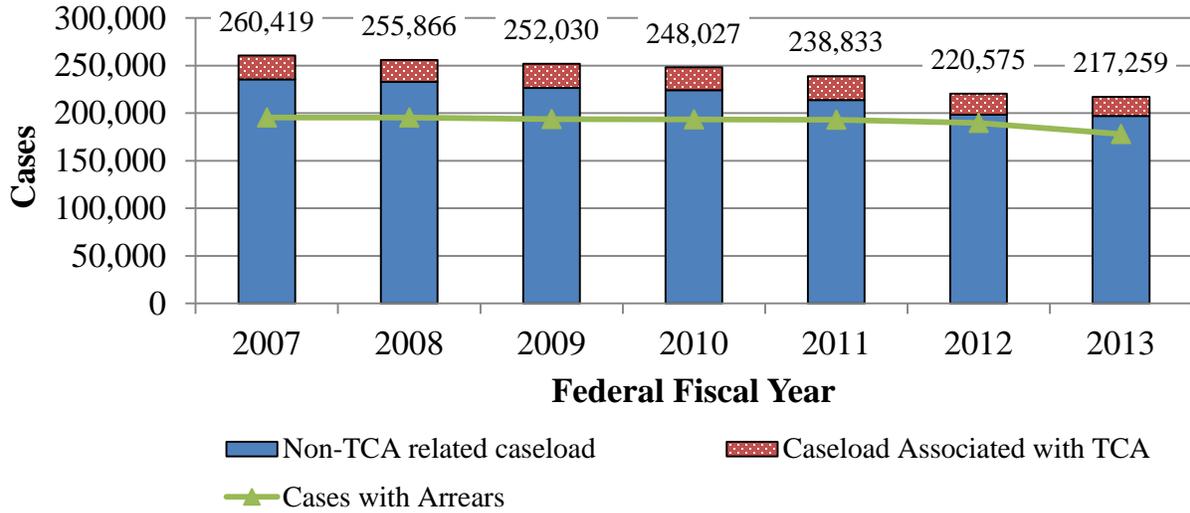
authorized in legislation as a pilot program. While the authorization for the pilot expired September 30, 2009, the Department of Human Resources continued to operate both jurisdictions through a private contract through September 30, 2010. Beginning October 1, 2010, Queen Anne’s County child support operations were returned to State operation. Baltimore City child support operations remained privatized and are expected to remain so. The current contract for the Baltimore City child support operations ended February 28, 2014, but had two one-year renewal options. The contract was extended through the first of the two renewal options and is currently scheduled to end February 28, 2015.

These services are offered free of charge to welfare recipients who must comply with child support requirements as a condition of receiving cash assistance. For individuals not receiving Temporary Cash Assistance or Medical Assistance, an application fee of \$25 is charged for child support services. In addition, in response to a federal requirement, State law requires that a \$25 fee be collected for cases for which an individual has never received public assistance after \$3,500 has been collected during the federal fiscal year. Techniques used to enforce child support obligations include wage liens and intercepts of tax refunds, unemployment benefits, and lottery winnings. The State may also suspend the drivers’ and professional licenses of delinquent parents.

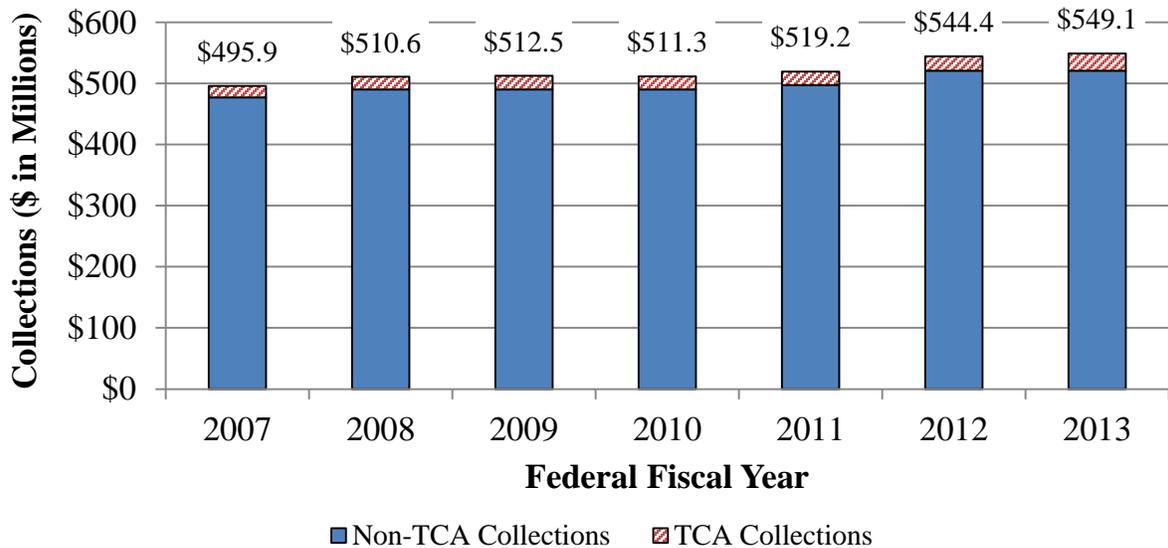
In January 2013, the Department of Human Resources implemented a new method of delivery of child support payments to custodial parents. The new method, referred to as the Electronic Payment Issuance Card or EPIC, allows the department to upload the payment received from the noncustodial parent to a debit card rather than mailing checks. The change allows custodial parents to receive payments more quickly and the cards may be used like any other debit card. Individuals who in the past received the payment through a direct deposit to a bank account will continue to receive payments this way. Individuals may opt out of receiving the EPIC under limited circumstances with a hardship exemption.

Exhibit 11.7 provides information on child support caseloads and Exhibit 11.8 shows child support collections.

**Exhibit 11.7  
Child Support Caseload  
Federal Fiscal 2007-2013**



**Exhibit 11.8  
Child Support Collections  
Federal Fiscal 2007-2013**



Source: Department of Human Resources

- ***Office of Grants Management:*** The Department of Human Resources provides funding through contracts and grants to various organizations for housing, food, and related services through programs including the Emergency and Transitional Housing Services Program, the Maryland Emergency Food Program, the Service-Linked Housing Program, Housing Counselor Program, and the Meal Delivery to HIV/AIDS Patients program.
- ***Employment Services Offered by Local Workforce Investment Boards:*** Some local departments of social services contract with local workforce investment boards to operate employment training programs for cash assistance recipients. In addition, the Department of Labor, Licensing, and Regulation distributes federal funds to local workforce investment boards to finance employment training that may benefit individuals on public assistance. Local workforce investment boards are discussed in more detail in Chapter 14 (Labor and Workforce Development) of this volume of the Legislative Handbook Series.
- ***Victim’s Services:*** The Governor’s Office for Crime Control and Prevention provides funding to organizations to support victim’s services, including services for victims of domestic violence, rape crisis, and sexual assault. More information on these programs can be found in Chapter 5 (Public Safety) of this volume of the Legislative Handbook Series and in Chapter 12 (Victims’ Rights) of *Volume VIII – Maryland’s Criminal and Juvenile Justice Process* in the Legislative Handbook Series.

### **Services to Youth in the Juvenile Justice System**

The Department of Juvenile Services has primary responsibility for providing treatment and supervision to youths younger than 18 who violate criminal law, or are likely to violate the law, or whose behavior is such that they may endanger themselves or others. As long as the youth enters the system prior to turning 18 years old, the department may provide services until the youth reaches 21 years of age. In order to ensure that services will be as close to youths’ families and communities as possible, 2007 legislation required the department to deliver services on a regional basis. Each region provides community services, including intake, probation, aftercare, and alternatives to detention as well as residential services. In addition, the State supports various community-based programs, such as youth service bureaus, which focus on prevention and diversion. The local government role in dealing with juvenile offenders is limited to police work which brings youths into contact with the juvenile justice system. Exhibit 11.9 illustrates the department’s six regions.

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**Exhibit 11.9**  
**Department of Juvenile Services Regions**

Region I (Baltimore)	Baltimore City
Region II (Central)	Baltimore, Carroll, Harford, and Howard counties
Region III (Western)	Allegany, Frederick, Garrett, and Washington counties
Region IV (Eastern)	Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, Wicomico, and Worcester counties
Region V (Southern)	Anne Arundel, Calvert, Charles, and St. Mary's counties
Region VI (Metro)	Montgomery and Prince George's counties

Source: Department of Juvenile Services

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The department operates field offices in every county and Baltimore City to handle intake for youths who break the law or exhibit uncontrollable behavior. Youths enter the juvenile justice system when a complaint is filed with one of the Department of Juvenile Services' field offices by a police officer, parent, teacher, or other citizen. Intake officers operating out of the field offices receive and process the complaints. Potential outcomes of the intake process include formal court proceedings that can lead to probation or commitment to a residential program; voluntary informal supervision; or diversion to a community-based program (in the case of a first-time offender). Warning the youth or dismissing the case due to a lack of information are other possible outcomes. In fiscal 2014, the department handled more than 25,000 complaints with formal court proceedings recommended for 13,393 (almost 54%) of the cases.

Juveniles that pose a risk to themselves or others can be held in one of the State's seven detention centers while awaiting disposition by the court. In fiscal 2014, an average of 189 juveniles per day were awaiting trial in one of the detention centers. Electronic monitoring and other forms of highly supervised community-based detention are also offered as alternatives to detention centers. In fiscal 2014, an average of 508 juveniles per day were being supervised in this alternative detention capacity while awaiting court disposition. A youth whose behavior does not require placement in a detention center but who is not ready to return home may be placed in a shelter care program (similar to a group home). An average of 49 youth per day were awaiting court disposition in a shelter care program in fiscal 2014.

If a youth is adjudicated as delinquent or in need of supervision, the Department of Juvenile Services is responsible for providing court-ordered care, which can range from probation to a commitment to a group home or other out-of-home facility. These facilities vary in terms of security and services offered based on the youth's needs. Many youth adjudicated by the court as delinquent are placed on probation and continue to reside at

home under the supervision of a case manager. Case managers monitor the juveniles' progress through home and office visits and often refer the youths for additional services including tutoring, psychological counseling, and recreational activities. On average, just over 2,900 juveniles per month were on probation in fiscal 2014.

Most juveniles who are awaiting placement in a committed program are held in one of the State's detention centers. In fiscal 2014, an average of 87 juveniles per day were held in a detention facility while awaiting placement in a committed program.

Juveniles committed to a residential program receive counseling, health, and educational services as well as other specialized services. As of July 1, 2013, the Maryland State Department of Education assumed full responsibility for providing educational services within State-operated facilities. Residential programs also include secure 24-hour residential treatment programs, group homes, and specialized treatment centers focusing on substance abuse. An average of 897 juveniles each day resided in a committed placement in fiscal 2014, the vast majority of which were in either group homes or residential treatment centers. Most of the youth committed to Department of Juvenile Services' residential placements are housed in private facilities. Although the department does place youth in out-of-state facilities, generally due to lack of more secure in-state options, such placements have been reduced in recent years.

A listing and description of the State-operated residential facilities is provided in Exhibit 11.10.

Unlike the adult corrections system, the juvenile justice system does not assign a fixed sentence to children found to have committed a delinquent act. Instead, delinquents are released from residential commitments upon a judge's or master's concurrence with a recommendation from the Department of Juvenile Services that the child is rehabilitated. Aftercare services are provided by Department of Juvenile Services' staff and private contractors to assist youths in returning to the community.

Additional information on the juvenile justice system can be found in *Volume VIII – Maryland's Criminal and Juvenile Justice Process* of the Legislative Handbook Series.

**Exhibit 11.10**  
**Department of Juvenile Services**  
**State-operated Facilities**  
**Fiscal 2015**

<u>Facility Name</u>	<u>Population Served/ Type of Facility</u>	<u>Region</u>	<u>Rated Capacity<sup>3</sup></u>
Thomas J. S. Waxter <sup>1</sup>	Detention	Southern	42
Alfred D. Noyes	Detention	Metro	57
J. DeWeese Carter <sup>2</sup>	Committed	Eastern	14
Cheltenham	Detention	Metro	115
Charles H. Hickey, Jr.	Detention	Central	72
William Donald Schaefer House	Committed	Baltimore	19
Youth Centers	Committed	Western	164
Victor Cullen Academy	Committed	Western	48
Baltimore City Juvenile Justice Center	Detention	Baltimore	120
Lower Eastern Shore	Detention	Eastern	24
Western Maryland Children's Center	Detention	Western	24

<sup>1</sup> Waxter is exclusively a female-serving detention facility. A small number of females are also detained at the Lower Eastern Shore and Noyes facilities. All other detention facilities serve only males.

<sup>2</sup> Carter is the only State-operated committed residential treatment program for female youth.

<sup>3</sup> Rated capacity, as noted on the Department of Juvenile Services monthly population reports, does not reflect actual utilization.

Source: Department of Juvenile Services

## Services to the Aged

Maryland's growing elderly population is served by a range of programs offered by various State and local entities, including the Maryland Department of Aging, Department of Human Resources, Department of Health and Mental Hygiene, and Maryland Department of Transportation.

To ensure the coordination of public services for the aged, State law establishes an Interagency Committee on Aging Services consisting of:

- the Secretary of the Department of Aging;
- the Secretary of the Department of Human Resources;
- the Secretary of the Department of Health and Mental Hygiene;
- the Secretary of the Department of Transportation;
- the Secretary of the Department of Housing and Community Development;
- the Secretary of the Department of Labor, Licensing, and Regulation;
- the Secretary of the Department of Disabilities;
- the Secretary of the Department of Veterans Affairs;
- the Director of the Office of the Deaf and Hard of Hearing;
- the Chair of the Commission on Aging;
- a representative of the area agencies on aging; and
- a representative of the general public.

The interagency committee is charged with annually developing a plan for providing coordinated services to elderly persons in the State and facilitating the implementation of the plan.

To ensure similar cooperation and coordination of services at the local level, the interagency committee assisted all counties in establishing local interagency committees composed of the directors of the local health department; department of social services; area agency on aging; and officials from housing, transportation, mental health, employment, and economic development agencies.

The Maryland Department of Aging plays the lead role by coordinating, evaluating, and planning the delivery of services and advocates on behalf of the aged at all levels of government. The department also administers programs and activities under the provisions

of the federal Older Americans Act. Most of the direct services funded by the department are delivered through local area agencies on aging.

Area agencies on aging serve as the primary point of entry for elderly adults attempting to access public and private programs and services. These area agencies are local government or nonprofit organizations designated by each county and Baltimore City to provide a range of services to the elderly. Services are either delivered directly by the area agencies or purchased from other organizations. Sixteen counties and Baltimore City have their own area agencies, while Dorchester, Somerset, Wicomico, and Worcester counties are served by Maintenance of Aged in the Community, Inc. (better known as MAC, Inc.) and Caroline, Kent, and Talbot counties are served by Upper Shore Aging, Incorporated. The staffs of area agencies on aging are all county or private-sector employees.

Area agencies on aging submit service delivery plans to the Maryland Department of Aging for approval. Federal and State funds are allocated by formula to the area agencies. Supplementary funds are provided by county governments and private donors.

Programs operated by the Maryland Department of Aging to assist the elderly include:

- *Senior Care Program* – furnishes case management and in-home aide services to prevent or delay nursing home placement. In fiscal 2013, 3,759 individuals were served through this program. Services are provided through area agencies on aging, local health departments, and departments of social services.
- *Congregate and Group Housing Program* – assists frail seniors who have moved out of their homes to remain in the community and thus avoid nursing home placements.
- *Senior Nutrition Program* – provided approximately 2.2 million meals in homes and in group settings to 35,679 seniors in fiscal 2013. Home-delivered meals are typically provided through independent nonprofit agencies.
- *Public Guardianship Program* – serves adults 65 and older who have been determined to be unable to make decisions about their needs and have no other person who is able or willing to act as a guardian. Under this program, the Secretary of the department or director of a local area agency on aging is appointed as guardian. In fiscal 2013, public guardianships were provided to 821 individuals through this program.

- *Senior Information and Assistance* – supplies seniors and their caregivers with information and referrals by phone and through 120 one-stop neighborhood offices administered by area agencies on aging.
- *Maryland Access Point* – provides information and referral services about long-term care resources through 20 locations and online. Although the program is administered by the Maryland Department of Aging, the program is a partnership with the Maryland Department of Aging, Department of Health and Mental Hygiene, Department of Human Resources, Department of Disabilities, Office of the Deaf and Hard of Hearing, local area agencies on aging, local health departments, and Centers for Independent Living.

The Department of Health and Mental Hygiene’s Medicaid Program also serves many elderly individuals by providing coverage for a variety of services – including for nursing home care and adult day care programs. In 2014, the Department of Health and Mental Hygiene consolidated two Medicaid waiver programs (the Older Adults Waiver and Living at Home Waiver) into a Home and Community-Based Waiver. Legislation enacted in 2014 made statutory changes to effectuate the change. The Department of Health and Mental Hygiene will administer the waiver, but enrollees will be able to receive case management through the individual’s choice of the local area agencies on aging or private providers.

The new waiver program covers essentially the same services provided under the old waivers, those that allow individuals who might otherwise require long-term care in a nursing facility to remain in a community setting, except that the services are provided under other programs or the standard Medicaid program. The waiver will be implemented in conjunction with the Community First Choice Program, established under the federal Patient Protection and Affordable Care Act, which provides community services and supports to enable older adults and people with disabilities to live in their own homes. The Community First Choice Program is available to individuals meeting financial eligibility for Medicaid that require an institutional level of care. In fiscal 2013, approximately 5,000 individuals were served under the Medicaid Older Adults Waiver and Living at Home Waiver. Subsequently, the Community First Choice Program will provide the majority of services to these participants as well as an additional 4,000 current and new Medicaid-eligible participants who would otherwise be in an institution. The State will receive an enhanced federal match for all services provided under the Community First Choice Program.

## Department of Human Resources' Adult Services Programs

In addition to delivering services to children and families through the local departments of social services, the Department of Human Resources uses the local departments to administer adult services programs. These programs, which also serve the disabled, promote increased self-sufficiency, prevent abuse and neglect, and reduce the need for institutional care. Services provided by the department include:

- *In-home Aide Services* – provides assistance with chores and activities of daily living;
- *Respite Care Services* – provides relief to families and other caregivers;
- *Representative Payee Program* – provides a volunteer to pay bills and make purchases on behalf of an older adult or individual with disabilities. This service is provided in only some jurisdictions;
- *Adult Protective Services* – investigates reports of neglect or abuse. In fiscal 2013, the Department of Human Resources completed approximately 6,234 investigations of abuse; and
- *Legal Services Program* – provides legal representation for indigent adults in adult public guardianship and adult protective services guardianship cases through the Maryland Legal Services Program.

## Services to the Disabled

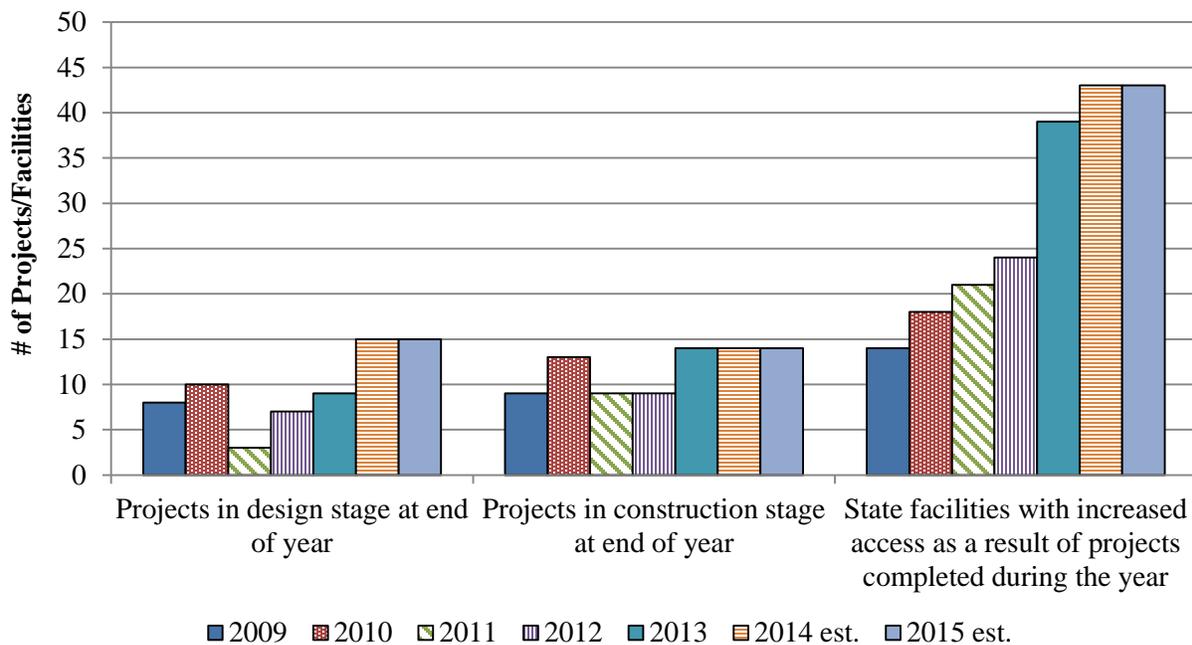
The agencies responsible for most of the service delivery to the State's disabled population are the Department of Health and Mental Hygiene and the Department of Human Resources. The roles of the Developmental Disabilities Administration and other units of the Department of Health and Mental Hygiene are discussed in Chapter 10 (Health Services) of this volume of the Legislative Handbook Series.

The Maryland Department of Disabilities is responsible for identifying, analyzing, and evaluating all programs and services for disabled citizens in the State. The department also collects information, provides support to public and private agencies as well as units of State government, and acts as an information referral service. The department also operates several programs to assist individuals with disabilities. These programs include:

- *Attendant Care Program* – provides reimbursement to individuals with chronic or severe physical disabilities for attendant services. In fiscal 2013, 188 individuals received services through this program;

- *Maryland Technology Assistance Program* – provides assistance to individuals with disabilities with assistive technology through the Assistive Technology Loan Program, demonstration and short-term loans, outreach and training, and information. In fiscal 2013, 54 loans were issued to purchase assistive technology through this program; and
- *Access Maryland Program* – provides funding to State agencies and public higher education institutions to bring facilities into compliance with federal accessibility requirements. Exhibit 11.11 presents information on activity in the program.

**Exhibit 11.11**  
**Access Maryland Program**  
**Fiscal 2009-2015 est.**



Source: Department of Disabilities

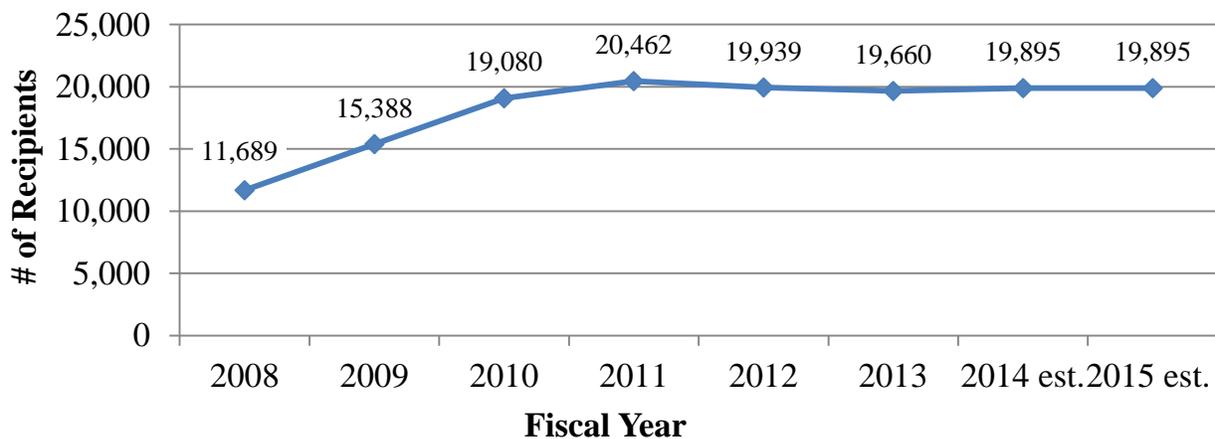
The Office of the Deaf and Hard of Hearing is responsible for promoting the general welfare of deaf and hard of hearing individuals in the State. The office serves as a coordinating presence for public policies that affect the target constituency, helps to increase public awareness of the needs of the deaf and hard of hearing, and generally acts as the State’s clearinghouse for deaf and hard of hearing issues, including employment and emergency services. The office is advised by an 18-member advisory council.

### Other Services for Individuals with Disabilities

The Department of Human Resources administers the following programs, some of which also serve the elderly population, and almost all of which are delivered through the local departments of social services:

- *Adult Services:* As described in the previous section on services to the aged, the Social Services Administration through the local departments of social services investigates cases of abuse and neglect, provides in-home aide services, offers respite care to families and other caregivers, offers a representative payee program, and offers other services to individuals with disabilities and adults.
- *Temporary Disability Assistance Program:* This State-funded program provides adults without dependents who have a disability that is expected to last more than three months with up to \$185 per month in cash assistance. The State receives retroactive reimbursement from the federal government for those individuals that qualify for federal assistance. Recipients are limited to 12 months of benefits unless they have an application for federal benefits pending. Exhibit 11.12 presents information on the program.

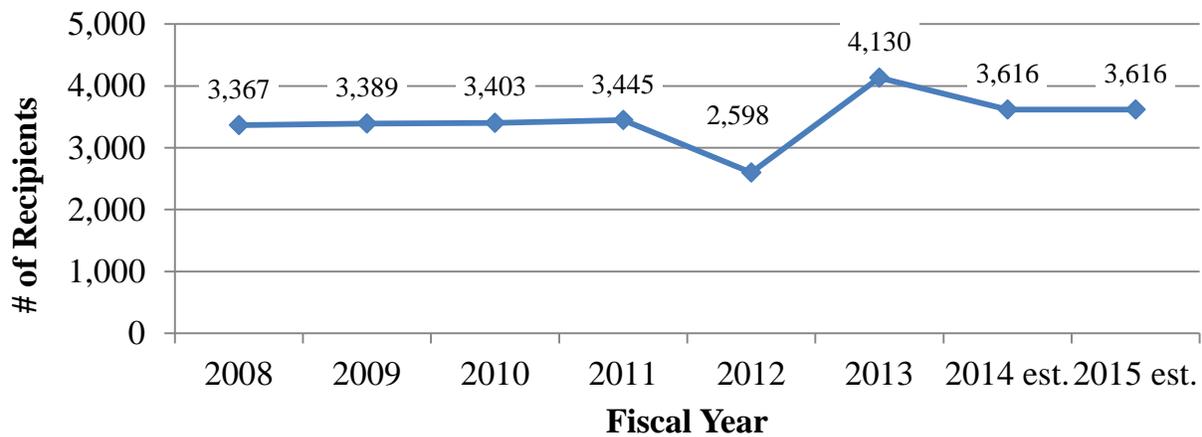
**Exhibit 11.12**  
**Temporary Disability Assistance Program Average Monthly Recipients**  
**Fiscal 2008-2015 est.**



Source: Department of Human Resources

- Public Assistance to Adults:* This program provides grants to disabled adults residing in a licensed assisted living facility, a certified adult residential environment home, or a Department of Health and Mental Hygiene rehabilitative residence. In fiscal 2013, the average monthly grant for recipients was \$219. Exhibit 11.13 presents information on caseload trends in the program.

**Exhibit 11.13**  
**Public Assistance to Adults Average Monthly Recipients**  
**Fiscal 2008-2015 est.**



Source: Department of Human Resources

- Legal Representation:* Through contracts administered by the Maryland Legal Services Program, the State offers legal representation for disabled adults in public guardianship cases.

In addition, the Disability Determination Services Program within the Division of Rehabilitation Services within the Maryland State Department of Education adjudicates Social Security Disability Insurance and Supplemental Security Income claims of Maryland residents who apply to the federal government’s Social Security Administration. In fiscal 2013, the program adjudicated 80,783 claims for Social Security Disability Insurance benefits.

### **Services to Veterans**

The State, with financial assistance from the federal government, is responsible for delivering assistance to veterans. This assistance is provided through the Department of

Veterans Affairs, an independent State agency. The agency assists veterans and their dependents in seeking federal, State, and local benefits; maintaining veterans' monuments and three veterans' war memorials (Vietnam Memorial, Korean War Memorial, and World War II Memorial); and managing five veterans' cemeteries. The department interments veterans at no cost to the family, while it charges a nominal fee to inter veterans' spouses and dependents.

The department also operates the Charlotte Hall Veterans Home in St. Mary's County through a contract with a private vendor. Admission is based on eligibility criteria developed by the department. The home provides domiciliary living and comprehensive care to veterans residing in Maryland who are either unable to care for themselves because of a disability or advancing age or have need of skilled nursing in a comprehensive care setting. In fiscal 2013, Charlotte Hall Veteran's Home had 406 residents, which is approximately 89% of available capacity.

In addition, legislation enacted in 2008 created the Veterans Behavioral Health Initiative in the Department of Health and Mental Hygiene to encourage service coordination between State and federal agencies and fund certain behavioral health services for veterans of the Afghanistan and Iraqi conflicts. In 2009 the program was extended to all Maryland veterans of foreign wars. In addition to service coordination, the program, known as Maryland's Commitment, provides transportation services to and from behavioral health appointments. In fiscal 2013, 365 transports were provided. The number of veterans and their families provided with behavioral health services varies monthly. In January 2014, 270 veterans received mental health services and 929 received substance abuse services from the Behavioral Health Administration in the Department of Health and Mental Hygiene.

### **Local Projects**

Locally funded projects vary from jurisdiction to jurisdiction. Services for the elderly and emergency assistance programs are among the most common examples of locally financed initiatives. Montgomery County, which operates its own Department of Health and Human Services using county dollars and grants from the State, is responsible for the largest percentage of the local spending. A portion of the county's spending is targeted to employee compensation as the Department of Health and Human Services staff are county employees and thus paid based on the county pay scale, which is not taken into consideration in the State grant.

### **Funding**

As depicted in Exhibit 11.14, the State and the federal governments are responsible for funding most of Maryland's human service programs. Mandatory local contributions

for certain human service programs were phased out during the 1960s and 1970s, although local governments may still supplement State funds for local programs and operations on a voluntary basis. Local expenditures are required, however, to attain federal matching funds for certain programs for the aged.

**Exhibit 11.14**  
**Human Services Funding – Fiscal 2013**  
**(\$ in Thousands)**

**Operating Programs**

	<u>State</u>	<u>Local</u>	<u>Federal</u>	<u>GO Bonds</u>	<u>Total</u>
Aging Programs <sup>1</sup>	\$20,741	\$0	\$25,673		\$46,414
Juvenile Services <sup>2</sup>	272,614	0	8,622		281,237
Veterans <sup>3</sup>	8,068	0	13,816		21,884
Welfare Grants/Other Public Assistance	102,870	752	100,218		203,840
Food Stamp Benefits	0	0	1,169,700		1,169,700
Foster Care/Adoption Grants	210,195	16	88,191		298,402
Child Support Enforcement	21,694	266	65,906		87,866
Local Departments of Social Services <sup>4</sup>	265,921	10,376	196,058		472,355
Home Energy Programs	54,651	0	77,416		132,067
Other Department of Human Resources <sup>5</sup>	78,822	1,698	94,752		175,272
Systems Reform Initiative/Local Management Boards <sup>6</sup>	13,431	0	0		13,431
Governor's Office for Children	1,306	0	458		1,765
Department of Disabilities <sup>7</sup>	2,930	0	1,739		4,669
Disability Determination Services Program (MSDE)	0	0	31,600	\$0	31,600
Office of the Deaf and Hard of Hearing	312	0	0		312
Various Local Programs Not Included in State Budget <sup>8</sup>		231,777			231,777
<b>Total Operating</b>	<b>\$1,053,557</b>	<b>\$244,885</b>	<b>\$1,874,150</b>		<b>\$3,172,592</b>
<b>Capital General Obligation and PAYGO Programs</b>					
Aging	\$0	\$0	\$0	\$1,150	\$1,150
Juvenile Services	0	0	0	3,000	3,000
Disabilities	0	0	0	1,600	1,600
Veterans Affairs <sup>9</sup>	700	0	0	0	700
<b>Total Capital</b>	<b>\$700</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,750</b>	<b>\$6,450</b>

MSDE: Maryland State Department of Education

<sup>1</sup> Excludes all reimbursable funds. Does not include funding for Aging Services provided by the Department of Health and Mental Hygiene, Maryland Department of Transportation, or Department of Human Resources.

<sup>2</sup> Excludes all reimbursable funds.

<sup>3</sup> Excludes capital program funded through the operating budget.

<sup>4</sup> Includes the Local Family Investment, Child Welfare, Adult Services, and overhead of local departments of social services. Excludes Work Opportunities Program, which is included in Chapter 14 of this volume. Excludes Local Child Support Enforcement, which is shown in the Child Support Enforcement line.

<sup>5</sup> Includes the Office of the Secretary, Citizens Review Board for Children, Commission for Women, Office of Grants Management, Operations Office, Office of Technology for Human Services, and central administration of the Social Services and Family Investment Administration. Excludes Legal Services and Maryland Office for Refugees and Asylees, which are included in Chapter 4 and 14 this volume, respectively.

<sup>6</sup> Excludes all reimbursable funds and nonbudgeted funds.

<sup>7</sup> Excludes all reimbursable funds. Does not include funding for Disability Services for programs that are administered by the Department of Health and Mental Hygiene.

<sup>8</sup> Includes all net county spending reported in *Uniform Financial Reports*, less the amounts already captured in other categories of spending.

<sup>9</sup> General funds are used for planning purposes. The federal Department of Veterans Affairs reimburses the State for these costs when the construction authorization is approved.

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

Source: *Fiscal 2015 State Budget Books; Uniform Financial Reports*; Department of Legislative Services

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While federal support represents more than half of all human service spending in Maryland, most of the federal dollars are earmarked for specific public assistance programs. Federal nutrition assistance funding, which covers 100% of the benefit costs and 50% of the administrative expenses of the program, accounted for approximately \$1.2 billion of the federal human service expenditures in fiscal 2013. Another \$241.8 million in federal Temporary Assistance for Needy Families Block Grant dollars were expended to support components of the Family Investment Program including administration, cash assistance, and employment assistance. Other federal dollars are provided through block grants (social services, low-income home energy assistance) and on a matching basis (foster care, child support enforcement, and some aging funds). With a few exceptions, State rather than local funds are used to leverage federal matching funds.

Among the largest areas of State spending are juvenile services, foster care and subsidized adoption payments, and local departments of social services. With the exception of juvenile services, much of the State spending in these areas matches federal funding or meets a federal maintenance-of-effort requirement. Little in the way of federal support is available for juvenile service programs, so these programs rely almost entirely on State general funds to cover operating costs.

As shown in Exhibit 11.15, in fiscal 2013, the counties and Baltimore City reported spending approximately \$413.3 million on human service programs. Of this amount, \$103.8 million represented the county contribution to the local department of social services. Another \$83.4 million funded local offices on aging. The remainder funded local

child care, child support enforcement, and various other social service initiatives. Many of these local programs were administered through the local departments of social services. Spending in Montgomery County represents approximately 38.8% of local expenditures, partly due to its unique arrangement with the State for the operation of the local department of social services. A more detailed breakdown of local spending by activity is not provided as financial reporting forms often fail to distinguish local expenditures on aging or social service programs from State or federal expenditures which pass through the local budget. In fact, the counties and Baltimore City reported spending \$168.4 million from federal and State grants for social services programs in fiscal 2013. Thus, net county spending totaled \$244.9 million in fiscal 2013.

**Exhibit 11.15**  
**County Spending on Human Services Programs**  
**Fiscal 2013**

<u>County</u>	<u>Contribution to Local Department</u>	<u>Office on Aging</u>	<u>Other Programs</u>	<u>Total Funding</u>
Allegany	\$0	\$0	\$1,378,693	\$1,378,693
Anne Arundel	4,006,019	11,429,273	7,522,513	22,957,805
Baltimore City	-	10,813	59,923,128	59,933,941
Baltimore	6,347,945	13,261,651	8,337,910	27,947,506
Calvert	410,650	2,114,106	1,575,211	4,099,967
Caroline	-	46,362	84,850	131,212
Carroll	1,199,706	2,858,251	3,285,040	7,342,997
Cecil	1,638,718	2,799,482	799,336	5,237,536
Charles	311,000	1,380,039	2,187,164	3,878,203
Dorchester	-	-	129,196	129,196
Frederick	649,059	2,425,042	28,094,595	31,168,696
Garrett	-	281,700	-	281,700
Harford	1,912,600	3,154,384	6,502,592	11,569,576
Howard	484,162	1,139,379	19,805,956	21,429,497
Kent	21,166	-	901,074	922,240
Montgomery	83,656,660	30,769,418	45,831,752	160,257,830
Prince George's	2,820,235	5,411,150	22,000,832	30,232,217
Queen Anne's	-	2,085,907	1,977,045	4,062,952
St. Mary's	-	2,392,672	634,711	3,027,383
Somerset	-	-	945,314	945,314
Talbot	16,112	163,155	700,793	880,060
Washington	324,050	846,986	1,949,407	3,120,443
Wicomico	-	-	10,538,392	10,538,392
Worcester	-	857,860	941,690	1,799,550
<b>Total</b>	<b>\$103,798,082</b>	<b>\$83,427,630</b>	<b>\$226,047,194</b>	<b>\$413,272,906</b>
Minus Federal Grants				-\$103,563,692
Minus State Grants				-\$64,824,095
Net County Spending				\$244,885,119

Notes: Spending reported by county governments may include State and federal grants provided to the county. The categories of spending are those reported on *Uniform Financial Reports* and may not match the amounts reported in the State budget. For purposes of this exhibit, the federal and State social service grant revenues reported by the county are assumed to have been expended in the same year they were received.

Source: *Uniform Financial Reports*; Department of Legislative Services



## **Chapter 12. Housing and Community Development**

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The mission of the Department of Housing and Community Development is to work with partners to finance housing opportunities and revitalize places for Maryland citizens to live, work, and prosper. The activities to achieve this mission are carried out by the department through partnerships with the federal government, local public housing authorities, local and other State agencies, and private partners such as nonprofit organizations, banks, developers, and housing and community advocates. The Department of Housing and Community Development administers several federal housing programs, issues housing revenue bonds and uses State general obligation bond funds to support homeownership and the development of affordable multifamily housing, operates a mortgage insurance fund, and manages programs aimed at revitalizing blighted neighborhoods.

### **Housing and Community Development Structure**

The provision of housing for persons of limited income has been a function of the federal government since the Great Depression, with the enactment of the U.S. Housing Act of 1937. During the 1940s and 1950s, large public housing developments, funded by the federal government and administered by local public housing authorities, were built in cities across America. By the 1960s, middle class flight to the suburbs and urban decay led to urban renewal efforts, many of which had the unfortunate consequence of further isolating the poor into enclaves of publicly supported poverty. Redevelopment programs such as Community Development Block Grants (administered by the U.S. Department of Housing and Urban Development) sought to restore life and vitality to aging inner cities. The focus has changed in recent decades to the provision of subsidized rental housing, with emphasis on scattered site development, increasing housing choices for the poor, and leveraging private investment.

In fiscal 2014, the U.S. Department of Housing and Urban Development began rolling out its Rental Assistance Demonstration Program, a new part of its rental housing preservation strategy. The State has earmarked \$6 million in fiscal 2015 general obligation bond funding to assist public housing authorities' projects under the program. The program allows public housing and moderate rehabilitation properties to convert to long-term Section 8 rental assistance contracts. The goal of the program is to transition public housing to privately owned and privately financed developments with a federal project-based subsidy. There are 20 projects in the pipeline for Maryland.

The federal government has also played a significant role in the homeownership arena, most notably through allowing the deduction of mortgage interest from federal income taxes. Other federally sponsored programs, such as the Federal Housing Administration and Government National Mortgage Association (better known as Ginnie Mae), promote homeownership by making mortgages more accessible or affordable.

At the State level, the Department of Housing and Community Development is Maryland's primary agent in this field. In addition to the executive direction and administrative units, the department is organized into three programmatic divisions: Division of Development Finance; Division of Credit Assurance; and Division of Neighborhood Revitalization. Through these divisions, the department:

- administers a number of federal programs;
- issues revenue bonds and obtains State funding through general obligation bonds to support the writing of mortgage loans and finance the construction of multifamily rental projects;
- operates a mortgage insurance fund; and
- manages programs to redevelop and revitalize neighborhoods.

Within the Division of Development Finance is the Community Development Administration, the State's housing finance agency. The administration issues tax-exempt and taxable revenue bonds to finance single-family mortgages, multifamily rental housing developments, and local government infrastructure improvements. The administration's housing revenue bonds are not obligations of the State of Maryland and are rated "Aa2" by Moody's Investors Service and "AA" by Fitch Ratings.

Also at the State level, the State Department of Assessments and Taxation administers two housing-related property tax credit programs: the homeowners' tax credit program and the renters' tax relief program.

County housing and community development offices, county housing authorities, and municipal housing authorities play a major role in implementing housing programs. Housing offices are agencies of local governments and often bear responsibility for administering loan programs, federal housing assistance payments, and local initiatives. Activities may include determining eligibility for federal assistance, providing counseling for first-time homebuyers, and advocating on behalf of those in need of affordable housing. Public housing authorities (county or city) are separate entities, independent from local governments. A board of commissioners, appointed by the chief elected local

government official, oversees the authority's activity. Housing authorities have the ability to directly own and manage housing units to be rented by low-income tenants. Exhibit 12.1 shows the distribution of housing offices and housing authorities in jurisdictions of the State. Statutes establishing the Housing Opportunities Commission of Montgomery County, as well as the Housing Authorities of Baltimore City; the City of Annapolis; and Prince George's, Washington, Queen Anne's, Anne Arundel, and Somerset counties may be found in Division II of the Housing and Community Development Article.

Local governments also invest in other types of community development activities, such as urban renewal and conservation programs. Some jurisdictions have created councils or commissions dealing with community development issues to ensure that the most important needs are identified and addressed.

## **Housing and Community Development Services**

Government activity in housing and community development can be grouped into four broad categories: homeownership, rental housing, special housing needs, and neighborhood revitalization.

### **Homeownership**

Encouraging homeownership has long been viewed as a method to bring stability to a community and increase the financial well-being of individual households. Federal income tax policy, with the deductibility of mortgage loan interest, provides the most pervasive method of encouraging homeownership. For individuals and families without the means to qualify for mortgage loans in the private market, the State offers a number of services to expand homeownership.

The Maryland Mortgage Program, administered by the Community Development Administration, provides below-market fixed-rate mortgages through private lending institutions to low- and moderate-income households. The program is financed through the sale of mortgage revenue bonds, targeted to first-time homebuyers, and includes eligibility limits on both household income and the cost of the home. The administration provides eligible borrowers with a wide variety of mortgage products to meet workforce housing needs. As of June 30, 2013, the portfolio of outstanding mortgages made under this program totaled \$1.7 billion. Since fiscal 2014, the Maryland Mortgage Program has been funded primarily through secondary market sales of Ginnie Mae and Fannie Mae mortgage-backed securities. These sales of securities into the secondary market have allowed 4,187 eligible borrowers to purchase homes with loans totaling \$725.1 million over the three fiscal years ending June 30, 2013.

**Exhibit 12.1**  
**Local Housing Offices and Authorities in Maryland**

<b>County</b>	<b>County Housing Offices</b>	<b>County Housing Authorities</b>	<b>Municipal Housing Authorities</b>
Allegany	Yes <sup>2</sup>	Yes	Two
Anne Arundel	Yes	Yes	One
Baltimore City	N/A	N/A	One
Baltimore	Yes	Yes	None
Calvert	Yes	Yes	None
Caroline	Yes <sup>1</sup>	No	None
Carroll	Yes	Yes	One
Cecil	Yes	Yes	One
Charles	Yes	Yes	None
Dorchester	Yes <sup>1</sup>	No	One
Frederick	Yes <sup>2</sup>	No	One
Garrett	Yes <sup>2</sup>	No	None
Harford	Yes	Yes	One
Howard	Yes	Yes	None
Kent	Yes <sup>1</sup>	No	None
Montgomery	Yes	Yes	One
Prince George's	Yes	Yes	Two
Queen Anne's	Yes	Yes	None
St. Mary's	Yes	Yes	None
Somerset	Yes <sup>1</sup>	No	One
Talbot	Yes <sup>1</sup>	No	Two
Washington	Yes	Yes	One
Wicomico	Yes <sup>1</sup>	Yes	None
Worcester	Yes <sup>1</sup>	No	None

DHCD: Department of Housing and Community Development

<sup>1</sup> Refers to Eastern Shore Regional Housing Assistance Office.

<sup>2</sup> DHCD subcontractor.

Source: Department of Housing and Community Development

The housing revenue bonds issued by the Community Development Administration and used to fund the program represent a portion of the State ceiling on tax-exempt private activity bonds established each year by the Internal Revenue Service. Of the State ceiling, 25.0% is allocated to the administration, 50.0% is allocated to the counties and Baltimore City, 22.5% is allocated to the Department of Business and Economic Development, and 2.5% is allocated to municipalities. Generally, Montgomery and Prince George's counties issue bonds for housing purposes directly from their allocations; the remaining counties and Baltimore City transfer their allocations to the administration, which issues single-family mortgage bonds on behalf of the local jurisdiction. The benefit of this arrangement is that the local government avoids the costs of issuing bonds but the bond proceeds can be used for single-family home mortgages in that jurisdiction.

In addition to the Maryland Mortgage Program, starting June 1, 2014, the Community Development Administration began to offer mortgage credit certificates through its Maryland HomeCredit Program to eligible mortgagors. The mortgage credit certificate allows an eligible mortgagor to claim a credit on their federal tax returns for a portion of the interest they pay on mortgage loans to finance the purchase of a principal residence. The tax credit percentage is 25% of the interest paid on the mortgage each year up to a maximum \$2,000 credit per year for the life of the loan.

A range of homeownership programs is supported through State capital funds with an annual appropriation. These include (1) the Maryland Home Financing Program, which operates similarly to the Maryland Mortgage Program but is often able to reach families with even lower incomes and serve special needs populations and (2) the Down Payment and Settlement Expense Loan Programs (including the Partner Match Programs – House Keys 4 Employees, Builder Developer Incentive Program and Community Partners Incentive Program), which are designed to assist families of moderate income meet the cash requirements for down payment and closing costs. For fiscal 2015, the appropriation for homeownership programs totals \$9.5 million in general obligation bonds. In addition, in fiscal 2015 the Department of Housing and Community Development plans to use \$1.5 million in special funds from the Maryland Energy Administration to fund a new Net Zero Homes Program, which will provide construction loans to build net-zero energy and low-energy homes.

The Maryland Housing Fund was created in 1971 as a special insurance fund of the State of Maryland. The fund is authorized to insure mortgage loans, including mortgage loans for multifamily developments financed by public agencies such as the Community Development Administration, and to provide insurance for single-family mortgage loans. In 1997, the fund ceased its insurance operations following questions

regarding its solvency which were subsequently resolved. Activity was resumed after several years. In calendar 2005, the fund released a new product insuring 40-year single-family mortgages and, in response to rising foreclosures, created a credit enhancement product in calendar 2008 to assist homeowners with refinancing their mortgages on the private market. However, rising turmoil in the financial and housing sectors caused the Department of Housing and Community Development to announce the suspension of its single-family mortgage insurance program in December 2008. As of June 30, 2013, the fund's outstanding commitments on insured mortgages totaled \$143.8 million for multifamily mortgage loans and \$40.3 million for single-family mortgages.

### **Rental Housing**

State activity in the rental housing arena addresses both supply and demand. Efforts to address the State's supply of affordable rental housing includes providing loans to for-profit and nonprofit developers for the acquisition, construction, renovation, and rehabilitation of housing deemed affordable to low- and moderate-income families. The State appropriated \$24.73 million in general obligation bonds and \$24.3 million in special funds for fiscal 2015 to a series of programs designed to develop or rehabilitate units that, in general, serve populations with incomes below 60% of the area median. Proposals are selected for funding under a competitive rating and ranking system. As of May 31, 2014, the outstanding portfolio of the State-funded rental housing development loan programs under the Department of Housing and Community Development totaled \$516.5 million. Among the programs in this area is Rental Housing Works, which has been appropriated \$62.0 million since its inception in fiscal 2013, allowing the State to leverage an additional \$676.0 million in private-sector and other public funding and leading to the preservation of more than 4,800 rental housing units.

The State also administers a Housing Revenue Bond Program whereby tax-exempt and taxable revenue bonds are issued by the Community Development Administration to provide below-market and market-rate financing to develop rental properties. As with the Maryland Mortgage Program, these revenue bonds represent a portion of the State ceiling on tax-exempt private activity bonds established each year by the Internal Revenue Service. As of June 30, 2013, the outstanding principal of loans under this bond program totaled \$348.5 million, financing rental units in 54 projects.

The Department of Housing and Community Development's Partnership Rental Housing Program is a collaboration with local governments to finance the construction and rehabilitation of affordable rental housing for families with incomes below 50% of the statewide median. The program also provides financing to private developers as long as

they agree to include a certain number of affordable rental units for disabled individuals in the project. In fiscal 2015, the State appropriated \$6 million in general obligation bonds for this program.

The Department of Housing and Community Development also spurs the development and rehabilitation of low-income housing among private developers by administering the federal Low-income Housing Tax Credit Program. The tax credits are awarded to developers agreeing to rent a portion of the rental units to low-income households. The developers sell the tax credits to investors for cash, and the investors may claim the tax credit for a period of 10 years. The raise-up rate on the tax credits – that is, the amount a developer may raise for each \$1 of tax credit sold – has returned to historic levels of between 85 cents and more than \$1 after declining during the weak housing market of the recession.

Another aspect of the State's involvement in supplying affordable housing is the Department of Housing and Community Development's contract with the U.S. Department of Housing and Urban Development to provide oversight of privately owned properties that accept Section 8 vouchers under the federal Section 8 Choice Voucher Program. (A pending lawsuit not involving the Department of Housing and Community Development – *CMS Contract Management Services et al. v. U.S.* – could impact the agency's status as the State's Section 8 administrator as the U.S. Department of Department of Housing and Urban Development may revise the process used to award administration of the program.) The Department of Housing and Community Development expects to oversee about 280 properties on behalf of the U.S. Department of Housing and Urban Development in fiscal 2015. The State is responsible for reviewing the property owner's records, ensuring the project-based Section 8 payments are made to the property in accordance with the Department of Housing and Community Development's rules, reviewing request for rent increases, responding to tenant complaints, and performing physical inspections of the properties. Public housing projects or rental units owned by a local housing authority supply housing for the most needy. The tenant, typically with an income at or below 30% of the area median, pays no more than 30% of the household's monthly income for rent and utilities. The federal government subsidizes the remaining costs through payments directly to the housing authority. The family can choose to rent a unit costing more or less than the fair-market rent, therefore, choosing to pay more or less than 30% of their adjusted income as the difference. In fiscal 2013, Maryland received \$16.8 million from the Section 8 Choice Voucher Program.

The Department of Housing and Community Development's Rental Allowance Program, State-funded at \$1.96 million for fiscal 2015, provides grants to families in danger of becoming homeless. These funds are administered by local housing offices,

local departments of social services, and nonprofit organizations under contract with the local government. Program participants typically receive other social services in addition to the grant.

In addition to State efforts, local housing authorities also work to expand affordable housing in their communities, often with tax credits or other subsidies to developers in exchange for producing affordable housing units. More information on local community development spending is provided at the end of this chapter.

### **State Property Tax Credit Programs**

The State Department of Assessments and Taxation administers the homeowners' tax credit program and the renters' tax relief program to reduce the tax liability of taxpayers with limited income, the elderly or disabled, or those with other qualifying conditions. In fiscal 2013, State funds reimbursed local governments \$62.6 million for the homeowners' program and \$2.0 million for the renters' program.

### **Special Housing Needs**

The Department of Housing and Community Development administers a number of programs designed to address specific housing needs and issues. Included are loan funds to make improvements to properties lacking adequate indoor plumbing, bring single-family and small multifamily dwellings up to the standards of the building code, make improvements to properties lacking adequate indoor plumbing, and remove or otherwise abate lead paint hazards. The State also operates special loan programs to support the capital costs associated with the acquisition, rehabilitation, or construction of homeless shelters, transitional housing, and group housing for those with special needs. The State has appropriated \$6.1 million in general obligation bonds for fiscal 2015 for these special loan programs.

A relatively new focus for the Department of Housing and Community Development is to improve the energy efficiency of the State's housing stock. Beginning in fiscal 2014, the department has received large influxes of funding for energy efficiency programs from two new sources: EmPOWER and the Consumer Investment Fund. The EmPOWER program provides funds that the department uses for the Low Income Energy Efficiency Program via an assessment on ratepayers of Baltimore Gas and Electric Company, Delmarva Power, Southern Maryland Electric Cooperative, Pepco, and Potomac Edison. The Consumer Investment Fund was created with funds paid to the State as a condition of the approval for the merger between the Exelon Corporation and the Constellation Energy Group. The department will draw \$28 million from the Consumer Investment Fund in fiscal 2014 through 2016.

With EmPOWER funds, the department administers the Low Income Energy Efficiency Program, which allows low-income households to install energy conservation materials in their homes at no charge. Eligibility for this program is restricted to low-income households with electric heating or central cooling systems that are Baltimore Gas and Electric Company, Delmarva Power, Southern Maryland Electric Cooperative, Pepco, or Potomac Edison customers. Since the inception of the program in spring 2012 through December 2013, the department has improved the efficiency of 3,238 low-income homes with \$18.8 million in ratepayer funds. The department has a goal of expending \$45.0 million in the program by the end of calendar 2014.

With Consumer Investment Fund funds, the department is administering the Targeted, Enhanced Weatherization Program, aimed at households receiving energy assistance, not eligible under the Low Income Energy Efficiency Program or the Weatherization Assistance Program, and that are high energy users in the Baltimore Gas and Electric Company service territory outside Baltimore City. The original plan outlined by the Public Service Commission called for the department to receive \$1.9 million in fiscal 2014, \$8.0 million in fiscal 2015, and \$9.1 million in fiscal 2016, for a total of \$19.0 million.

The Weatherization Assistance Program provides grants to public and private entities for energy efficiency improvements to housing occupied by low-income Marylanders. This program receives federal funds from the federal Department of Energy and special funds from the Regional Greenhouse Gas Initiative (proceeds of the sale of carbon dioxide emissions allowance credits are deposited in the Maryland Strategic Energy Investment Fund which is administered by the Maryland Energy Administration) and the Electric Universal Service Program (proceeds of a monthly charge on electric ratepayers) administered by the Department of Human Resources. Spending on weatherization and energy efficiency programs totaled \$28.5 million in fiscal 2013.

Within the Department of Housing and Community Development, the Maryland Building Codes Administration administers a number of building laws and standards to ensure that housing meets requirements for health, safety, functional adequacy, and energy efficiency, including the following:

- Maryland Industrialized Building and Mobile Homes Act;
- National Manufactured Housing Construction and Safety Standards;
- Maryland Model Performance Code;

- Maryland Building Performance Standards;
- Maryland Building Rehabilitation Code;
- Maryland Safety Glazing Law;
- Maryland Accessibility Code;
- Maryland Energy Conservation Building Standards Act;
- Minimum Livability Code; and
- Maryland Building Rehabilitation Code, also known as “Smart Codes.”

While nearly all of these laws and standards are enforced by local governments, the administration provides interpretation, training, and technical assistance to the enforcement agency. The administration also conducts certain inspections during the construction of modular buildings.

### **Neighborhood Revitalization**

A number of activities in the Department of Housing and Community Development are designed to revitalize communities that are in decline or in danger of going into decline. Efforts such as the Neighborhood BusinessWorks Program provide low-interest loans or grants to small, neighborhood retail and services businesses, often as a needed catalyst to stabilize a particular area or spur other private investment. For fiscal 2015, this program has been allocated \$2.3 million in general obligation bond funds to make loans and grants to business and nonprofit organizations in designated “revitalization areas.” A portion of the fiscal 2015 allocation is targeted toward attracting grocery stores to underserved areas.

The Strategic Demolition and Smart Growth Impact Fund, launched in fiscal 2013, provides grants to local governments, nonprofit organizations, and private entities for redevelopment and revitalization projects in sustainable communities, Base Realignment and Closure Revitalization and Incentive Zones, transit-oriented developments, and areas recommended by PlanMaryland for revitalization and growth. The State allocation for fiscal 2015 is \$7.5 million, with funding awarded on a competitive basis. Projects include acquisition, demolition, and other site preparation activities.

Launched in fiscal 2014, the Baltimore Regional Neighborhoods Demonstration Initiative provides grants to fund revitalization strategies in State-designated sustainable community areas in Baltimore City and the inner Beltway areas of Anne Arundel and Baltimore counties. Eligible projects include residential and commercial strategic property acquisition, redevelopment, rehabilitation, and new infill development. Fiscal 2014 was the first year of funding for Baltimore Regional Neighborhoods Initiative, with a \$3 million allocation in the capital budget, along with \$750,000 in operating funds. The Department of Housing and Community Development awarded funding to four community development corporations for market studies, acquisition, housing rehabilitation, and infrastructure improvements.

The General Assembly created the Community Legacy Program in 2001. This program complements existing neighborhood revitalization efforts by providing a flexible funding source for community redevelopment. Eligible uses of the funds include capital projects such as streetscape and façade enhancements, recreational amenities, and improvement of community gathering places. Funds may also support noncapital activities such as technical assistance and capacity building to help neighborhood leaders develop the expertise needed to successfully plan and implement neighborhood revitalization projects. In fiscal 2013, the program funded 60 projects in 40 communities for a total of \$6.0 million in capital expenditures. In fiscal 2015, the program has been allocated \$6.0 million in general obligation bond funds.

Main Street Maryland is a comprehensive revitalization strategy used to strengthen the economic potential of historic downtown and neighborhood business districts. Using a competitive process, the program selects communities that have made a commitment to succeed and helps them improve the economy, appearance, and image of their traditional downtown business districts. Since its creation, the program has helped 26 communities throughout the State revitalize downtown areas. In fiscal 2013, Main Street Maryland helped to attract \$28.7 million in public and private investment in projects ranging from new streetlights to building renovation.

The federal Community Development Block Grant Program has been in operation since 1974. The program has three broad goals: to benefit low- and moderate-income families, to prevent or eliminate slums and blight, and to meet other urgent community development needs. Eleven Maryland jurisdictions (the cities of Annapolis, Baltimore, Cumberland, Frederick, and Hagerstown and the counties of Anne Arundel, Baltimore, Harford, Howard, Montgomery, and Prince George's) are entitlement communities, receiving annual funding directly from the U.S. Department of Housing and Urban Development. The rest of the State can compete for grant funding administered by the Department of Housing and Community Development, which will distribute \$8.1 million

in fiscal 2015. Projects can address a broad range of development objectives including housing, economic development, infrastructure, and community development. In fiscal 2013, the Department of Housing and Community Development awarded funding to 34 projects totaling \$8.9 million.

The federal Community Services Block Grant Program, funded by the U.S. Department of Health and Human Services, is also administered by the Department of Housing and Community Development. In this program, funds are allocated to 17 community action agencies and one limited-purposes agency which serves all areas of the State. Roughly \$9.1 million will be distributed to these agencies in fiscal 2015 to provide a range of services involving affordable housing, job training and employment counseling, Head Start and Early Head Start child education programs, services for disabled individuals, youth and senior citizens programs, emergency assistance, and nutritional services.

During fiscal 2013, the Department of Housing and Community Development began administering nearly \$52.0 million of the approximately \$60.0 million in discretionary funding provided to Maryland under the National Mortgage Loan Servicing Practices Settlement. The department provided \$8.6 million to housing counselors over three years; \$6.2 million to Legal Providers over three years; \$16.9 million for neighborhood stabilization activities statewide; \$10.0 million for neighborhood stabilization activities in Prince George's County; and \$10.0 million for neighborhood stabilization activities in Baltimore City.

The Maryland Historical Trust, a unit of the Maryland Department of Planning, administers a number of programs aimed at preserving the State's historic and cultural resources. The Sustainable Communities Tax Credit Program is significant within this context of neighborhood preservation and revitalization. Other activities of the Maryland Historical Trust are discussed in Chapter 15 (Management of the State's Natural and Historic Resources) of this volume of the Legislative Handbook Series.

The Sustainable Communities Tax Credit Program supports the rehabilitation of residential and commercial properties, including qualifying nonhistoric structures. For residential properties, the State tax credit equals 20% of rehabilitation expenditures for a single-family, owner-occupied residence. On the commercial side, the tax credit equals 20% of rehabilitation expenditures for a certified historic structure (increased to 25% if certain energy efficiency standards are met) and 10% for the rehabilitation of certain nonhistoric structures located in either a designated Main Street or sustainable community. For income-producing properties, the State income tax credits can be layered with federal income tax credits equal to 20% of rehabilitation expenditures.

Since its inception in 1996, the tax credit program has provided close to \$350 million for the restoration of more than 3,800 residential and 600 commercial historic structures in the State.

## **Funding**

For housing and community development, total spending by the Department of Housing and Community Development and other agencies in fiscal 2013 was \$426.1 million in general, special, and federal funds, as shown in Exhibits 12.2 and 12.3. Of this amount, \$352.1 million was for operations and \$74.1 million was for capital programs. This includes \$64.6 million in State spending by the State Department of Assessments and Taxation for the homeowners' and renters' tax credit programs, as well as \$7.0 million by the Maryland Historical Trust for the Sustainable Communities Tax Credit. The Department of Housing and Community Development also received nearly \$17.0 million in one-time funding for its Division of Neighborhood Revitalization in fiscal 2013 from the National Attorneys General Mortgage Servicing Settlement. This portion of the settlement funding was aimed at neighborhood stabilization; DHCD awarded this money to 17 projects which supported activities including acquisition and rehabilitation of vacant and foreclosed homes, down payment assistance for first-time homebuyers, and rental housing preservation.

The department also received \$51.25 million in general obligation bonds for capital programs. The amount of general obligation bonds represents a large shift in the source of funding for the department's capital programs. In fiscal 2009, the State allocated \$84.1 million to capital programs, with only \$7.5 million of that amount coming via general obligation bonds.

Federal funds are received primarily under the various Section 8 rental assistance programs, the HOME Investment Partnerships Program, which is used to support rental housing, homeownership, and special loans program, and the Community Services and Community Development Block Grant Programs. Most of these funds are passed through to those local housing offices and housing authorities that do not receive funding directly from the U.S. Department of Housing and Urban Development. A portion of the federal funds is retained by the department to offset administrative expenses.

Special funds are generated by repayments of principal and interest on loans made from the various revolving loan funds and from fees and interest generated through bond issuances.

Bonds issued by the Community Development Administration do not flow through the State budget and are not included in the totals above. The administration issued \$103.8 million in project-based tax-exempt bonds for multifamily development and \$89.5 million in taxable bonds under the single-family revenue bond program in fiscal 2013. Due to the current interest rate environment, single-family loans originated under the Maryland Mortgage Program are pooled into Ginnie Mae and Fannie Mae mortgage-backed securities and sold into the secondary market. Under the Local Government Infrastructure Bond Program, the State issues revenue bonds on behalf of small jurisdictions for improved access to the bond market. For fiscal 2013, the Department of Housing and Community Development issued \$21.7 million for local projects such as schools, offices, parks, water system improvements, and other infrastructure.

**Exhibit 12.2**  
**Housing and Community Development Expenditures**  
**Operating Programs**  
**Fiscal 2013**  
**(\$ in Thousands)**

	<u>General</u>	<u>Special<sup>1</sup></u>	<u>Federal</u>	<u>Total</u>
Office of the Secretary	\$0	\$2,331	\$1,116	\$3,447
Office of Management Services	0	1,971	911	2,882
Maryland Housing Fund	0	486	0	486
Asset Management	0	2,029	2,679	4,708
Maryland Building Codes	0	617	245	863
Division of Neighborhood Revitalization	240	11,650	11,779	23,670
Community Development Administration	0	2,615	23	2,638
Housing Development Program	0	3,165	349	3,514
Homeownership Programs	0	4,499	25	4,524
Special Loan Programs <sup>2</sup>	0	10,494	10,618	21,112
Rental Services Programs	1,700	46	208,570	210,315
Division of Information Technology	0	1,610	1,473	3,084
Major IT Development Projects	0	75	0	75
Division of Finance and Administration	0	4,547	1,594	6,141
Homeowners' and Renters' Tax Credit Programs <sup>3</sup>	64,623	0	0	64,623
<b>Total Operating</b>	<b>\$66,563</b>	<b>\$46,135</b>	<b>\$239,381</b>	<b>\$352,079</b>

<sup>1</sup>Special funds represent repayments to revolving loan funds and fees on bond issuances and insurance.

<sup>2</sup>Starting in fiscal 2014, the Department of Housing and Community Development changed the name of Special Loan Programs to Energy Programs to better reflect the focus of the programming.

<sup>3</sup>These tax credit programs are budgeted within the State Department of Assessments and Taxation.

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

Source: Department of Legislative Services

**Exhibit 12.3**  
**Housing and Community Development Expenditures**  
**Capital Grant and Loan and Tax Credit PAYGO Programs**  
**Fiscal 2013**  
**(\$ in Thousands)**

	<b>General Obligation Bonds</b>	<b>General Funds</b>	<b>Special<sup>1</sup> Funds</b>	<b>Federal Funds</b>	<b>Total</b>
Rental Housing	\$17,500	\$0	\$19,475	\$10,200	\$47,175
Special Loans	6,900	0	200	3,000	10,100
Community Development Block Grant	0	0	0	10,297	10,297
Homeownership	8,000	0	500	700	9,200
Partnership Rental Housing	6,000	0	0	0	6,000
Community Legacy	6,000	0	0	0	6,000
Neighborhood Business Development	2,350	0	1,900	0	4,250
Shelter and Transitional Housing Facilities Grant	2,000	0	0	0	2,000
Strategic Demolition and Smart Growth Impact Project Fund	2,500	2,500	0	0	5,000
MD-BRAC Preservation Loan Fund	0	0	1,300	0	1,300
Mortgage Loan Servicing Practices Settlement	0	0	16,993	0	16,993
Sustainable Communities Tax Credit <sup>2</sup>	0	7,000	0	0	7,000
<b>Total Capital</b>	<b>\$51,250</b>	<b>\$9,500</b>	<b>\$40,368</b>	<b>\$24,197</b>	<b>\$125,315</b>

<sup>1</sup>Special funds represent repayments to revolving loan funds and fees on bond issuances and insurance

<sup>2</sup>The Sustainable Communities Tax Credit is budgeted within the Maryland Historical Trust, a unit of the Maryland Department of Planning, but reflected here due to its relevance to neighborhood preservation and revitalization.

Note: Numbers may not sum to total due to rounding. Capital funds may be expended over several years.

PAYGO: Pay-as-you-go

Source: Department of Legislative Services

Local government spending is shown in Exhibit 12.4. Funds include federal grants from the Department of Housing and Urban Development, State grants, and project income. Statewide, spending at the county level totaled \$610.0 million in fiscal 2013; about 97% of that spending is categorized as public housing and community

development and the remaining portion as community action. The largest expenditures were made by Baltimore City and Montgomery, Prince George's, and Baltimore counties.

Grants received from the federal and State governments may be expended by a county in more than one fiscal year, particularly when the funds are for a capital project. It is difficult, therefore, to determine the proportion of any year's local spending which is derived solely from own-source revenues. The federal and State governments contribute significantly in the housing and community development areas; in fiscal 2013, the counties collectively reported revenues of \$405.1 million in public housing and community development grants. Thus, if all such grants were expended in the year they were received, own-source county revenues would account for \$204.9 million in fiscal 2013.

Municipalities spent \$20.9 million in fiscal 2013, with more than 80% classified as community development and public housing and roughly 20% as community action. About 82% of that total was spent in five jurisdictions: Prince George's (\$4.2 million), Montgomery (\$3.6 million), Allegany (\$3.5 million), Frederick (\$3.4 million), and Carroll (\$2.4 million). Again, the importance of State and federal grants is evident: for fiscal 2013, the municipalities of the State collectively reported \$13.5 million in community development revenues from other levels of government.

**Exhibit 12.4**  
**Local Community Development and Housing Expenditures**  
**Fiscal 2013**

<b>County</b>	<b>County Spending</b>	<b>Municipal Spending</b>	<b>Total Spending Reported</b>
Allegany	\$1,018,262	\$3,470,380	\$4,488,642
Anne Arundel	6,396,383	824,734	7,221,117
Baltimore City	100,047,039	-	100,047,039
Baltimore	80,545,433	-	80,545,433
Calvert	1,500,881	-	1,500,881
Caroline	1,522,432	503,604	2,026,036
Carroll	8,101,111	2,444,909	10,546,020
Cecil	4,268,029	-	4,268,029
Charles	12,208,656	74,982	12,283,638
Dorchester	1,794,297	156,669	1,950,966
Frederick	10,021,110	3,446,794	13,467,904
Garrett	1,684,595	22,533	1,707,128
Harford	11,236,183	126,103	11,362,286
Howard	31,922,185	-	31,922,185
Kent	199,899	101,587	301,486
Montgomery	230,502,290	3,557,547	234,059,837
Prince George's	100,753,992	4,241,121	104,995,113
Queen Anne's	483,725	4,694	488,419
St. Mary's	1,100,256	-	1,100,256
Somerset	801,273	161,209	962,482
Talbot	-	74,141	74,141
Washington	3,211,223	746,637	3,957,860
Wicomico	442,228	749,611	1,191,839
Worcester	268,711	202,425	471,136
<b>Total</b>	<b>\$610,030,193</b>	<b>\$20,909,680</b>	<b>\$630,939,873</b>
Minus Federal Grants	-\$361,023,624	-\$10,428,149	-\$371,451,773
Minus State Grants	-\$44,118,343	-\$2,138,752	-\$46,257,095
Minus County Grants		-\$925,235	-\$925,235
<b>Net County Spending</b>	<b>\$204,888,226</b>	<b>\$7,417,544</b>	<b>\$213,305,770</b>

Source: *Uniform Financial Reports*; Department of Legislative Services

## **Chapter 13. Economic Development and Business Regulation**

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Maryland seeks to be known as a leading entrepreneurial state with a remarkable knowledge-based economy, innovation-minded culture, and strong consumer protection. To achieve this vision, the State works with local governments to help businesses become and remain successful, create stable employment opportunities for Marylanders, and regulate businesses and industries.

### **Economic Development Structure and Services**

As implemented by the Maryland Department of Business and Economic Development, economic development policy is guided by the Maryland Economic Development Commission, a body of up to 25 voting members established by legislation in 1995. After being inactive for several years, the commission was revived in August 2009. The commission, which now has 22 voting and 6 nonvoting members, is composed largely of private-sector representatives. It is charged with developing and updating a strategic plan for the State and recommending to the Governor ways that the plan should be implemented. It also participates in marketing the State to businesses and reviews regulations for business financing programs. The commission's January 2013 annual status report cites several consensus and industry-specific findings concerning the status of the commission's five-year strategic plan, as well as observations on several legislative and funding issues that were pending at the start of the 2012 legislative session.

### **Department of Business and Economic Development**

The State's Department of Business and Economic Development strives to attract new businesses, stimulate private investment, encourage the expansion and retention of existing companies, and provide Maryland businesses with workforce training and financial assistance. The department's objectives are carried out through three divisions: Business and Enterprise Development; Marketing and Communications; and Tourism, Film, and the Arts. As part of the commission's five-year strategic plan, the department also works to strengthen Maryland's business climate and ensure development in all regions of the State. Eight regional business development representatives provide support and technical assistance to companies and local governments in the following regions:

- Garrett, Allegany, and Washington counties;
- Frederick and Montgomery counties;

- Carroll, Howard, and Anne Arundel counties;
- Baltimore City and Prince George's County;
- Baltimore, Harford, and Cecil counties;
- Charles, Calvert, and St. Mary's counties;
- Queen Anne's, Kent, Caroline, Talbot, and Dorchester counties; and
- Somerset, Worcester, and Wicomico counties.

The representatives function as the Regional Growth and Retention team under the Division of Business and Enterprise Development's Office of Business Development. They have the use of regional offices in Hughesville and Cumberland. The department also promotes Maryland's attractions and visitor services, attracts feature film and television production, and supports artists and arts organizations.

### **Marketing and Business Development**

Marketing Maryland to domestic and international companies as a place to conduct business successfully is a key function of the department's Division of Business and Enterprise Development and the Division of Marketing and Communications. The marketing unit develops brochures, creates displays for trade shows and conferences, plans promotional events, manages sponsorships, and oversees the business advertising campaigns to promote Maryland's core industries. The research and business resources unit develops integrated research-driven resources and information and analyzes, monitors, and communicates key economic and employment data. The Division of Business and Enterprise Development focuses its efforts on attracting businesses, cultivating important industry clusters, and building relationships with key economic drivers such as the State's federal facilities, universities, and military installations. Staff in this division assist companies in identifying potential sites for the location of their new or expanding businesses and work with the local economic development offices and other units of the department to develop financial incentive or technical assistance packages where appropriate.

***Business Licensing:*** Responding to complaints from businesses that were trying to identify the types of licenses and permits needed to operate in Maryland, the State created the Business License Information System. The system is an Internet-based application that helps business owners determine which State permits and licenses are required. The system also gives comprehensive information and contacts for all of Maryland's

occupational licenses, as well as links to other business-related sites throughout the State. The department launched an additional Internet-based system, the Central Business Licensing (CBL) System, in January 2013 in an effort to make it easier for businesses to interact with State government. CBL is an online portal through which Maryland entrepreneurs can register their businesses and trade names, form their legal business entities, and establish their required tax accounts with the State. In fiscal 2014, approximately 14,000 businesses (14% of eligible businesses) were created using CBL. CBL is expected to continue expanding to include permits, certifications, and registrations.

***International Business Services:*** The Office of International Investment and Trade fosters foreign direct investment in Maryland and operates foreign trade offices in 10 countries: India, Brazil, France, Israel, Nigeria, United Arab Emirates, China, Taiwan, South Korea, and Vietnam. The office also organizes foreign trade and investment missions to showcase Maryland businesses and the State as a place for business location. Under the ExportMD Program, the office awards grants that provide up to 40 hours of staff time from overseas offices and reimbursement up to \$5,000 for expenses associated with an international marketing initiative. Businesses that are planning an international business initiative within six months after certain application deadlines, and that are classified as a small business under the U.S. Small Business Administration size standards, may qualify for the program. In the past, the office has reimbursed businesses for marketing materials, website development, airfare, and registration fees associated with attending international trade shows.

***Workforce Development:*** Several programs are available to employers seeking to train their workforces. More information on workforce development may be found in Chapter 14 (Labor and Workforce Development) of this volume of the Legislative Handbook Series.

### **Financing Programs**

The Office of Finance Programs under the Division of Business and Enterprise Development is charged with delivering and administering the department's financial incentive and tax credit programs to its customer base, which is diverse and includes the business community, local economic development agencies, financial institutions, and other parties that extend credit. To meet these responsibilities, the office has assembled a staff of skilled professionals to oversee the process, which includes customer education on products offered, project analysis, negotiation, structuring, underwriting, documentation, accounting, loan administration, and collection. The office is also responsible for portfolio oversight and reporting for each of the programs, which includes both legislative and audited annual reports. Exhibit 13.1 shows funds available for financial incentives during fiscal 2013.

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**Exhibit 13.1**  
**Funding for Loan Guaranty, Loan, Grant, and Investment Programs**  
**Under the Department of Business and Economic Development**  
**Fiscal 2013**

Maryland Industrial Development Financing Authority Conventional Loan and Bond Insurance Fund	\$36,371,041
Maryland Small Business Development Financing Authority	3,649,740
Maryland Economic Development Assistance Authority and Fund	15,000,000
Maryland Venture Fund (Challenge Investment Program and Enterprise Investment)	26,794,864
Maryland Biotechnology Investment Tax Credit Reserve Fund	8,000,000
Economic Development Opportunity (Sunny Day) Fund	1,071,429
Maryland Economic Adjustment Fund	0
Military Personnel and Veteran-Owned Small Business No-Interest Loan Program	150,000

Note: The above figures represent funds available for financial incentives through fund balances and/or appropriations in fiscal 2013.

Source: Department of Business and Economic Development; Department of Legislative Services

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The financing programs outlined below target local jurisdictions, small businesses, technology start-ups, and companies offering major economic development opportunities through relocation or expansion.

**Traditional Banking:** The Maryland Industrial Development Financing Authority, created in 1965, is the State's largest and most established financing program. It facilitates capital access by issuing private activity revenue bonds for small and midsize companies and can provide credit insurance in the form of a deficiency guarantee to reduce lenders' risk. As of June 30, 2013, the bond insurance fund had outstanding insurance of \$16.6 million against a reserve balance of \$36.4 million.

**Small Businesses:** The Maryland Small Business Development Financing Authority offers four types of programs for enhancing the capacity of businesses owned by the socially or economically disadvantaged to be more competitive. The authority's

programs guarantee private borrowings when the eligible business has secured a government contract, provide guarantees for working capital and for surety bonds, and make equity investments in small businesses. The maximum amount payable by the authority for a long-term loan guarantee increased from \$1 million to \$5 million on October 1, 2006, but reverted back to the \$1 million cap on October 1, 2014.

***Business Attraction and Retention:*** The department offers several incentive programs designed to attract expanding or relocating companies from out of state or to make the expansion of a locally based company financially feasible. It also administers a portion of the federally funded Community Development Block Grant Program, which is used for economic development projects and to create job opportunities for low- and moderate-income persons.

The department’s primary and most flexible tool for business financial assistance is the Maryland Economic Development Assistance Authority and Fund, which offers the following five incentive programs:

- loans to businesses of up to \$10 million for a significant economic development opportunity on a statewide or regional level;
- loans to businesses of up to \$5 million, or conditional loans and grants to businesses of up to \$2 million, for a local economic development opportunity;
- direct assistance to the Maryland Economic Development Authority or a local jurisdiction for purposes such as land acquisition, infrastructure improvements, acquisition of fixed assets, and leasehold improvements;
- regional or local revolving loan funds; and
- special purpose loans, including day care facilities, aquaculture, and brownfields.

Eligible businesses must be located within a priority funding area and an eligible industry sector. With few exceptions, assistance may not exceed 70% of the total project costs unless the recipient is the Maryland Economic Development Corporation, which may request 100% assistance.

Based on the definition of “qualified distressed county,” seven jurisdictions are covered by special provisions relating to projects in distressed counties: Baltimore City and Allegany, Caroline, Dorchester, Somerset, Washington, and Worcester counties. A county is considered distressed if (1) its average unemployment rate (for the most recent

two years) is more than 150% above the average State unemployment rate during the same 24-month period; (2) its average unemployment rate (for the most recent two years) is more than the average State unemployment rate during the same 24-month period by two percentage points or more; (3) its average per-capita personal income (for the most recent two years) is 67% or less of the State average per-capita personal income during the same 24-month period; or (4) it has met any of the preceding criteria during the preceding 24 months. Beginning July 1, 2016, a county that is two percentage points or more above the State unemployment rate will no longer be classified as a qualified distressed county. For a qualified distressed county project, the Secretary of Business and Economic Development is authorized to provide financial assistance in any amount. Any other projects receiving more than \$2.5 million in assistance require approval of the authority.

The State's tool for promoting Maryland's participation in extraordinary economic development opportunities is the Economic Development Opportunity Fund, also known as the Sunny Day Fund. As part of the State Reserve Fund, any use of this fund must be approved by the Legislative Policy Committee. The Sunny Day Fund is designed to be used for extraordinary economic development opportunities that result in significant job creation and retention and private investment in the State. Incentives may be used to attract new business, federal research, or public institutions, or to retain or expand new businesses, federal research, or public institutions. Recipients must commit to job creation or retention targets and invest in capital at a level equal to five times the value of the incentive offered. However, the committee has approved several projects that are outside of the traditional scope and original intent of the program. These projects included funding for university research labs for work on national intelligence and biotechnology and funding for the development of university biotechnology parks.

The department has used the Sunny Day Fund sparingly in recent years. In fiscal 2012, the Legislative Policy Committee approved a multi-year \$9.5 million incentive to retain a large engineering firm in Frederick County. At the end of fiscal 2013, the fund posted a fund balance of \$8.8 million, in part due to the rescission of a previously approved project.

Established in 1994 to provide loans to new or existing companies in communities suffering from dislocation due to defense adjustments, the Maryland Economic Adjustment Fund assists new or existing businesses with 50 or fewer employees. Applicants must demonstrate creditworthiness, ability to repay the obligation, and inability to obtain financing on affordable terms through normal lending channels. Recipient companies do not have to show that they have suffered as a result of declining defense spending, only that they are located in an area suffering from defense adjustments. The department has not used the program in recent years due to a lack of appropriations and a reduced fund balance. However, the legislature appropriated \$700,000 in fiscal 2014.

**Technology Firms:** The department’s Maryland Venture Fund runs several programs that provide emerging, high-technology businesses that are based in Maryland (or committed to moving to Maryland) access to early stage capital. The Maryland Venture Fund typically invests when companies are ready for their first round of institutional financing in an amount between \$100,000 and \$1,000,000. Maryland Venture Fund activities are provided through six types of program activity: the Enterprise Investment Fund, the Challenge Investment Program, the Enterprise Venture Capital Limited Partnership Fund, the InvestMaryland Fund, the Maryland/Israel Development Fund, and the Federal Information Processing Standard Certification Grant Program. Investment decisions are based on the project’s potential return, promotion of economic development, and creation of jobs.

The Maryland Enterprise Investment Fund makes investments in the form of equity, convertible debt, limited partnership interests, and venture capital investments. Investments are limited to 25% of the company’s total equity and require a three-to-one outside investor match. The Challenge Investment Program provides early-stage technology companies with seed financing in the form of an investment tied to a contingent royalty repayment agreement. Investments are based on market potential of the technology.

In 2011, the State established the InvestMaryland Program, a State-supported venture capital program that was funded through an auction of tax credits against the insurance premium tax for insurance companies. The Maryland Venture Fund Authority oversees the program. Through the tax credit auction sale, the State raised \$84 million to invest in early-stage technologies in the areas of software, communications, cyber-security and life sciences. Of the auction proceeds, 24.75% was retained by the Maryland Enterprise Investment Fund, 67.0% was distributed to eligible private venture firms, and 8.25% was distributed to the Maryland Small Business Development Financing Authority.

The State also participates in the Maryland/Israel Development Center/Fund, a partnership between local organizations and the Israeli government that promotes business ventures between State and Israeli businesses and research institutions. The partnerships must focus on highly innovative products or services that are both novel and possess the potential for significant scalability in the global market place. Funding support is given to each partner by its own governmental authority, and funding from public sources may not exceed 50% of total project cost.

**Research Endowments:** Established in 2014, the department also administers the Maryland E-Innovation Initiative Program, Fund, and Authority. The special, nonlapsing fund may finance research endowments at nonprofit institutions of higher education in scientific and technical fields of study. For fiscal 2016 through 2021, total distributions to

the fund must equal \$8.5 million each year through a combination of revenues attributable to a portion of the State admissions and amusement tax and budget bill appropriations.

***Military and Veteran Assistance:*** The Military Personnel and Veteran-Owned Small Business No-Interest Loan Program was established in 2006. The program provides financial support for (1) small business employers of military reservists and National Guard members called to active duty; (2) businesses owned by military reservists and National Guard personnel called to active duty; (3) veteran-owned small businesses or veterans seeking to start a small business; and (4) businesses employing service-disabled veterans or owned by service-disabled veterans. The financing assistance provided to businesses may be made at any time from the point the military reservist is activated to six months after the end of activation and is based on eligibility criteria including the extent to which the activated military reservist is an essential employee.

For businesses owned by military reservists and National Guard members called to active duty, and for small businesses that employ such persons, the program assists with identifiable costs that result from the call to active duty. For businesses employing or owned by service-disabled veterans, the program assists with costs to make the home, motor vehicle, or place of employment of the service-disabled veteran accessible to individuals with disabilities and with other necessary expenses incurred by an employer of a service-disabled veteran as a result of the veteran's disability, such as purchasing equipment necessary to enable a business to employ a service-disabled veteran. The no-interest loans range from \$1,000 to \$50,000.

### **Tax Credits**

The department administers several tax credit programs, including the Biotechnology Investment Tax Credit; the Base Realignment and Closure Revitalization and Incentive Zone Program; the Brownfields Tax Incentive; the Enterprise Zone Tax Credit; the Job Creation Tax Credit; the Regional Institution Strategic Enterprise Zone Program; the One Maryland Tax Credit; the CyberMaryland Investment Incentive Tax Credit, the Film Production Incentive Tax Credit, and the Research and Development Tax Credit. Only two programs, the Biotechnology Investment Tax Credit program and the CyberMaryland Investment Incentive Tax Credit, are budgeted within the department's appropriation. Two others, the Enterprise Zone Tax Credit and the Base Realignment and Closure Revitalization and Incentive Zone Program, are discussed in this chapter, but are budgeted under the State Department of Assessments and Taxation.

Under the State's Enterprise Zone program, a business that locates or expands in designated areas is eligible for reduced property taxes for a number of years. The designation of the area is made by the department upon application from the local

jurisdiction. The State then reimburses the locality one-half of the lost revenues which otherwise would have been realized from the increased property assessment. There are 30 enterprise zones throughout the State, and \$14.4 million is budgeted in fiscal 2015 for reimbursements to local governments. Reimbursements totaled \$17.0 million in fiscal 2013.

In 2008, the General Assembly established a process for the creation of Base Realignment and Closure Revitalization and Incentive Zones in the State. The benefits of a Base Realignment and Closure Zone designation are primarily tax-related financial incentives, including State support of up to 100% of the increase in the State property tax of any qualifying property and 50% of the local property tax for any increase in the local tax revenues collected on the increased value of qualifying property. These financial incentives are limited to \$5 million per year. The State Department of Assessments and Taxation is expected to administer \$650,000 in Base Realignment and Closure Revitalization and Incentive Zone credits in fiscal 2015. In fiscal 2013, \$227,600 was provided in tax credits.

For a complete list of tax credits available to businesses, see Chapter 5 – Business Taxes in *Volume III – Maryland’s Revenue Structure* of the Legislative Handbook Series.

### **Biotechnology**

The Maryland Biotechnology Center, created in 2009 as part of the Maryland BIO 2020 Initiative, is an organization within the department. The center’s mission is to provide comprehensive and coordinated access to core resources and services for all of Maryland’s bioscience community. The center is designed to be a “one-stop shop” that serves as a central repository of statewide resources for area biotechnology companies and showcases biotechnology innovation and entrepreneurship in Maryland. At its two locations in Baltimore City and Montgomery County, the center’s staff provides assistance to area companies, markets the State’s biotechnology resources, and builds relationships with federal laboratories, universities, and private-sector companies. The center has distributed more than \$5 million to 28 organizations through the Biotechnology Development Awards programs since the program started in 2010.

### **Tourism, Film, and the Arts**

The Maryland Tourism Development Board, a 24-member body established by statute in 1993, promotes the State as a tourist destination. To fund the marketing and promotional activities of the board, State law directs the Governor to budget a specified amount each fiscal year; \$9.3 million was appropriated in fiscal 2013.

In conjunction with the board, the department's Office of Tourism Development within the Division of Tourism, Film, and the Arts serves as the State's official travel marketing agency. The office showcases Maryland's recreational, historical, and cultural attractions to increase visitation, promotes the State as an international and national travel destination, publicizes events, and maintains an official travel website. The office encourages travel in Maryland from around the State, country, and world through web marketing, print and broadcast advertising, public relations, promotions and events, print and electronic publications, and direct sales efforts to tour operators and group travel leaders. The office operates several welcome centers throughout the State, as well as a Telemarketing Call Center. The office also administers a program of matching grants to supplement local funds for tourism marketing, with the purpose of attracting visitors to the State. In fiscal 2013, the board awarded \$4.7 million in grants to destination marketing organizations.

The Maryland State Arts Council is a 17-member State agency established in 1967. The council's mission is to encourage and invest in the advancement of the arts for the people of the State. The goals of the council are to support artists and arts organizations in their pursuit of artistic excellence, to ensure the accessibility of the arts to all citizens, and to promote statewide awareness of arts resources and opportunities. The council accomplishes much of that work through grants to arts organizations and local arts agencies. In fiscal 2013, the council awarded \$7.7 million in grants to arts organizations. Another \$2.1 million in matching grant funds was distributed in fiscal 2013 to the 24 official county arts agencies to support community-based arts, including exhibits and performances, programming in schools, and technical assistance to local artists and groups. The council also makes grants to enhance the availability of artists in public schools, further the creative work of individual artists, and support the preservation of folk and traditional arts.

The Maryland Film Office within the division promotes the State as a location for television and movie productions and has been increasingly successful during the 1990s and 2000s. The General Assembly established the Film Production Activity Employer Wage Rebate Grant Program in 2005 to compete with tax incentive programs in Pennsylvania, New York, Louisiana, and other states. In 2011, however, the General Assembly restructured the program as the Film Production Activity Tax Credit. According to program guidelines, a film production activity may receive a refundable income tax credit in an amount up to 25% of the qualified direct costs incurred while filming on-location in Maryland. A television series may receive a credit of up to 27% of qualified direct costs. The aggregate total of tax credits issued in a fiscal year may not exceed \$7.5 million, except in fiscal 2014 which was funded at \$25 million. Recent productions filmed in Maryland include HBO's "VEEP" (2011-13), Netflix/MRC's "House of Cards" (2012-13), "Better Living through Chemistry" (2012), "Jamesy Boy" (2012), "Ping Pong

Summer” (2012), and “LUV” (2011). In addition, Maryland was once the location of the long-running television show “Homicide: Life on the Streets” and HBO’s critically acclaimed series, “The Wire.”

### **Maryland Economic Development Corporation**

The General Assembly created the Maryland Economic Development Corporation (known as MEDCO) in 1984 as a public corporation to complement the financing assistance provided directly through State agencies. As a public entity, the corporation may own commercial and industrial real estate, issue bonds for construction or renovation work, and then lease the resulting facility to a private business entity. The corporation’s financings are structured so that the lease revenues from the facility pay the costs of the bonds as well as administrative expenses. Bonds issued by MEDCO are not a debt of the State nor is their repayment a moral or legal obligation of the State. In many cases, State funds such as general obligation bonds are combined with bonds issued by the corporation to make a project financially feasible. The corporation’s participation in economic development projects has increased significantly from 88 projects in fiscal 1999 to 251 projects in fiscal 2013.

### **Maryland Technology Development Corporation**

In 1998, the General Assembly created the Maryland Technology Development Corporation (known as TEDCO) as a means to enhance the transfer of technology from universities and federal laboratories to the private sector and foster the growth of companies in critical or high-growth sectors. As a public entity, the corporation has greater flexibility than a State agency and is eligible for federal grants to manage programs to help improve Maryland’s technology economy. Following rebranding and restructuring efforts initiated in 2012, the corporation generated new sources of income and streamlined management of several programs.

### **Research Programs**

In fiscal 2007, the corporation received an initial \$15 million appropriation to capitalize a new Maryland Stem Cell Research Fund. The fund supports stem cell research and development at Maryland research institutions and private-sector research companies. In subsequent years, State funding has varied; through fiscal 2013 the program has provided more than \$100 million in grants to nearly 300 different research projects. The Stem Cell Research Commission must contract with an independent scientific peer review committee to evaluate stem cell research proposals for the commission. An applicant for State-funded stem cell research must first obtain an institutional review board’s approval before receiving funding.

The corporation is also a founding member of the Agricultural Technology Innovation Partnership consortium, which gives Maryland companies access to U.S. Department of Agriculture/Agricultural Research Service research capabilities nationwide.

### **Commercialization Programs**

The Technology Validation Program, formerly the University Technology Investment Fund, provides funding to validate a technology for a specific application or to validate the market opportunity for a technology. The validation of a technology for a specific application generally involves a small proof-of-principle study to demonstrate that the technology works as intended. Eligible program recipients include entrepreneurs considering the creation of a Maryland-based start-up company relying on a technology from an eligible university, a university or not-for-profit research institution in Maryland, or a federal lab in Maryland. Initial awards can be up to \$50,000. General funds for the program ceased in fiscal 2010; however, the corporation has advised that it will support the program with approximately \$300,000 of its own nonbudgeted funds.

The Maryland Innovation Initiative was established by the General Assembly in 2012 as a partnership between the State and five Maryland academic research institutions: Johns Hopkins University; Morgan State University; University of Maryland, College Park; University of Maryland, Baltimore; and University of Maryland, Baltimore County. The program is designed to combine the technology transfer expertise of the corporation and the research expertise of universities to speed commercialization opportunities, promote commercialization of research conducted in the partnership universities, and leverage each institution's strengths.

To support the Maryland Innovation Initiative, the corporation received a \$5 million appropriation each year in fiscal 2013 through 2015. The funds may be used to (1) provide grant funding to a qualifying university, qualifying university-based entrepreneur, or other start-up entity to promote the commercialization of technology developed wholly or partly by a qualifying university; (2) pursue grant funding for the initiative or its qualifying universities; (3) develop and implement guidelines for technology transfer; and (4) identify projects at qualifying universities that may be viable for commercialization.

The corporation also administers the Patent Assistance Program and the Rural Business Innovation Initiative. The Patent Assistance Program provides matching funds to help start-up companies pay ongoing patent expenses for technologies licensed from Maryland's universities or the National Institutes of Health. The Rural Business Innovation Initiative provides technical and business assistance to small companies and early-stage technology-based companies in rural Maryland as defined by the Rural

Maryland Council. The initiative offers professional ongoing mentoring and targeted projects to help companies succeed at no cost to the company.

### **Investment Programs**

The Technology Commercialization Fund, formerly known as the Maryland Technology Transfer and Commercialization Fund, provides seed investments to early stage technology companies that are economically viable but do not yet have the scope for a venture capital investment. To be eligible, a company must partner with a university in Maryland or a federal laboratory, must be a tenant in a technology incubator, or must be a participant in the corporation's Rural Business Innovation Initiative. The fund awardee companies must (1) be for-profit entities that employ 16 or fewer full-time employees and (2) be pre-revenue or have received less than an aggregate of \$500,000 in equity investments from sophisticated investors. Awards are up to \$100,000 in nonequity investments per company. The companies serve as a "farm team" for the Department of Business and Economic Development Challenge Program, which targets businesses at a later stage of development. The fund awardees also often go on to participate in the Maryland Industrial Partnerships Program at the University of Maryland, College Park.

One of the corporation's other activities is the Incubator Assistance Program, which provides services and infrastructure for fledgling companies. The corporation provides small operating grants, but has in the past awarded capital funds to local governments and nonprofit organizations for incubator development. The corporation also administers the Cybersecurity Investment Fund, a fund the legislature established in 2014 to provide seed and early-stage funding for emerging technology companies in the State focused on cybersecurity and cybersecurity product development.

The corporation's Capital Partners, LLC, through its association with the corporation, manages a family of specialized venture capital funds, including the Veterans' Opportunity Fund, Propel Baltimore Fund, Orange Knocks Cyber Fund, and Chesapeake Regional Innovation Fund. The company is structured as a traditional for-profit entity that manages each fund with the purpose of maximizing the return-on-investment of its limited partners' capital. The company provides its venture funds with unique access to university and federal research lab assets throughout the Mid-Atlantic region.

### **Entrepreneurship Support**

In 2012, the corporation launched the Maryland Entrepreneurs Resource List, which provides a list of entrepreneurs who are available to mentor or provide leadership to early-stage companies or other resource list entrepreneurs based on their experience. The resource list features more than 85 mentors and is queried on a regular basis. The

corporation also provides portfolio mentorship and support, assists in pitch preparations, organizes business plan competitions, and coordinates the Entrepreneurship Expo and the Innovation, Corporate Excellence and Entrepreneurship Awards program.

### **Maryland Stadium Authority**

The Maryland Stadium Authority is an independent unit in the Executive Branch. The authority is responsible for the construction, operation, and maintenance of the Camden Yards stadiums used by the Baltimore Orioles and the Baltimore Ravens, as well as the Veterans Memorial at the Camden Yards complex. The authority also was responsible for the expansion of the Baltimore and Ocean City convention centers and was involved in the demolition of Memorial Stadium. Through the capital budget bill in 1998, and subsequently codified in 2008, the General Assembly has broadened the authority's jurisdiction, allowing local governments, State agencies, and universities to contract with the authority for construction management services. In 2013, the authority's jurisdiction again was expanded to issue bonds to construct and improve Baltimore City public school facilities and oversee all public school construction and improvement projects in Baltimore City that are funded by the bonds. Recent completed projects include the Baltimore Grand Prix; the construction of new facilities at Coppin State University; and the Coppin Center demolition. Projects not yet complete, or in the planning stages, include the expansion of the Ocean City Convention Center; State Center; Baltimore City public schools construction; and the Montgomery County Convention Center garage. The authority also performs feasibility studies on proposed projects. Studies being conducted relate to the expansion of the Baltimore City Convention Center; the Maryland Horse Park; an Annapolis performing arts center; the Show Place Arena and the Prince George's County Equestrian Center; and a Bowie lacrosse stadium and youth sports complex.

The authority consists of seven members; six are appointed by the Governor with the advice and consent of the Senate, and one is chosen by the Mayor of Baltimore with Senate advice and consent. As a public corporation of Maryland, the authority may issue tax-exempt bonds to finance its operations. Proceeds from the sale of authority bonds and revenues collected or received from any other source, including a tax on gate receipts at Oriole Park, are deposited in the Maryland Stadium Authority Financing Fund. The fund is a revolving fund for carrying out the purposes of the authority.

### **Maryland Agricultural and Resource-based Industry Development Corporation**

The General Assembly established the Maryland Agricultural and Resource-based Industry Development Corporation in 2004 as a public corporation to assist the State's farm, forestry, and seafood businesses by providing targeted business assistance services.

The corporation is authorized to develop agricultural industries and markets, support the commercialization of agricultural processes and technology, assist with rural land preservation efforts, and alleviate the shortage of nontraditional capital and credit available at affordable interest rates for investment in agricultural and resource-based businesses. The corporation administers several loan and grant programs to support these activities. The corporation also has developed the guidelines to establish a Next Generation Farmland Acquisition Program in cooperation with the Maryland Agricultural Land Preservation Foundation and other agencies to assist new and beginning farmers to purchase farmland. However, the program has not been implemented due to lack of funding. At least \$4 million for corporation operations must be included in the State's fiscal 2016 and later budgets, which reflects an increase from the \$2.88 million required in fiscal 2013 through 2015. The mandatory \$4 million funding has been extended to fiscal 2021 due to the reduction in funding in fiscal 2010 through 2015.

### **Regional and Local Economic Development**

The Department of Business and Economic Development provides an annual operating grant to each of the five rural regional planning and development councils in Maryland. Each council represents a multi-county region with geographic and cultural ties. There are regional councils in Western Maryland; Southern Maryland; and the upper, middle, and lower regions of the Eastern Shore (Tri-County Council for Southern Maryland; Tri-County Council for Western Maryland; Tri-County Council for the Lower Eastern Shore of Maryland; Mid-Shore Regional Council; and Upper Shore Regional Council). Elected, civic, and business leaders in their respective regions seek to create economic development strategies, preserve and assist agricultural and resource-based industries, obtain federal funding for infrastructure improvements, and develop support for a diverse set of public policy initiatives.

Economic development activities at the local level are administered in several ways. Each of the counties and Baltimore City, except for Kent County, has an agency or organization that serves as the primary economic development office. Seventeen counties use government agencies to perform this function, in which the lead economic development official is appointed by and reports to the county executive or county commissioners or council. Some use an advisory board representing the business community appointed to work with the agency. Other jurisdictions rely on private or quasi-public economic development corporations or economic development commissions to direct and administer their efforts. Examples of these include the Baltimore Development Corporation and Salisbury-Wicomico Economic Development, Incorporated. Exhibit 13.2 shows the organizational structure in place in each county.

A private corporation may have more flexibility to raise corporate funds for promotional efforts, invest in projects or companies, and directly hold title to real estate than a traditional county office. Although independent, corporations often derive much of their funding from local tax revenues, and the board of directors may be appointed by the chief executive officer of the jurisdiction.

Local governments often offer financing incentives to expanding or relocating businesses in conjunction with State incentives. Local participation in economic development projects, whether undertaken independently or in conjunction with State resources, typically includes grants to offset training expenses, partial property tax forgiveness, infrastructure improvements, or direct loans or grants for project expenses. A number of counties operate their own revolving loan funds to assist businesses that are too small for State assistance or are in an industry sector for which the State does not typically provide incentives, such as retail.

Most local economic development offices also operate marketing programs that focus on participation in trade shows and special events. These activities are seen as more cost-effective than advertising in magazines or business journals. Often the State and local governments share the expenses of exhibit space at a trade show, reducing the costs to both organizations while generating exposure. In general, the budgetary resources of the State are more effective in reaching national and international audiences.

Local offices, whether public or private, work closely with existing businesses and market their jurisdiction to potential new or expanding businesses. Coordination with the State, through its network of regional development offices, allows local governments to have ready access to the range of State services. Regional and local economic development entities realize that cooperation between jurisdictions, rather than competition, benefits not only the region as a whole but the individual local jurisdictions as well.

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**Exhibit 13.2**  
**Organizational Structure for County Economic Development**

<b><u>Economic Development Commission</u></b>	<b><u>County Department or Office</u></b>		<b><u>Economic Development Corporation or Authority</u></b>
Somerset	Allegany	Garrett	Anne Arundel
	Baltimore	Harford	Baltimore City
	Calvert*	Kent***	Caroline
	Carroll	Montgomery	Howard
	Cecil**	Queen Anne's	Prince George's
	Charles	St. Mary's	Wicomico
	Dorchester	Talbot	
	Frederick	Washington	
		Worcester	

\*Calvert County also has an economic development commission and a development authority.

\*\*Cecil County also has an economic development commission.

\*\*\* Kent County terminated its economic development office during fiscal 2010 and transferred its functions to the county administrator.

Source: Department of Business and Economic Development

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## **Funding Economic Development**

Most economic development activities are supported by general tax revenues at both the State and local level. Exhibit 13.3 summarizes fiscal 2013 State spending on economic development activities, which totaled approximately \$240.8 million.

**Exhibit 13.3**  
**State Expenditures for Economic Development**  
**Fiscal 2013**  
**(\$ in Thousands)**

	<b>General Funds<sup>1</sup></b>	<b>Special Funds</b>	<b>Federal Funds</b>	<b>Total<sup>2</sup></b>
Division of Business and Enterprise Development <sup>3</sup>	\$15,393	\$60,141	\$2,529	\$78,063
Division of Marketing and Communications	2,383	864		3,247
Division of Tourism, Film, and the Arts	25,882	624	788	27,294
Maryland Biotechnology Center	905	2,400		3,305
Other <sup>4</sup>	5,690	2,414	158	8,262
Technology Development Corporation	18,573			18,573
Maryland Stadium Authority	34,578			34,578
MARBIDCO	2,875			2,875
Enterprise Zone and BRAC Tax Credits <sup>5</sup>	17,274			17,274
Racetrack Renewal/Purse Enhancements <sup>6</sup>	47,295			47,295
<b>Total</b>	<b>\$170,848</b>	<b>\$66,443</b>	<b>\$3,475</b>	<b>\$240,766</b>

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

BRAC: Base Realignment and Closure

<sup>1</sup> Includes Budget Restoration funds.

<sup>2</sup> Excludes \$968,975 in funds reimbursed by other State agencies for services provided.

<sup>3</sup> Excludes funds for Partnership for Workforce Quality which is included as part of workforce development in Chapter 14.

<sup>4</sup> Includes executive management, administration, information technology, legal, and research functions.

<sup>5</sup> These tax credit programs are budgeted within the State Department of Assessments and Taxation.

<sup>6</sup> Includes racetrack facility renewal funds, which are dedicated video lottery terminal revenues that must be used for construction and capital improvements to racetrack facilities.

Source: Governor's Budget Books, Fiscal 2015

Federal funds represent a relatively small portion of the State's economic development spending. In fiscal 2013, the department received less than \$3.5 million in federal funds; the majority of which was granted by the U.S. Department of the Treasury for the State Small Business Credit Initiative. Special funds (interest earnings, fund balances, and loan repayments) account for more than one-half of the department's operating budget and most of the funds available for grants and loans to businesses. Each loan fund is a separate nonlapsing fund – meaning that fund earnings and repayments of principal and interest are credited back to the fund and are then available to offset the

program's operating costs and to provide additional capital for loans, grants, or investments.

Economic development at the local level generally consists of spending on business development and tourism. In fiscal 2013, the counties and municipalities reported spending more than \$143.6 million on these activities. Local expenditures in Baltimore City and Montgomery and Worcester counties represented more than 54.6% of total local spending. At the county level, spending in Baltimore City and Montgomery and Prince George's counties represented 63.4% of total county spending. Much of this spending was for capital projects. Hagerstown economic development spending (\$3.9 million), Gaithersburg economic development spending (\$0.9 million), and Ocean City economic development spending (\$12.9 million, principally related to its convention center) accounted for more than 79% of municipal expenditures. Exhibit 13.4 shows, by county, the fiscal 2013 spending for economic development.

Grants from the State and federal governments may account for as much as \$50.7 million in local spending for economic development in fiscal 2013. Some counties also provide grants to municipalities (another \$2.5 million in county grants was reported). Assuming that such grants are spent in the year they are received, net local spending from own-source revenues for economic development totaled about \$90.4 million in fiscal 2013. Baltimore City and several of the State's other large jurisdictions, including Howard, Montgomery, and Prince George's counties, receive Community Development Block Grant funds directly from the U.S. Department of Housing and Urban Development. A portion of these funds is directed to economic development activities.

**Exhibit 13.4**  
**Local Economic Development Expenditures**  
**Fiscal 2013**

<u>County</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Spending Reported</u>
Allegany	\$1,690,366	\$107,638	\$1,798,004
Anne Arundel	5,625,630	-	5,625,630
Baltimore City	56,604,074	-	56,604,074
Baltimore	8,076,174	-	8,076,174
Calvert	1,135,921	222,436	1,358,357
Caroline	257,051	14,640	271,691
Carroll	4,946,095	137,401	5,083,496
Cecil	1,799,264	-	1,799,264
Charles	1,164,813	-	1,164,813
Dorchester	1,740,749	162,809	1,903,558
Frederick	2,544,336	518,914	3,063,250
Garrett	2,233,668	448,178	2,681,846
Harford	3,592,318	744,127	4,336,445
Howard	2,192,268	-	2,192,268
Kent	755,310	77,173	832,483
Montgomery	10,433,285	910,658	11,343,943
Prince George's	9,868,321	607,556	10,475,877
Queen Anne's	414,404	21,561	435,965
St. Mary's	2,133,503	45,741	2,179,244
Somerset	208,683	360,927	569,610
Talbot	728,427	408,248	1,136,675
Washington	906,067	4,376,986	5,283,053
Wicomico	540,780	-	540,780
Worcester	1,630,934	13,248,067	14,879,001
<b>Total</b>	<b>121,222,441</b>	<b>22,413,060</b>	<b>143,635,501</b>
Minus Federal Grants	(36,241,905)	(2,873,243)	(39,115,148)
Minus State Grants	(7,688,505)	(3,895,295)	(11,583,800)
Minus County Grants		(2,497,349)	(2,497,349)
<b>Net Local Spending</b>	<b>\$77,292,031</b>	<b>\$13,147,173</b>	<b>\$90,439,204</b>

Note: For purposes of this exhibit, the federal, State, and, as appropriate, county economic development grant revenues reported by the local jurisdictions are assumed to have been expended in the same year they were received. Such grants may include training and community action components. Expenditures exclude those reported for training and community action which are discussed in other chapters of this volume of the legislative handbook series. County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. As 8 municipalities did not report their expenditures for fiscal 2013, municipal expenditures reflect those reported by the other 148 municipalities as well as expenditures reported by the 11 extant special taxing districts in Allegany and Montgomery counties. There are no municipalities in Baltimore and Howard counties.

Source: *Uniform Financial Reports*; Department of Legislative Services

## **Business Regulation Structure and Services**

A variety of State agencies license several categories of businesses or professionals (*e.g.*, barbers and plumbers), regulate commercial and industrial activities, and investigate complaints or concerns of citizens. The Department of Labor, Licensing, and Regulation includes regulatory units for many of these activities. The department includes four divisions with business regulatory functions: financial regulation, racing, occupational and professional licensing, and labor and industry (State safety inspection program). The aspects of the department that relate to workforce development and labor protections are discussed in Chapter 14 of this volume of the Legislative Handbook Series; certain protective and safety services are discussed in Chapter 5.

Other agencies with regulatory and licensing responsibilities include the Maryland Insurance Administration and the Public Service Commission. The Consumer Protection Division of the Office of the Attorney General enforces registration requirements for home builders and health clubs operating in the State through the Home Builder Registration Unit and the Health Club Registration Unit, respectively. Further, the Secretary of State regulates charitable fundraising entities. In addition, the Department of Health and Mental Hygiene determines compliance with quality of care and life standards through its regulation of health care facilities, providers, and programs. Within the department, there are 19 independent boards that regulate individual health care professionals.

A more complete discussion of the regulation of businesses and similar commercial activities may be found in *Volume VII – Business Regulation in Maryland* of the Legislative Handbook Series.

Municipalities in Maryland have a number of express powers to pass ordinances related to business regulation under the Local Government Article of the Annotated Code of Maryland. These include regulating the proper disposal of dirt, garbage, trash, and liquids; regulating the location and establishment of cemeteries; regulating the award of cable television system franchises; regulating the erection of buildings and the inspection of drainage and sewage systems, electric lines and wires, gas pipes, plumbing apparatus, and water pipes; regulating markets and their related merchandise, and generally preserving and promoting the health, recreation, and welfare of its residents. In addition, alcoholic beverages and tobacco are regulated by the State Comptroller's Office, local boards of license commissioners, and local liquor control boards.

### **Financial Regulation**

The Office of the Commissioner of Financial Regulation is responsible for licensing and regulating mortgage lenders, brokers, servicers and loan originators, sales finance companies, consumer loan lenders, money transmitters, check cashers, installment loan

lenders, credit reporting agencies, consumer debt collection agencies, debt management services providers, debt settlement services providers, and credit services businesses. The office is divided into six units: depository corporate applications; depository supervision; nondepository licensing; nondepository supervision and compliance; enforcement; and consumer services. One of the five assistant commissioners for the office manages each unit.

The office also supervises and regulates State-chartered financial institutions including State-chartered banks, credit unions, and trust companies. Supervision includes periodic on-site evaluations as well as off-site monitoring programs. The office responds to consumer complaints and oversees retail credit accounts, retail installment contracts, and credit grantor contracts.

## **Racing**

The State Racing Commission regulates thoroughbred and harness racing in the State by assigning racing dates, collecting wagering taxes, contracting for drug testing of horses and any licensee that comes in contact with a horse, and licensing simulcasting and off-track betting. Up until 2011, four off-track betting sites operated in Maryland; over the following years three sites closed, leaving only one off-track betting site operating in the State. The commission licenses all persons, associations, or corporations that hold any horse racing meet in the State and may also regulate the size of a purse, price of admission, or charge made for any article or service sold at a meet. Thoroughbred racing is held at mile tracks (Laurel Race Course and Pimlico Race Course) and at the Timonium Race Course during the State Fair. Fair Hill, a steeplechase facility, is permitted to have up to eight race days per year, although there has only been one race day per year since 2006. Harness racing (also known as standardbred) is held at Rosecroft Raceway and Ocean Downs Racetrack. In addition to live racing, the mile and harness racing tracks offer simulcast wagering.

## **Occupational and Professional Licensing Boards**

Twenty-three occupational and professional licensing boards, offices, commissions, units, and other licensing programs are housed and administered through the Division of Occupational and Professional Licensing of the Department of Labor, Licensing, and Regulation, representing most of the State's nonhealth licensing boards. Exhibit 13.5 lists the licensing boards and the number of individuals who held licenses in fiscal 2013. In general, these boards administer tests, issue licenses, investigate complaints, and have disciplinary authority over licensees to protect both the public and the integrity of the profession. For a discussion of the Department of Health and Mental Hygiene's role in administering the health licensing boards, see Chapter 10 of this volume of the Legislative Handbook Series.

**Exhibit 13.5**  
**Licensing Activity of Occupational and Professional**  
**Licensing Boards and Commissions**  
**Fiscal 2013**

<u>Activity</u>	<u>Licensed Individuals</u>
State Board of Architects	6,549
State Athletic Commission	719
Athlete Agent Licensing	28
State Board of Barbers	6,395
State Board of Cosmetologists	48,992
State Board of Stationary Engineers	5,810
Maryland Home Improvement Commission	26,837
State Board of Master Electricians	5,224
Elevator Safety Review Board	746
State Board of Plumbing	13,235
State Board for Professional Engineers	23,153
State Board of Public Accountancy	20,372
State Real Estate Commission	37,891
State Board of Examiners of Landscape Architects	1,039
State Board of Foresters	201
State Board for Professional Land Surveyors	1,060
State Board of Pilots	74
Secondhand Precious Metal Object Dealers and Pawnbrokers Dealers and Pawnbrokers Licensing Unit	651
State Commission of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors	3,591
State Board of Heating, Ventilation, Air Conditioning, and Refrigeration Contractors	19,846
State Board of Certified Interior Designers	329
Office of Cemetery Oversight	1,130
State Board of Individual Tax Preparers	3,996
Locksmith Licensing	75

Source: Department of Labor, Licensing, and Regulation

## **State Safety Inspection Program**

The Division of Labor and Industry oversees the Safety Inspection Program, which consists of four units: Amusement Ride Safety, Elevator Safety, Railroad Safety, and Boiler and Pressure Vessel Safety. The program works with owners, industry, management, and labor to ensure that elevators including cliffside elevators, escalators, dumbwaiters, moving walks, wheelchair and other accessibility lifts, amusement rides, railroads, boilers, and pressure vessels are constructed and operated in accordance with applicable State laws and regulations. This oversight covers critical safety inspections of equipment which, if not maintained and installed properly, can pose hazards to the public. The division also regulates employment agencies.

## **Other Consumer Protection Oversight**

The Office of the Attorney General, through the Consumer Protection Division, oversees the registration and regulation of home builders, home builder sales representatives, businesses that sell health club services, warrantors of vehicle protection products, and legal assistance organizations. The Home Builder Registration Unit ensures compliance with the Maryland Home Builder Registration Act and other builder-related laws and registers home builders (2,483 registered in fiscal 2012 and 2,347 registered in fiscal 2013) and home builder sales representatives (581 registered and worked for 336 home builders in fiscal 2012 and 520 registered and worked for 189 home builders in fiscal 2013). The Health Club Registration Unit registers businesses that sell health club services (health clubs and gyms, weight loss centers, and self-defense schools) and ensures that they are properly bonded. The Vehicle Protection Product Warranty Unit registers warrantors of products designed to prevent or deter auto theft. The warranty unit ensures that the warrantor has the ability to pay claims by either certifying that either it or its parent company is worth at least \$50 million.

## **Insurance**

Insurance in the State is regulated by the Maryland Insurance Administration, an independent agency headed by the Insurance Commissioner, whom the Governor appoints with the advice and consent of the Senate. The administration licenses, examines, and audits insurance companies operating in the State; reviews rates and policies; collects premium and retaliatory taxes; licenses producers; investigates fraud as well as consumer complaints regarding insurance and health plan coverage; and educates the public on insurance matters. The People's Insurance Counsel Division of the Office of the Attorney General reviews actions of the administration and represents the interests of insurance consumers in the areas of homeowners' coverage and medical professional liability

coverage. The division is administered by the People’s Insurance Counsel, whom the Attorney General appoints with the advice and consent of the Senate.

## **Utilities**

The Public Service Commission regulates the electric, gas, and water utilities and telecommunications companies in the State, as well as intrastate for-hire passenger carriers (private buses, vans, and limousines). The commission is charged with ensuring that public service companies operate in the interest of the public and with promoting adequate, economical, and efficient delivery of utility services in the State without unjust discrimination. In evaluating proposals for rates, mergers, acquisitions, and related business activity, the commission makes its decisions based on public safety, the State’s business climate, conservation of natural resources, and preservation of environmental quality. Exhibit 13.6 lists the types and number of public service entities that the commission regulates.

The General Assembly adopted legislation in 1999 to restructure Maryland’s electricity industry. As a result, residential, commercial, and industrial customers may choose the company that generates their electricity, although the distribution of that electricity is still a regulated utility service. To ensure consumer protection, the commission has established licensing requirements for suppliers of generation services. The commission has the authority to fine a supplier, to order a customer refund, to suspend or revoke a license, or to prohibit a supplier from adding or soliciting new customers if they engage in unfair or abusive practices. Investor-owned utilities were required to participate in electric competition – “customer choice” – as early as July 1, 2000, depending on customer classes. Municipal systems, which are community-owned nonprofit operations, do not participate in electric competition. Rural cooperative systems were required to participate as of July 1, 2003.

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**Exhibit 13.6**  
**Public Service Entities Regulated**  
**by the Public Service Commission**  
**As of December 31, 2013**

Electric Distribution Companies	11
Gas Distribution Companies	7
Combined Gas and Electric Distribution Companies	2
Electric and Gas Suppliers	460
Telecommunications Companies	306
Water and Combined Water & Sewage Disposal Companies	21
Passenger-for-hire Motor Vehicle Companies	1,348
Passenger-for-hire Vehicles	7,012
Passenger-for-hire Drivers	7,957
Toll Bridge Companies	1
Taxicab Permits*	1,398
Taxicab Companies*	562
Taxicab Drivers*	1,692

\*The commission issues taxicab permits and taxicab driver's licenses in Baltimore City, Baltimore County, Cumberland, and Hagerstown.

Source: Public Service Commission

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After the expiration of price caps that were required for several years under the 1999 restructuring law, electricity costs rose precipitously for residential and small commercial electric customers in significant parts of the State as market rates reflected the high cost of producing electricity. Subsequently, the General Assembly, as well as the commission, made changes in the procurement of "standard offer service," the default service offered by the local electric distribution company for those who have not selected competitive electric supply, in order to limit price volatility. Since 2010, the retail competitive market has continued to develop as electricity suppliers were able to offer rates less than the standard offer service. A more complete discussion of the regulation of electricity and other public utility services can be found in *Volume VII – Business Regulation in Maryland* of the Legislative Handbook Series.

Taxicab businesses operating in Baltimore City, Baltimore County, Cumberland, and Hagerstown must receive permits from the commission, and taxicab drivers in these four jurisdictions must be licensed by the commission. Taxicabs located in jurisdictions

that are not regulated by the commission are regulated at the local level in some jurisdictions. The following jurisdictions have their own division that licenses taxicab companies: Anne Arundel, Harford, Howard, Montgomery, and Prince George's counties; the Cities of Annapolis, Frederick, and Westminster; and the Town of Ocean City. In counties where there are only a few taxicabs, there is no licensing requirement; however, the local police or the sheriff's department may have some oversight role.

The Office of People's Counsel, created in 1924, is the oldest utility consumer advocacy office of its kind in the United States. The People's Counsel is appointed by the Attorney General, with the advice and consent of the Senate, and acts independently of the commission and the Office of the Attorney General. The office represents the interests of residential and noncommercial utility customers in proceedings that might affect their interests before the commission, federal agencies, and the courts – on issues such as rates, service quality and reliability, and company practices.

### **Alcoholic Beverage Regulation and Control**

In 1933, the ratification of the Twenty-first Amendment to the U.S. Constitution ended Prohibition and authorized each state to regulate in its own way the production, distribution, and sale of alcoholic beverages within its borders. In Maryland, the Comptroller generally regulates the production and distribution of alcoholic beverages. Retail sales of alcoholic beverages are regulated by these local bodies: (1) boards of license commissioners, which operate in each county, the City of Annapolis, and the City of Baltimore; (2) liquor control boards in Somerset County and Wicomico County; and (3) departments of liquor control in Montgomery County and Worcester County. However, because of the overriding State interest in controlling the sale and consumption of alcoholic beverages – comparable to the State interest in the regulation of firearms – any significant change in the law must be enacted through State legislation, even if those changes affect only one locality.

Article 2B of the Annotated Code of Maryland requires all counties, Baltimore City, and the City of Annapolis to regulate the retail distribution of alcoholic beverages through a board of license commissioners. These boards are responsible for issuing licenses for the retail sale of beer; beer and wine; or beer, wine, and liquor. Generally, Article 2B provides that the members of the boards of license commissioners are appointed by the Governor with the advice and consent of the Senate. However, numerous exceptions for various jurisdictions have been enacted at the request of local delegations.

Four counties – Montgomery, Somerset, Wicomico, and Worcester – also control the distribution and sale of alcoholic beverages to various degrees within their borders. In Montgomery and Worcester counties, the distribution system and the system of retail

stores, called dispensaries, are run by county departments of liquor control. By contrast, these systems in Somerset and Wicomico counties are run by independent liquor control boards. Dispensaries in all four counties are the exclusive sellers of liquor. In Montgomery and Wicomico counties, however, dispensaries may sell beer and wine as well as liquor; while dispensaries in Somerset and Worcester counties may also sell wine but not beer. The net profits in fiscal 2013 for the liquor control boards and the departments of liquor control are shown in Exhibit 13.7. Article 2B provides that the revenues from alcoholic beverage licenses, fees, fines, and dispensary profits are retained at the local level.

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**Exhibit 13.7**  
**County Liquor Boards and Dispensaries – Net Profits**  
**Fiscal 2013**

<u>County</u>	<u>Net Profit</u>
Montgomery	\$26,238,000
Somerset	128,032
Wicomico	493,850
Worcester	321,854
<b>Total</b>	<b>\$27,181,736</b>

Source: *Fiscal 2013 Alcohol and Tax Annual Report*, Comptroller of Maryland and annual reports of the Worcester County Department of Liquor Control and of the Somerset County Liquor Control Board

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The Office of the Comptroller of the Treasury is empowered to make, amend, and publish rules and regulations regarding alcohol. The office processes statewide license and permit applications for alcohol and tobacco taxes; prepares cases concerning these taxes for formal and informal hearings; administers and enforces the State's alcoholic beverage and tobacco tax laws; adopts regulations; analyzes trade practice issues; and produces bulletins and credit control reports.

### **Funding Business Regulation**

Exhibit 13.8 shows State expenditures in fiscal 2013 on selected regulatory activities. Most of the State's regulatory activities are funded with fees levied on the industry or business being regulated. The Public Service Commission, for example, assesses regulated utilities annually to recover the costs of its operations and the operations of the Office of People's Counsel. The State recovers the costs of the Maryland Insurance

Administration through a combination of fees for certain licenses, reimbursements for the costs of examinations, and an assessment on insurance companies and producers.

In general, business regulation does not make up a large portion of local government spending and, except for alcoholic beverage control, that spending is not reported separately by the jurisdictions.

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**Exhibit 13.8**  
**State Expenditures for Selected Business Regulation Activities**  
**Fiscal 2013**  
**(\$ in Thousands)**

<u>Activity</u>	<u>Expenditures</u>
Financial Regulation	\$8,425
Racing	3,478
Occupational and Professional Licensing	8,304
Insurance Regulation	27,908
Public Service Commission	15,803
Office of the People’s Counsel	3,478
<b>Total</b>	<b>\$67,396</b>

Note: Excludes about \$1.4 million in funds reimbursed by other State agencies for services provided. In addition to State funds, about \$1.6 million in federal funds support business regulation activities. Excludes approximately \$47.3 million under racing regulation for purse enhancements and racetrack facility renewal, which is reflected in Exhibit 13.3.

Source: Governor’s Budget Books, Fiscal 2015

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## Chapter 14. Labor and Workforce Development

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Governments at all levels adopt policies and programs designed to foster and maintain a strong economy. A low unemployment rate is one indicator of economic health. Low unemployment and a strong economy translate to individual and collective prosperity and security. Therefore, many economic development efforts are designed to create and retain jobs. Maryland's May 2014 employment figures report a civilian labor force of more than 3 million persons, of whom about 176,000, or 5.6%, were unemployed. The U.S. economy entered into recession in December 2007. Although the National Bureau of Economic Research indicated that the recession ended in June 2009, the recovery remains tentative, and the labor market may take some time to get back to low unemployment as experienced prior to the recession (around 4.0%).

With the labor demands due to Maryland's gains under the Base Realignment and Closure process and the departure of "baby boomers" from the workplace, key Maryland industries face serious work shortages, particularly in the manufacturing and health care sectors. Thus, while the employment of Maryland citizens with occupational skills deficiencies, literacy problems, and language barriers is still a concern, there is also a focus on the growing needs of employers with employee shortfalls.

In addition to fostering the growth of the economy, policymakers have determined that certain standards should apply to employment:

- it should be done in a safe environment;
- fair wages should be paid for work performed; and
- the workforce should be adequately trained to meet the needs of employers, and individuals who find themselves without work should be assisted in their efforts to gain employment.

### Structure

Most government activity in the areas of worker protection, unemployment protection, and workforce development is carried out at the State level. Local governments play a minor role that is focused on workforce development issues.

Several State agencies have responsibilities in the area of worker protection and unemployment insurance. The Department of Labor, Licensing, and Regulation administers programs relating to the State's employment standards, prevailing wage, living

wage, occupational safety and health, and unemployment insurance. The Workers' Compensation Commission, Subsequent Injury Fund, and Uninsured Employers' Fund, as described further later in this chapter, adjudicate and administer claims under the State's workers' compensation laws. Created under statute, formerly known as the Injured Workers' Insurance Fund, the Chesapeake Employers' Insurance Company is a private, nonprofit, and nonstock workers' compensation insurer that provides workers' compensation insurance for employers unable to secure insurance in the private market.

The State administers a number of programs that enhance the ability of the State's workforce to be productive and successful; many of them are federally funded. Federal job training programs require each state to have a statewide coordinating council; the Governor's Workforce Investment Board serves that role in Maryland. The Department of Labor, Licensing, and Regulation administers the federally funded Workforce Investment Act and Wagner-Peyser Act programs; collects and analyzes labor market data; provides career information for use by job seekers, employers, schools, and other training providers; and certifies apprenticeship training programs. Most workforce development services are delivered through "one-stop" career centers located throughout the State. In Maryland, 28 full-service centers and 6 satellite centers provide access to a wide array of job search, employment services, and, as appropriate, referrals to job training. In addition, the department maintains the Maryland Workforce Exchange, a technology-based system which assists individuals in making career decisions and employers in locating qualified staff. The Maryland Workforce Exchange is accessible at the State's one-stop career centers as well as online through [www.Maryland.gov](http://www.Maryland.gov).

In 2013, the State established its own State-funded workforce development program. The Maryland Employment Advancement Right Now Program, popularly referred to as the EARN Program, is established within the Department of Labor, Licensing, and Regulation to create industry-led partnerships to advance the skills of the State's workforce, grow the State's economy, and increase sustainable employment for working families. The department administers the program in consultation with the Department of Business and Economic Development and the Governor's Workforce Investment Board.

The Maryland Workforce Corporation was created under statute as a public instrumentality of the State to establish a plan and framework for innovative statewide workforce programs. This effort is made in conjunction with the department and other State agencies. To assure a reliable funding stream for workforce programs, the corporation solicits, acquires, and coordinates private and public funding. In accordance with its plan, the corporation administers and evaluates the workforce programs it develops and contracts with training providers to conduct other skills training and education programs.

Along with the community college system, the Maryland State Department of Education provides focused career awareness training and vocational and technical education and provides rehabilitative services, in addition to overseeing the State’s primary/secondary educational system. The Department of Public Safety and Correctional Services offers skills training for inmates through the Maryland Correctional Enterprises, while the Department of Labor, Licensing, and Regulation offers skills training for inmates through an Occupational Skills Training Center.

In addition to programs that generally increase the skills and knowledge of workers or potential workers, the Department of Business and Economic Development administers a grant program, Partnership for Workforce Quality, designed to offset the costs to businesses of providing training for existing workers or for new workers when a business is expanding or relocating.

Local involvement in the above programs is limited to workforce development issues and is most closely aligned to the appointment of local workforce investment boards. The Department of Labor, Licensing, and Regulation distributes Workforce Investment Act funds to local workforce investment areas by formula allocation. Maryland has 12 local workforce investment areas (see Exhibit 14.1), each with its own local board. The local boards oversee workforce investment activities, select the “one-stop” operator, and typically contract with a nonprofit agency or a quasi-governmental entity to provide the core and intensive services required under the Workforce Investment Act. In some cases, however, the lead local agency for service delivery is a unit of local government (Baltimore City and Baltimore, Montgomery, Carroll, Frederick, and Howard counties). The one-stop career centers in each local workforce investment area are typically supplemented by networks of affiliated sites. Under the Workforce Investment Act, each board must establish a youth council to coordinate youth activities in the local workforce investment area.

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**Exhibit 14.1**  
**Local Workforce Investment Areas**

Anne Arundel County	Prince George's County
Baltimore City	Southern Maryland (Calvert, Charles, and St. Mary's counties)
Baltimore County	Susquehanna (Cecil and Harford counties)
Frederick County	Upper Shore (Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties)
Lower Shore (Somerset, Wicomico, and Worcester counties)	Western Maryland (Allegany, Garrett, and Washington counties)
Mid Maryland (Carroll and Howard counties)	
Montgomery County	

Source: Governor's Workforce Investment Board

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## Services

Government activity in the area of labor and workforce development can be broadly categorized as:

- worker protection, which includes safety and health matters and wage law enforcement;
- workers' compensation;
- unemployment insurance;
- workforce development, which includes employment services, job training, and rehabilitative services; and
- advisory and research services.

### **Worker Protection**

#### **Wages and Employment Conditions**

The Commissioner of Labor and Industry and the Division of Labor and Industry within the Department of Labor, Licensing, and Regulation administers many programs to

investigate the lawful payment of wages and protect the health, safety, and welfare of workers on the job.

The Employment Standards Service administers and enforces provisions of law concerning the payment of wages and overtime to employees and the enforcement of the State Workplace Fraud Act. In addition, the service enforces various other worker protection laws such as employment of minors and equal pay for equal work in Maryland. In fiscal 2013, the service closed 601 wage payment claims, collecting nearly \$396,995 in wages for employees. In fiscal 2013, the service also reviewed the classification of 2,500 workers and determined that 56 workers were misclassified as independent contractors.

The Prevailing Wage Unit determines the wage and fringe benefit rates prevalent in local areas for laborers and mechanics. These wage rates must then be used in public works projects exceeding \$500,000 where State funds account for 50% or more of the cost. Prevailing wage rates must be used in elementary and secondary school construction projects exceeding \$500,000 where State funds account for 25% or more of the cost. The unit also enforces Maryland's Prevailing Wage Law and Living Wage Law by auditing the payrolls on affected construction and service procurement projects and collecting additional wages for workers when warranted. The unit investigated 623 public work project sites and recovered \$287,640 in wages in fiscal 2013.

The Occupational Safety and Health Administration administers the Maryland Occupational Safety and Health Program, which meets the federal requirements of the Williams-Steiger Occupational Safety and Health Act of 1970. Basically, the State has assumed responsibility for enforcing the federal occupational safety and health laws, eliminating duplicative requirements for employers. The program inspects workplaces for safety; enforces regulations; issues citations and penalties; and investigates fatalities, accidents, and employee complaints. The program also consults with employers to correct potentially dangerous situations without the threat of citation, conducts training courses, produces educational materials, and maintains statistics on workplace injury and illness. In fiscal 2013, the administration inspected or investigated 1,909 workplaces, resulting in the identification of 7,651 workplace hazards.

### **Workers' Compensation**

Workers' compensation was created to protect workers and their dependents from the consequences of occupational injuries or disabilities by providing a no-fault remedy against the employer for accidental injuries arising through employment. In exchange, the employer's liability is limited since workers' compensation is the exclusive remedy in

almost all cases. This protection limits the employer to the payment of compensation and medical and funeral expenses specified in schedules in the law.

The State's Workers' Compensation Commission, created in 1914, administers employee claims resulting from work-related injuries or disabilities. The 10-member commission is appointed by the Governor for 12-year terms, with the Governor designating the chairman. The commission processes and adjudicates all claims, maintains a record of all contested cases, certifies a complete record to the judicial forum in case of an appeal, and refers those individuals requiring vocational rehabilitation to appropriate providers. Exhibit 14.2 depicts the number of claims and first reports of injury the commission received during fiscal 2009 through 2013.

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**Exhibit 14.2**  
**Workers' Compensation Commission Claims Received**  
**Fiscal 2009-2013**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Filed Claims	22,622	23,003	23,366	22,909	23,241
First Reports of Injury	110,625	102,927	113,984	105,074	111,895

Source: Workers' Compensation Commission

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The State's Subsequent Injury Fund is designed to encourage employers to hire disabled workers, usually those who have previously been injured in the workplace. The employer is assured that, in the event of a compensable injury, the employer is not held liable for paying compensation for the total resulting disability. The employer is liable only for the effect of the subsequent injury, not for the cumulative effect of the prior and new injuries; the fund incurs all additional liability arising from the combined effects of all injuries or conditions. The fund derives its income from a 6.5% assessment on awards of compensation for permanent disability against, and settlements with, employers or insurers. The duties of the fund include investigating cases, taking part in commission hearings and other judicial proceedings, and making benefits payments to eligible individuals. The fund made 26,435 benefit payments and resolved 1,135 cases in fiscal 2013. The fund is supervised by a three-member board appointed by the Governor.

The Maryland Uninsured Employers' Fund protects employees against the nonpayment of workers' compensation insurance by defaulting employers. If an employer fails to make payments to a claimant, the fund will fulfill the employer's obligation and then attempt to recover all the benefits paid plus certain assessments from the defaulting

employer. The fund derives its revenue from a 2.0% assessment on awards of compensation for permanent disability against, and settlements with, employers or insurers and also collects penalties from sanctions on uninsured employers. Legislation enacted in 2006 makes an officer of a corporation with general management responsibilities and a member of a limited liability company with general management responsibilities jointly and severally liable for the payment of awards or assessments, if the assets of the corporation or limited liability company are not sufficient for payment and the officer knowingly failed to secure workers' compensation insurance. The fund receives between 600 and 1,200 new cases each year.

Under Maryland law, every employer that has at least one employee who is covered under the State's Workers' Compensation Act is required to secure workers' compensation coverage for its employees. Employers may secure workers' compensation coverage by maintaining insurance with an authorized insurer; participating in a self-insurance group; maintaining, as an individual employer, self-insurance status; or maintaining insurance with the insurer of last resort, the Chesapeake Employers' Insurance Company (formerly the Injured Workers' Insurance Fund). The fund was a statutorily chartered provider of workers' compensation insurance that served government employers and private businesses that were unable or chose not to secure insurance in the private market.

Legislation enacted in 2012 converted the fund into the Chesapeake Employers' Insurance Company, which is required to continue to serve as the workers' compensation insurer of last resort in the State, as of October 1, 2013. Chesapeake is a private, nonprofit, and nonstock workers' compensation insurer. Chesapeake is the largest writer of workers' compensation insurance in the State with a market share of almost 25% at the end of calendar 2013. The fund, which exists as long as it has employees, continues its responsibility of administering the workers' compensation program for Maryland State employees. At the time of conversion, fund employees were given the choice of becoming Chesapeake or remaining fund employees; the fund may not hire any new employees.

Except for payments for claims filed by State employees and the associated administrative costs, no State monies are budgeted for Chesapeake. At the end of calendar 2013, the fund had a surplus of more than \$340 million. Exhibit 14.3 depicts the fund's surplus and total assets for calendar 2009 through 2013.

**Exhibit 14.3**  
**Injured Workers' Insurance Fund/Chesapeake Employers' Insurance**  
**Company Surplus and Total Assets**  
**Calendar 2009-2013**  
**(\$ in Millions)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Assets	\$1,683	\$1,752	\$1,717	\$1,845	\$1,869
Surplus	287.5	306.8	321.4	288.8	340.7

Source: Chesapeake Employers' Insurance Company

### Unemployment Insurance

The State's Unemployment Insurance Program, administered by the Division of Unemployment Insurance in the Department of Labor, Licensing, and Regulation, provides temporary, partial wage replacement to individuals who are unemployed through no fault of their own and who are able, available to work, and actively seeking work. Both the federal and state governments have responsibilities for unemployment compensation. The U.S. Department of Labor oversees the unemployment insurance systems, 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, however, must conform to broad federal guidelines.

The administration of the state programs is financed through employer taxes, as specified under the Federal Unemployment Tax Act. The federal tax is 6.0% of the first \$7,000 in wages paid to each employee. Employers receive credit of up to 5.4% if the employers pay all state unemployment insurance taxes due and the state's law is in conformity with required provisions of the federal Unemployment Tax Act. The net tax (0.6%), a maximum of \$42 per employee per year, is collected by the federal government and is used to finance state and federal administrative costs; federal reimbursements for federally funded extended benefits; and loans to states with insolvent trust funds. The Maryland program is administered by the Division of Unemployment Insurance with the use of these federal funds.

Unemployment benefits paid to eligible persons generally are financed by contributions (known as unemployment insurance taxes) made by employers to the Division of Unemployment Insurance which are deposited in the Maryland Unemployment

Insurance Trust Fund. The fund is held in the federal treasury and is an interest-bearing account. These funds are also used in determining the overall solvency of the federal budget.

All private business employers and nonprofit organizations employing one or more persons, at any time, are subject to the Maryland Unemployment Insurance Law. Each employer is assigned a particular tax rate for a calendar year based on its experience with unemployment, in relation to the experience of other employers, and the balance of the fund from the preceding September. Certain nonprofit organizations can opt to become self-insured under the program, reimbursing dollar for dollar any benefits paid to former employees. Under a series of six tax tables, rates vary annually according to solvency of the fund. Accordingly, employers generally are required to make contributions to the fund based on the applicable tax rate in the table that is in effect for the calendar year and the taxable wages for the employers' covered employment. Taxable wages are defined as the first \$8,500 earned by each employee in a calendar year.

Employers that have laid off their employees pay a higher tax rate than employers that have not laid off their employees. Benefits paid to employees are charged to the specific employer's account when wages earned from the employer are used to determine a claimant's entitlement to benefits. There are a variety of circumstances under which employers may be relieved of benefit charges. For example, employers are not charged if a former employee left employment voluntarily or for good cause due to domestic violence involving the former employee or former employee's spouse, minor child, or parent; or if the former employee was discharged for gross or aggravated misconduct. There are also certain exclusions related to churches, agricultural employment, students, and others.

Benefits are based on the amount of wages that the employee earned during the base period (the first four of the last five completed calendar quarters prior to the date the employee filed a claim). Effective March 1, 2011, under legislation enacted in Maryland in 2010, if a claimant does not qualify for benefits because of insufficient wages in the base period, an alternative base period may be used (the last four completed calendar quarters) to determine eligibility. The weekly benefit amount ranges from a minimum of \$50 to a maximum of \$430. Qualified unemployed persons are eligible for up to 26 weeks of benefits per year, although extended benefits (paid with federal funds) may be triggered when the State's economy is experiencing an extended period of high unemployment.

All unemployment insurance services, with the exception of benefits appeals, are handled entirely by telephone or Internet through the division's five claims centers. Claimants have access to telephone and Internet services at any one of the State's one-stop career centers. These one-stop centers also offer job search and training services. Regular State benefits paid from the Unemployment Insurance Trust Fund in fiscal 2014 amounted

to \$731.9 million; a total of 269,949 initial regular State claims were filed during that fiscal year. Further, the Emergency Unemployment Compensation Program provides federally funded benefits (expired on January 1, 2014) to individuals who have exhausted regular State benefits when State unemployment rates reach a high level. Emergency Unemployment Compensation benefits paid in fiscal 2014 amounted to \$167 million; a total of 29,015 initial Emergency Unemployment Compensation claims were filed during that fiscal year.

The department's Lower Appeals Division hears and decides appeals from benefit determinations of the claims hearing examiners. An individual who files a claim for benefits or an employer entitled to a notice of a determination or redetermination of the claim may file an appeal within 15 days after the notice of the determination or redetermination is mailed to the claimant or employer. The decision of the hearing examiner is final unless further review is initiated within 15 days after the decision of the hearing examiner to the Board of Appeals. The board consists of a three-member panel – a chairman and two associate members. For claimant convenience, most appeals hearings are conducted at the one-stop career centers located throughout the State; some are handled by telephone. In fiscal 2012, 48,834 cases were heard and decided by hearing examiners in the Lower Appeals Division. Approximately 19% – 9,274 cases – were appealed to the board panel. A final decision of the board may be appealed to the circuit court by any party aggrieved by the decision, the Secretary, or both. For a more comprehensive discussion of unemployment insurance, see *Volume VII – Business Regulation in Maryland* of the Legislative Handbook Series.

## **Workforce Development**

Government services to support the training and placement of workers into employment opportunities span a broad spectrum of activities. Elements are found in the public school system, the correctional system, the social services system, the department that oversees labor issues, economic development efforts, and others.

The entity responsible for coordinating workforce development activities in the State is the Governor's Workforce Investment Board. The board meets this responsibility by providing policy analysis and advice to the Governor, General Assembly, and other concerned parties on how State government can best serve the employment and training needs of Maryland's employers, employees, and future workforce.

Workforce development services generally include matching those seeking jobs with opportunities, providing skills-based training, and offering support services that enhance an individual's likelihood of success in a work situation. The role of primary, secondary, and higher education in workforce preparedness is not to be underestimated but

is beyond the scope of this chapter. For more information on educational services, see Chapters 6 and 7 of this volume or *Volume IX – Education in Maryland* of the Legislative Handbook Series.

Workforce development services can be classified into three broad categories of programs:

- services for job seekers, especially those who are economically disadvantaged and/or dislocated (workers who have lost their jobs as a result of a major layoff or plant closing and are unlikely to return to their previous industry or occupation);
- educational and job skills training services for adults; and
- services customized to employer needs.

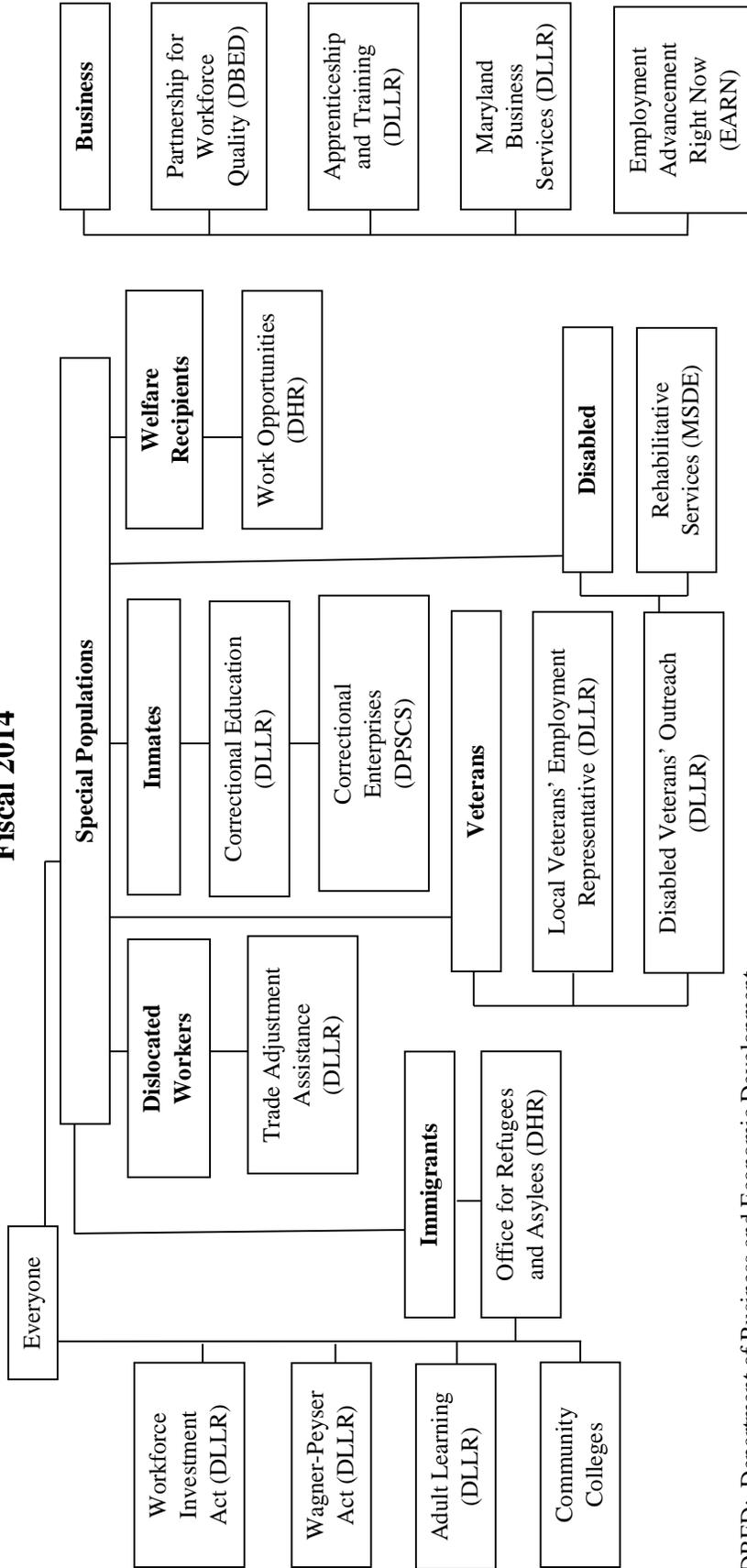
Exhibit 14.4 shows the programs in Maryland’s workforce development system.

### **Services for Job Seekers**

The Division of Workforce Development and Adult Learning in the Department of Labor, Licensing, and Regulation administers several programs to facilitate employment opportunities through labor exchange and training services. The programs are discussed below according to the population they serve – either all individuals or special populations (veterans, dislocated workers, public assistance recipients, and immigrants).

***All Individuals:*** The division provides an array of services to job seekers with funds from the federal Workforce Investment Act and the federal Wagner-Peyser Act (more commonly known in the department as the Job Service Program). As both federal Acts facilitate the provision of job broker services by linking job seekers with employers who need workers, the division has organized itself to consolidate the provision of services. The goal of the Workforce Investment Act is to increase the employment and earnings potential of eligible individuals by facilitating training opportunities. Therefore, the Workforce Investment Act employment and training programs are primarily intended for those individuals facing serious barriers to employment.

**Exhibit 14.4  
Maryland's Workforce Development Programs  
Fiscal 2014**



DBED: Department of Business and Economic Development  
 DHR: Department of Human Resources  
 DLLR: Department of Labor, Licensing, and Regulation  
 DPSCS: Department of Public Safety and Correctional Services  
 MSDE: Maryland State Department of Education  
 Source: Department of Legislative Services

Under the Workforce Investment Act, two categories of services are defined: (1) core services and (2) intensive services. Core services include job search and placement assistance, initial assessment of skills and needs, labor market information about job vacancies and skills required to fill these jobs, and follow-up services to promote job retention. All adults, regardless of income and situation, are eligible to receive these services. However, when funds are limited, priority must be given to recipients of public assistance and low-income clients. All core services must be available through one-stop career centers, which are described earlier in this chapter. The Maryland Workforce Exchange facilitates provision of core services under the Workforce Investment Act as well as the Wagner-Peyser Act by maintaining three types of career information:

- *Seeking Jobs:* provides individuals with access to current job vacancies and the ability to post resumes online.
- *Employer Services:* allows employers to list their job vacancies and review resumes posted by those seeking jobs.
- *Career Planning:* supplies job seekers with the information needed to pursue careers, such as identifying needed training and the programs that offer such training.

Intensive services, reserved for individuals who need additional assistance in finding or keeping a job, include comprehensive assessments, development of individual employment plans, group and individual counseling, and case management. If intensive services do not result in a successful job placement, individuals may participate in training directly linked to job opportunities in their local area. To promote flexibility and personal decisionmaking, the Workforce Investment Act requires the establishment of Individual Training Accounts for these individuals. Through these accounts, job seekers can use vouchers to select the training most suited to their needs.

The Maryland Higher Education Commission is responsible for identifying training providers and programs eligible to serve individuals using the federally funded vouchers. The approved list includes close to 500 occupational programs offered by more than 75 institutions, such as community colleges and private career schools. In addition, under the Workforce Investment Act, the State must maintain and distribute data about each approved training provider's performance. Individuals may access this data to make informed decisions about how best to use their vouchers. The data is also used to determine whether training providers should remain eligible to serve individuals under the Act. In a

limited number of cases, a local workforce investment board may contract directly with an organization to provide job training.

Federal Workforce Investment Act funds are provided to serve youth ages 14 through 21. In general, participating youth must meet income eligibility requirements and face challenges to successful workforce entry, such as basic literacy skills deficiencies or lack of a high school diploma. Programs available to youth include tutoring, study skills training, mentoring, paid and unpaid work experience, occupational skills training, and guidance counseling. As required by federal law, the State also offers summer employment opportunities linked to academic and occupational learning, as well as the Maryland Summer Youth Connection Program.

**Veterans:** The Division of Workforce Development and Adult Learning administers two programs that interact with the Workforce Investment Act and Wagner-Peyser Act so that priority service is provided to veterans. Disabled veterans receive preferential treatment through the Disabled Veterans' Outreach Program. The program is assisted by the Local Veterans' Employment Representative Program, which functions as the State's primary veterans' workforce development contact with the business community to develop job opportunities for veterans. Each one-stop career center includes veteran representatives that provide employment and training opportunities, including vocational guidance and support service referral. Through the one-stop career centers, partner agencies across the State, and the Maryland Workforce Exchange, employers can post job openings. Staff at the one-stop career centers can match veterans with openings, screen any applicants, assist with resume preparation, help prepare the veterans for interviews, and refer them to local employers.

**Dislocated Workers:** The Division of Workforce Development and Adult Learning partners with the Division of Unemployment Insurance to administer the Trade Adjustment Assistance Program. This program aids dislocated workers who lose their jobs or whose hours and wages are reduced as a result of increased imports. If the department anticipates the relocation or downsizing of an employer within the State, a Rapid Response Unit establishes contact with the employer's management group to determine whether the expected closing or downsizing is due to increased imports; ensure timely intervention; and facilitate provision of available services. Eligibility for the program, however, is determined by a petition submitted to and approved by the U. S. Department of Labor. The program provides comprehensive and timely retraining and reemployment services that are tailored to the needs of the individual workers, for example:

- Training for employment in another job or career may be provided for up to two years. Such training could include occupational skills, basic or remedial education, or training in literacy or English as a second language.

- Individuals are also eligible for income support in the form of a weekly cash payment for up to two years after their unemployment insurance benefit has been exhausted if they are participating in an approved full-time training program.
- The program also provides a job search allowance to cover expenses incurred in seeking employment outside an individual’s normal commuting area.
- A 65% health coverage tax credit of the allowable premium cost for health care coverage is also available under the program.
- Finally, relocation allowances reimburse expenses for those who find new employment outside their normal community area and choose to relocate.

The number of individuals served under this program tends to fluctuate annually but typically ranges between 200 and 300 per year.

**Public Assistance Recipients:** The State’s Family Investment Program, which assists those moving from welfare to work, distributes federal Work Opportunities Program funding to each local department of social services. These funds support locally designed employment services and basic skills and job training programs for welfare applicants and recipients. Applicants for benefits under Maryland’s Temporary Cash Assistance Program are required to perform an up-front job search before eligibility is determined. Under federal and State law, recipients who have received 24 months of benefits must be engaged in a State-defined work activity if directed to do so. These work activities include unsubsidized employment, subsidized private- or public-sector employment, on-the-job training, community service, vocational education, and job skills training, among others. The local departments also use funds to provide supportive services, such as child care, family counseling, and crisis intervention that will assist recipients in making the transition from welfare to work or to prevent people from needing to apply for welfare.

**Immigrants:** The Maryland Office for Refugees and Asylees in the Department of Human Resources is federally funded to provide cash, medical assistance, and social services to refugees who resettle in Maryland. Services include employment placement and English language and skills training. In federal fiscal 2012, the program served a total of 2,707 refugees and asylees.

### **Educational and Job Skills Training Services for Adults**

**All Individuals or Targeted Populations:** A number of adult education programs are overseen by the Division of Workforce Development and Adult Learning. The division

provides guidance and statewide coordination for the services, which are delivered locally by public school systems, community colleges, libraries, and community-based organizations. The goal of the programs is to help adults 16 and older develop the skills necessary for continuous learning, decisionmaking, and communication. The programs within the adult education system are described briefly below.

- *Adult Basic Education:* provides instruction for adults to speak, read, and write English and to improve skills needed for effective functioning in society.
- *Adult Secondary Education:* provides more advanced instruction than the adult basic education program and helps adults work toward a high school diploma through the Maryland Adult External High School Diploma Program or the General Educational Development Program.
- *English as a Second Language:* provides instruction in speaking, listening, reading, and writing to adults whose first language is not English.
- *Family Literacy:* provides comprehensive literacy services to families to enable parents to be partners in the education of their children.
- *Workplace Education:* focuses instruction on the literacy skills that are needed in the workplace.

*Correctional Inmates:* The Division of Workforce Development and Adult Learning administers correctional education programs in all the major institutions serving the adult population within the correctional operations side of the Department of Public Safety and Correctional Services. Services include adult basic education, adult secondary education, English for Speakers of Other Languages classes, special education services, occupational preparatory programs, and library services. Other correctional education programs include postsecondary education offered by Maryland public colleges and universities, coordination of apprenticeship programs that operate in conjunction with Maryland Correctional Enterprises, educational assessment, and transitional services.

The Maryland Correctional Enterprises, a part of the Department of Public Safety and Correctional Services, employs more than 2,000 inmates who are incarcerated within the State correctional system to produce various goods and services. The goods and services are sold to public-sector agencies and charitable, civic, educational, fraternal, or religious institutions. The Maryland Correctional Enterprises provides inmates with specialized training in a variety of trades, as well as employment opportunities to enhance their skills and abilities. Inmates are employed in a variety of work activities, including

graphic arts, upholstery, meat cutting, metal fabrication, furniture assembly and restoration, sewing, data entry, agriculture, and laundry operations.

The Maryland Correctional Enterprises operates in 11 correctional facilities across the State, and is a fully self-supported agency that relies on revenues from services supplied and the sale of its manufactured goods. In fiscal 2013, services supplied and goods sold generated approximately \$50.8 million in sales. Exhibit 14.5 depicts the number of inmates employed by the Maryland Correctional Enterprises at each correctional facility for fiscal 2011 through 2013.

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**Exhibit 14.5**  
**Inmates Employed by Maryland Correctional Enterprises**  
**Fiscal 2011-2013**

<b><u>Facility</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
Jessup Correctional Institution	400	422	418
Maryland Correctional Institution – Hagerstown	213	271	269
Roxbury Correctional Institution	172	228	190
Maryland Correctional Training Center	42	48	50
Maryland Correctional Institution – Jessup	169	184	187
Maryland Correctional Institution for Women	263	255	257
Eastern Correctional Institution	226	243	241
Western Correctional Institution	30	33	32
Central Maryland Correctional Facility	6	6	6
North Branch Correctional Institution	0	15	25
Patuxent Institution	45	54	47
Laundry Operations: CMCF, MCI-H, WCI, ECI	261	270	283
Jessup Warehouse	28	36	33
<b>Total</b>	<b>1,855<sup>1</sup></b>	<b>2,065</b>	<b>2,038</b>

<sup>1</sup> The elimination of several staff positions in the Maryland Correctional Enterprises and the retirement of several Maryland Correctional Enterprises field staff persons negatively affected inmate employment, because the program was unable to accommodate the same number of inmate employees.

Source: Department of Public Safety and Correctional Services

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***Individuals with Disabilities:*** The Maryland State Department of Education directs the State’s vocational rehabilitation program through the Division of Rehabilitation Services. The division provides policy direction, administrative support, eligibility

determination for federal disability benefits, and rehabilitation services at the Maryland Workforce and Technology Center and 24 offices statewide.

Rehabilitation services clients, who are typically between the age of 16 and 65, are referred by schools or health care professionals and receive comprehensive vocational rehabilitation services such as vocational evaluation, occupational skills training, medical evaluation, occupational therapy, physical therapy, and rehabilitation technology services. Additional support services may include benefits counseling, addictions counseling, academic remediation, driver's evaluation and education, job seeking skills training, and job placement. In fiscal 2013, the division served a total of 25,718 adults and transitioning youth with disabilities. The division also helped 2,533 individuals with disabilities achieve gainful employment in service, sales, farming, and other fields.

### **Services Customized for Employer Needs**

The State administers several workforce development programs that are structured to serve the employers of the State – the goal is to upgrade the skills of workers who are already employed. The Department of Business and Economic Development administers the Partnership for Workforce Quality Program, which provides matching grants (up to 50% of eligible expenses) to manufacturers with 500 or fewer employees. These grants are designed to improve business competitiveness and worker productivity, upgrade worker skills for new technologies and production processes, and promote employment stability.

Effective June 1, 2013, the Department of Labor, Licensing, and Regulation began to administer the Maryland Employment Advancement Right Now Program (popularly referred to as the EARN Program), which serves as a regional industry-led workforce development grant program. Grants are provided on a competitive basis for:

- an approved strategic industry partnership for development of a plan consistent with the purpose of the Maryland EARN Program;
- workforce training programs and other qualified programs that provide industry valued skills training to individuals that results in a credential or identifiable skill consistent with an approved strategic industry partnership plan; and
- job-readiness training and skills training that results in a credential or an identifiable skill.

Strategic industry partnerships that receive grants use the funds to develop and implement plans that educate and train workers. The program is designed to provide job-readiness

training to close skills gaps that exist for individual workers and to provide training that will prepare the workforce to fill the needs of targeted industries. In June 2014 (for fiscal 2015), the department awarded 28 Maryland Employment Advancement Right Now Program implementation grants to strategic industry partnerships across the State and within a range of industries. The average implementation grant award amount was \$179,302.

The Department of Labor, Licensing, and Regulation also administers the Maryland Apprenticeship and Training Program to coordinate and promote supervised, on-the-job training under skilled craftspersons. Apprentices are recruited and hired by the program sponsor and trained both on the job and in the classroom; much of the instruction is provided through the community college system. The 12-member Maryland Apprenticeship and Training Council, composed of representatives of labor, employers, and the general public, certifies apprenticeship programs. In June 2014, the State had 137 active programs representing 55 trades and occupations, 7,561 total registered apprentices, and 3,309 total registered employers. Additionally, the State had 413 registered (active and inactive) apprenticeship program sponsors in occupations such as electrician, plumber, bricklayer, machinist, tool and die maker, millwright, automobile mechanic, police officer, welding technician, and painter.

Effective October 1, 2014, another advisory apprenticeship body functions under the Department of Labor, Licensing, and Regulation. Specifically, the Youth Apprenticeship Advisory Committee in the Division of Labor and Industry will 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 and a method of setting benchmarks for program growth over the next three years. The committee reviews and identifies ways to implement high school youth apprenticeship programs 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. The committee is required to report by December 1 of each year to the General Assembly regarding any recommended legislation to promote high school youth apprenticeship programs in the State.

### **Advisory and Research Services**

As mentioned previously, the Governor's Workforce Investment Board serves as the State's coordinating council for the provision of workforce development services. In addition to promoting and facilitating interagency coordination, the board often undertakes special studies and organizes *ad hoc* task forces to address issues of concern. For example,

the board has focused its efforts on critical skills shortage areas and the State's information technology needs.

The State's Office of Workforce Information and Performance at the Department of Labor, Licensing, and Regulation utilizes surveys and required reporting systems to collect and develop data on employment, unemployment, and other factors relating to labor supply and demand. Trends in industrial and occupational structure, wage levels, and the demographics of the population and the labor force are identified and analyzed. The office disseminates a number of products to other levels of government, employers, job seekers, education and training professionals, economists, and others.

## **Funding**

Exhibit 14.6 shows the programmatic expenditures for labor and workforce development activities by the source of funds for fiscal 2013.

The costs of providing worker protection services, as administered by State agencies including the Department of Labor, Licensing, and Regulation and the Workers' Compensation Commission, totaled approximately \$28.4 million in fiscal 2013. The federal funds support half of the occupational safety and health expenditures (\$4.7 million). Many of the expenditures shown as State funds in the worker protection category are derived directly from industries being regulated. For example, the administrative costs of the Maryland Occupational Safety and Health Program and the Worker Classification Protection Unit (both administered by the Division of Labor and Industry) are supported by assessments on employers (if self-insured) and insurers that write workers' compensation insurance. The Subsequent Injury Fund is funded by a 6.5% assessment on each workers' compensation claim award against an employer or its insurer for permanent disability or death; the Uninsured Employers' Fund is funded by a 2% assessment on the same awards. Assessments collected for the Workers' Compensation Commission from workers' compensation insurers, governmental self-insurance groups, self-insurance groups of private employers, and self-insured individuals are deposited in a special fund to support the operating costs of the commission. These special funds also support a portion of the Division of Labor and Industry's administrative costs associated with the Maryland Occupational Safety and Health Program and the Workforce Fraud Program.

**Exhibit 14.6**  
**Expenditures on Labor and Workforce Development Activities**  
**Fiscal 2013**  
**(\$ in Thousands)**

<b><u>Activity</u></b>	<b><u>State Funds</u></b> <sup>1</sup>	<b><u>Federal Funds</u></b>	<b><u>Local Funds</u></b> <sup>2</sup>	<b><u>Total</u></b> <sup>3</sup>
Worker Protection <sup>4</sup>	\$23,686	\$4,725		\$28,411
Unemployment Insurance <sup>5</sup>	3,925	71,990		75,915
Workforce Development	101,905	187,152	\$32,864	321,921
<b>Total</b>	<b>\$129,516</b>	<b>\$263,867</b>	<b>\$32,864</b>	<b>\$426,247</b>

<sup>1</sup>State expenditures exclude funds reimbursed by other State agencies for services provided but include general funds and special “dedicated” revenues.

<sup>2</sup>Local expenditures may include State grants, direct federal grants, and federal funds that pass through from the State.

<sup>3</sup>Numbers may not sum to the total due to rounding.

<sup>4</sup>Funding for worker protection activities does not include claims expenses paid by the Injured Workers’ Insurance Fund/Chesapeake Employers’ Insurance Company.

<sup>5</sup>State funds for the Division of Unemployment Insurance represent the administrative fees imposed and collected by the division that are deposited in the Special Administrative Expense Fund.

Source: *Fiscal 2015 State Budget Books; Uniform Financial Reports*; Department of Labor, Licensing, and Regulation; Department of Legislative Services

The costs of administering the State’s unemployment insurance program are covered almost entirely by federal funds. These funds are derived from the federal unemployment insurance tax paid by employers. Actual payments to claimants, which are derived from State unemployment insurance tax assessments on employers and payable to the Division of Unemployment Insurance for deposit in the Unemployment Insurance Trust Fund, do not pass through the State budget and are not reflected in the data. In fiscal 2013, the fund paid \$749 million in benefits. A small amount of dedicated State funds is available from fines and penalties against employers that are deposited into the Special Administrative Expense Fund. Revenues from that fund can be used for office space and related occupancy costs of the unemployment insurance and job service programs.

Various levels of government expended \$321.9 million in fiscal 2013 on the workforce development activities included in this discussion. Details on the State-administered programs, totaling \$289.1 million, are shown in Exhibit 14.7. Federal funds represent approximately 65% of this total and are the exclusive funding source for several programs targeted to job seekers.

State general funds are most commonly used as required matching funds for federal programs and to fund two programs targeted to meeting the needs of employers – the Partnership for Workforce Quality Program and the Apprenticeship and Training Program. These employer-targeted programs are not mandated by the federal government and represent discretionary State spending.

Dedicated State funds in the workforce development category represent revenues generated by the Blind Vendors Program, Inmate Welfare funds, and Maryland Correctional Enterprises.

Local government spending is concentrated in the workforce development category and is primarily directed to assisting individuals seeking jobs. These expenditures may include State grants, direct federal grants, and federal funds that pass through from the State. As shown in Exhibit 14.8, five counties and Baltimore City reported expenditures on job training as part of their support of economic development. Of the \$32.9 million reported for fiscal 2013, Baltimore City spent \$15.1 million. The amount local governments spent on adult education is unclear, but State grants for adult education generally require a 25% match from local funds.

**Exhibit 14.7**  
**State Expenditures for Workforce Development – Fiscal 2013**  
(\$ in Thousands)

	<b>General Fu nds</b>	<b>Dedicated State Funds</b>	<b>Federal Fu nds</b>	<b>Total<sup>1</sup></b>
<b>Programs Targeted to Job Seekers</b>				
Job Service and Workforce Investment (DLLR) <sup>2</sup>	\$1,803	\$1,352	\$72,467	\$75,622
Trade Adjustment Assistance	0	0	755	755
Rehabilitation Services (MSDE) <sup>3</sup>	12,877	2,605	46,280	61,762
Adult Continuing Education Grants (DLLR)	7,735	593	9,175	17,503
Work Opportunities (DHR)			35,507	35,507
Immigrant Assistance (DHR)			13,794	13,794
<b>Subtotal</b>	<b>\$22,415</b>	<b>\$4,550</b>	<b>\$177,978</b>	<b>\$204,943</b>
<b>Programs Targeted to Inmates</b>				
Correctional Education (DLLR) <sup>5</sup>	\$14,001	\$66	\$590	\$14,657
Maryland Correctional Enterprises (DPSCS)		50,603		50,603
<b>Subtotal</b>	<b>\$14,001</b>	<b>\$50,669</b>	<b>\$590</b>	<b>\$65,260</b>
<b>Programs Targeted to Employers</b>				
Partnership for Workforce Quality (DBED)	\$114			\$114
Apprenticeship and Training (DLLR)	281			281
<b>Subtotal</b>	<b>\$395</b>			<b>\$395</b>
<b>Advisory, Research, and Administrative Functions</b>				
Governor's Workforce Investment Board (DLLR)	\$306	\$0		\$306
Executive Direction and Administration (DLLR)	3,692	5,877	8,584	18,153
<b>Subtotal</b>	<b>\$3,998</b>	<b>\$5,877</b>	<b>\$8,584</b>	<b>\$18,459</b>
<b>Total</b>	<b>\$40,809</b>	<b>\$61,096</b>	<b>\$187,152</b>	<b>\$289,057</b>

**Exhibit 14.7 (continued)**

<sup>1</sup>Excludes funds reimbursed by other State agencies for services provided.

<sup>2</sup>The Job Service and Workforce Investment total includes funding for Maryland Business Works, which is targeted to employers.

<sup>3</sup>Does not include funding for the Disability Determination Services Program captured in Chapter 11.

<sup>4</sup>Excludes funds that support career and technology programs captured as part of public education expenditures in Chapter 6.

<sup>5</sup>Excludes funding used to support primary and secondary education at juvenile facilities.

DBED: Department of Business and Economic Development

DHR: Department of Human Resources

DLLR: Department of Labor, Licensing, and Regulation

DPSCS: Department of Public Safety and Correctional Services

MSDE: Maryland State Department of Education

Source: *Fiscal 2015 State Budget Books*; Department of Business and Economic Development; Department of Public Safety and Correctional Services; Department of Human Resources; Maryland State Department of Education; Department of Labor, Licensing, and Regulation

**Exhibit 14.8**  
**Local Workforce Training Expenditures**  
**Fiscal 2013**

<u><b>Jurisdiction</b></u>	<u><b>Training Expenditures</b></u>
Anne Arundel	\$8,659,698
Baltimore City	15,102,655
Baltimore	6,171,481
Carroll	215,447
Frederick	2,631,229
Harford	83,007
<b>Total</b>	<b>\$32,863,517</b>

Note: Reported expenditures may include federal and/or State grants.

Source: *Uniform Financial Reports*; Department of Legislative Services

## **Chapter 15. Management of the State's Natural and Historic Resources**

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Maryland has a longstanding tradition of strong environmental protection, natural resource conservation, and historic preservation. This can be linked to the State's variety of natural resources and the prominent place of the Chesapeake Bay in the culture and identity of the State. With declining fish and shellfish species and forestry reserves; increasing concerns about air pollution; and ongoing concerns about nutrients, pollutants, and toxins in the Chesapeake Bay, public and political interest in environmental protection and smart growth has increased. The protection of open space, clean waters, wildlife, and wildlife habitats provide a myriad of recreational opportunities. Preserving farmland, the farming industry, and open space resources remain critical issues, and there is growing interest in conserving energy and promoting the use of efficient and renewable energy. Similarly, the preservation of historic and cultural resources contributes to the rich quality of life in Maryland.

Balancing development with the protection of these resources is the basic issue driving policy in this arena and involves all levels of government. The federal government has defined clean air and clean water in statute and regulations, delegating the enforcement of major elements to the State. As owners and operators of water, wastewater, and solid waste treatment facilities, local governments are often the subjects of the State's regulatory activities. In addition to federal pollution controls, the State has set broad development policy to reduce urban sprawl and conserve natural resources. These policies translate into a wide array of programs, such as the management of stormwater runoff and erosion prevention, a network of State parks and forests, protection of wildlife habitats, the inspection of agricultural products, and the promotion of energy efficiency and conservation measures. Local governments develop their own growth management plans to be consistent with the State's goals and local needs; these are implemented through their planning and zoning efforts. Historic preservation activities, governed by both federal and State law, are supported by local governments in a variety of ways.

The relationship among the levels of government varies according to the service or policy being implemented. Exhibit 15.1 shows the relationships and the major participants in the broad categories of government activity addressed in this chapter.

**Exhibit 15.1**  
**Major Roles and Responsibilities**

<b>Policy</b>	<b>Federal</b>	<b>State</b>	<b>Local</b>
Planning and Growth Management	U.S. Department of Housing and Urban Development  U.S. Department of Transportation  U.S. Environmental Protection Agency (Interagency Partnership for Sustainable Communities)	Maryland Department of Planning  Smart Growth  Critical Area Commission  Sustainable Growth Commission	Local Comprehensive Plans and Growth Tier Maps  Designation of Priority Funding Areas  Local Zoning Laws
Cultural/Historic Preservation	U.S. Department of the Interior  Advisory Council on Historic Preservation  Institute of Museum and Library Services	Maryland Department of Planning  Maryland Historical Trust	Historic/Preservation District Commissions
Environmental Protection	U.S. Environmental Protection Agency  Clean Water Act  Safe Drinking Water Act  Clean Air Act	Maryland Department of the Environment  Department of Natural Resources  Chesapeake Bay Watershed Initiatives	County Health and/or Environmental Departments (delegated enforcement of environmental laws)  Counties and Municipalities (as owners of water, wastewater, and solid waste facilities)
Natural Resources Management	U.S. Department of the Interior  U.S. Department of Agriculture  Forest Service  U.S. Coast Guard	Department of Natural Resources	Local Parks and Recreation Departments  Local Forestry Boards
Agricultural Services	U.S. Department of Agriculture	Maryland Department of Agriculture  University of Maryland Agricultural Experiment Station and Cooperative Extension Service	Soil Conservation Districts  County Health Departments  Noxious Weed Control
Energy Efficiency and Conservation	U.S. Department of Energy  U.S. Environmental Protection Agency	Maryland Energy Administration	

Source: Department of Legislative Services

## Structure

### Growth Management

The Land Use Article of the Maryland Annotated Code governs zoning and planning in the State and gives significant authority to local governments. Three laws provide for additional State involvement: the Maryland Economic Growth, Resource Protection, and Planning Act of 1992 (Planning Act); the Smart Growth and Neighborhood Conservation Act of 1997 (Priority Funding Areas Act); and the Sustainable Growth and Agricultural Preservation Act of 2012 (Sustainable Growth Act). At the executive level, PlanMaryland, the State’s first comprehensive development plan, provides a policy framework for growth and preservation and a blueprint to help guide State agencies in their decisionmaking on programs and funding for growth and preservation.

The Planning Act articulates the State’s growth policy through several visions – which were updated by 2009 legislation – that seek to concentrate development in suitable areas, protect sensitive areas, and establish funding mechanisms to achieve the visions. The Act also requires local jurisdictions to address these same visions in their comprehensive plans. All local jurisdictions, with few exceptions, incorporated these visions into their comprehensive plans on or before July 1, 1997. Under the Act, local governments are required to review, and if necessary, update their plans once every six years. In addition, the Act requires all local jurisdictions to adopt ordinances and regulations that implement the planning visions and are consistent with the local comprehensive plan.

The State sought to strengthen its efforts to control sprawl, enhance land use, and control pollution with the Priority Funding Areas Act. This Act directs State funding for growth-related infrastructure to Priority Funding Areas, providing a geographic focus for State investment in growth. Priority Funding Areas are existing communities and places where local governments want State funding for future growth. Growth-related projects include most State programs that encourage growth and development such as highways, sewer and water construction, economic development assistance, and State leases or construction of new office facilities. The Act legislatively designated certain areas as Priority Funding Areas and established criteria for locally designated Priority Funding Areas.

The Maryland Sustainable Growth Commission was created in 2010 to analyze and advise on a myriad of planning issues. Commission members represent local and State government as well as business and nonprofit sectors. The commission is charged with identifying regional growth and development issues for the Governor’s Smart

Growth Subcabinet, recommending ways to improve communication and coordination on growth and development issues, reviewing implementation of PlanMaryland, and advising on the local impacts of State growth policies and laws. The commission submits an annual report on its activities and recommendations to the Governor, the Presiding Officers, and specified committees of the General Assembly.

The Sustainable Growth Act further builds on the State's smart growth policy foundation. Enacted in 2012, the Sustainable Growth Act aims to steer future residential growth toward more urban forms of development served by public sewers and away from sprawling development on previously undeveloped lands that require the use of septic systems. The Act establishes four growth tiers based on specified land use characteristics and establishes land use and sewerage restrictions applicable to each tier. A jurisdiction may not authorize a major subdivision served by on-site sewage disposal systems, community sewerage systems, or shared systems unless the jurisdiction has adopted growth tiers consistent with the Act. Adopted growth tiers are incorporated into a jurisdiction's comprehensive plan. The Maryland Department of Planning is responsible for reviewing and providing technical assistance with proposed growth tiers prior to final adoption.

A wide array of State programs have been conceived or modified to incorporate the principles of smart growth, discourage sprawl, and encourage investment in many of Maryland's older, established communities. Many of these go beyond the traditional land use initiatives typically associated with growth management, as shown in Exhibit 15.2, and several State agencies are involved.

## Exhibit 15.2 Selected Smart Growth Initiatives

<u>Program</u>	<u>Responsible Department(s)</u>
<b>Neighborhoods</b>	
Smart Key 4 Employees	DHCD
House Keys 4 Employees	DHCD
Rental Housing Development	DHCD
Maryland Mortgage Program	DHCD
Neighborhood Business Development Program	DHCD
Community Safety and Enhancement Program	MDOT
Community Legacy Program	DHCD
Maryland Building Rehabilitation Code	DHCD
Community Parks and Playgrounds Program	DNR
<b>Job Creation</b>	
Job Creation Tax Credit	DBED
Enterprise Zones	DBED
Maryland Heritage Preservation and Tourism Areas	MDP
Brownfields Redevelopment	MDE and DBED
<b>Public Safety</b>	
Collaborative Supervision and Focused Enforcement	GOCCP
<b>Transportation</b>	
Commuter Choice Maryland	MDOT
Transportation Enhancement Program	MDOT
National Recreational Trails Program	MDOT
Ridesharing Program (Park-and-ride Facilities)	MDOT
Retrofit Sidewalk Program	MDOT
Safe Routes to Schools Program	MDOT
<b>Land Conservation</b>	
Rural Legacy Program	DNR
Program Open Space	DNR
Maryland Agricultural Land Preservation Program	MDA
Conservation Reserve Enhancement Program	MDA
<b>Water and Wastewater Infrastructure</b>	
Water Quality Infrastructure Financing	MDE
Pollution Prevention Technical Assistance	MDE
<b>Climate Adaptation</b>	
Coast Smart Communities Initiative	DNR

DBED: Department of Business and Economic Development  
 DHCD: Department of Housing and Community Development  
 DNR: Department of Natural Resources  
 GOCCP: Governor’s Office of Crime Control and Prevention  
 MDA: Maryland Department of Agriculture  
 MDE: Maryland Department of the Environment  
 MDOT: Maryland Department of Transportation  
 MDP: Maryland Department of Planning

Source: Department of Legislative Services

## **Cultural and Historic Resources Management**

At the State level, historic preservation services are provided by the Maryland Department of Planning's Division of Historical and Cultural Programs. The Maryland Historical Trust, which was established in 1961, is the principal operating unit within the division and is recognized as the State Historic Preservation Office, as per Section 101 of the National Historic Preservation Act. The trust is governed by a 15-member board of trustees appointed by the Governor, the President of the Senate, and the Speaker of the House of Delegates, and is administered by the Maryland Department of Planning. Many historic and cultural preservation programs are administered in partnership with the U.S. Department of the Interior's National Park Service and the Advisory Council on Historic Preservation.

Local governments support historic preservation in a variety of ways, including being the owners and stewards of historic properties, offering tax incentives and grants, and creating historic area overlay zones that are administered by local historic preservation/district commissions. In Maryland, only local governments have the authority to review and approve changes to historic properties owned by individuals. State law allows local jurisdictions to designate historic districts and individual landmarks and review changes to those properties as a way of preserving the historic fabric that makes those properties significant and ensuring that new construction is compatible with the historic nature of those properties. Changes to these locally designated historic districts and properties are reviewed by historic preservation/district commissions that are appointed by local governing bodies.

## **Environmental Protection**

Activities and policies for the protection of the environment and conservation of natural resources are initiated for the most part at the federal and State level. The U.S. Environmental Protection Agency outlines federal requirements and delegates program administration, including statutory and regulatory requirements, to the State. Primary federal law in this category includes the Clear Air Act, Clean Water Act, and Safe Drinking Water Act; aspects of each are administered and enforced by the Maryland Department of the Environment.

All counties and Baltimore City have been delegated responsibility from the State for certain environmental programs. Much of the environmental protection regulation by the State has grown from the need to protect public health. Because of the close link between the environment and public health, local health departments are often the agents through which State or local environmental permitting, inspection, and compliance monitoring are administered. These departments are responsible for county water and

sewerage plans, solid waste issues, building permit reviews, water and sewerage inspections, watershed conservation and restoration, and water quality monitoring and enforcement. A handful of counties have established county-level environmental departments that handle these functions. Local public works departments, planning and zoning departments, and sanitary commissions may also have some delegated responsibility for environmental protection relating to water treatment facilities construction and operation or permit reviews.

Delegations are primarily voluntary agreements in which the local jurisdiction prefers to perform an activity rather than have the State perform it. Control over certain development-related activities (such as building permit reviews) is seen as a critical local issue, influencing a jurisdiction’s ability to expand, develop, and direct growth.

While the Maryland Department of the Environment is the primary agency for environmental management in the State, the Department of Natural Resources also plays a role. Specifically, the Department of Natural Resources is responsible for monitoring and assessing the State’s aquatic, geological, and energy-based resources as well as the health of all the State’s waters.

## **Natural Resources Management**

Where the federal-State-local relationship in the arena of environmental protection is based on federal and State law and regulatory permitting and enforcement, the relationship in areas such as open space, parks and recreation, and natural resource conservation is considerably less technical. At the federal level, parks, lands, and fish and wildlife resources are generally under the direction of the U.S. Department of the Interior. The U.S. Department of Agriculture’s Forest Service manages public lands in national forests and grasslands, and the U.S. Coast Guard enforces maritime laws and regulations. At the State level, the Department of Natural Resources manages the State’s forestry and wildlife conservation efforts; manages and operates State parks and forests; provides natural resource assessments to guide land conservation and restoration plans; and enforces boating, fishing, and hunting laws and regulations.

Shared funding, such as for the conservation of open space and the development of recreational facilities, is a large component of the State-local relationship. Local efforts are usually administered through a parks and recreation department. Twenty-one counties and Baltimore City have departments of parks and recreation; only Allegany and Garrett counties do not. Prince George’s and Montgomery counties are served by the Maryland-National Capital Park and Planning Commission in this regard.

## **Agriculture**

At the federal level, the U.S. Department of Agriculture provides technical services, commodity price support, disaster assistance, conservation programs, risk management assistance, and food safety and inspection services, among other activities. At the State level, agricultural services are primarily under the jurisdiction of the Maryland Department of Agriculture.

Certain pest management and weed control activities are conducted on a cooperative basis by the State and local governments, particularly in the areas of mosquito control, gypsy moth suppression, and noxious weed control. The State and local governments enter into voluntary agreements to undertake programs for control or eradication of these pests; the Maryland Department of Agriculture operates programs in those jurisdictions where no joint agreement is in place.

The Maryland Department of Agriculture's Office of Resource Conservation regulates the use of nutrients on farms and provides financial assistance to support the implementation of agricultural best management practices to protect water quality and conserve natural resources on agricultural land. Much of the agricultural resource conservation activity, however, is carried out by the 24 soil conservation districts, which cover the entire State with the exception of Baltimore City. The boundaries of the districts correspond to county boundaries except in Frederick County, which has two soil conservation districts. Each district is governed by a five-member board of supervisors; one member is appointed by the county governing body and the other four are appointed by the State Soil Conservation Committee. Soil conservation districts are statutorily authorized to regulate land use to conserve soil and soil resources and prevent and control soil erosion.

The University of Maryland provides agricultural research and educational outreach services through the Agricultural Experiment Station and the Cooperative Extension Service. The Agricultural Experiment Station's research priorities include developing appropriate technology for alternative and emerging agricultural industries, improving food quality and human nutrition, and sustaining competitive and profitable agriculture in the State. The Cooperative Extension Service works with community leaders, farmers, businesses, and government partners to provide technical assistance and practical information about, among other things, agricultural, consumer, environmental, nutritional, and life sciences.

## **Energy Conservation and Efficiency**

In response to increasing energy costs, threats of brown-outs, and concerns over the environmental impacts of the use of energy, energy conservation and energy efficiency have become a major focus of national and State policy in recent years. The federal government is involved with promoting energy efficient appliances and the use of renewable energy, largely through the use of tax credit programs. The State’s efforts in this area are administered by the Maryland Energy Administration, an independent unit of State government whose mission is to maximize energy efficiency while promoting economic development, reducing reliance on foreign energy supplies, and improving the environment. The administration’s programs affect local and State government agencies, nonprofit organizations, residential consumers, and commercial and industrial consumers.

## **Services**

Government activity in the area of cultural/historical, agricultural, environmental, and natural resources management falls into several large categories including planning and growth management; cultural and historic preservation; protection of water and air quality; management of parks, forests, open space, wildlife, and fisheries; conservation of agricultural and natural resources; pest and plant management; marketing and consumer services; and energy conservation and efficiency. A number of research, technical, and advisory activities cut across these programmatic lines and are discussed separately.

## **Growth and Cultural/Historic Resources Management**

### **Planning Services**

The Maryland Department of Planning provides information and services that aid State and local governments and nonprofit organizations in supporting desirable growth in Maryland. The department’s State Clearinghouse for Intergovernmental Assistance coordinates review of applications for financial assistance, proposals for direct federal development programs, drafts of environmental impact statements, State plans requiring gubernatorial review, and other actions requiring intergovernmental coordination. The department collects, analyzes, and publishes social, economic, and geographic information relating to the State and its political subdivisions; identifies and evaluates development issues; and disseminates U.S. Census and U.S. Department of Commerce information to State and local governments and the private sector. The department also provides a variety of research, technical, and advisory services that are discussed later in this chapter.

## **Cultural and Historic Preservation Resources**

In addition to its growth management responsibilities, the Maryland Department of Planning plays a central role in the State's cultural and historic preservation efforts, largely through the Maryland Historical Trust. The trust assists the people of Maryland in identifying, studying, evaluating, preserving, protecting, and interpreting the State's significant prehistoric and historic districts, sites, structures, cultural landscapes, heritage areas, cultural objects, and artifacts as well as less tangible human and community traditions. The trust conducts an ongoing program to professionally locate, identify, and document historic and archeological sites on a statewide basis. The trust maintains these survey data in the Maryland Inventory of Historic Properties that currently includes extensive map, documentary, photographic, and graphic data on both historic standing structures and archeological sites.

In addition to its historic resource identification and evaluation activities, the trust is charged with certain regulatory responsibilities. Federal and State preservation laws require responsible governmental agencies to examine the impact of their undertakings on significant cultural resources and to take steps to avoid, reduce, or mitigate any adverse effects. Engaged in thousands of projects each year, ranging from the rehabilitation of a single-family house to large scale transportation projects, trust staff helps to ensure that cultural resources are given full consideration in the planning of projects licensed, permitted, or funded by State and federal agencies.

Protection of historic properties is also carried out by the trust's Historic Preservation Easement Program. Historic preservation easements are covenants that ride with the deed to historic properties to provide for their preservation. When the trust holds such an easement, the agency in effect owns the development rights to the property, and the owner must secure trust approval of changes to the property. Historic preservation easements allow the State to provide for absolute preservation of important properties without the necessity of public ownership. The trust acquires easements through a number of means: as a condition of grants and loans; through bond bills that benefit historic properties; through the sale of State-owned historic properties; and through donations by individual owners.

The trust provides financial assistance to private individuals and for-profit entities engaged in historic preservation activities through the Sustainable Communities Tax Credit Program (formerly the Maryland Heritage Structure Rehabilitation Tax Credit Program), the federal Rehabilitation Tax Credit Program, and the Historic Preservation Revolving Loan Program. The Sustainable Communities Tax Credit Program is discussed in greater detail in Chapter 12 (Housing and Community Development) of this volume of the Legislative Handbook Series. The Historic Preservation Loan Program,

available to nonprofit organizations and local governments, assists with the acquisition, rehabilitation, and restoration of historic properties. Loans are awarded as a lump sum that must be repaid within an agreed upon time period and require conveyance of a perpetual preservation easement on the property.

The trust also administers grant programs that assist in a wide variety of historic preservation-related activities, including supporting local governments and nonprofit organizations for the acquisition, rehabilitation, and restoration of historic properties; preserving buildings, communities, and sites of historical and cultural importance to the African American experience in Maryland; building upon Maryland’s potential for “heritage tourism” by promoting historic preservation and areas of natural beauty to generate jobs; and supporting existing historical museums in a range of museum activities.

The trust operates one historical museum, the Jefferson Patterson Park and Museum. The Jefferson Patterson Park and Museum, located in Calvert County, is responsible for the preservation and interpretation of the State’s 560-acre archeology park and museum. The site, which is listed in the National Register of Historic Places, is one of the richest archeological areas in Maryland and includes sites from every major era of human habitation, going back 9,000 years. The site also includes numerous historic buildings that have been adapted for administrative and museum use and the Maryland Archeological Conservation Laboratory which provides centralized conservation and curation services for over eight million archeological artifacts.

The Canal Place Preservation and Development Authority (Canal Place) was established in 1993 to preserve, develop, and manage the Canal Place Heritage Area in downtown Cumberland. Canal Place is charged with transforming the area into a major heritage tourism destination. Its responsibilities are directed by a nine-member commission and include preserving or assisting in the preservation of buildings, structures, and settings of historical value; conducting activities that educate the public about the history and significance of the heritage area; providing recreational uses of the heritage area; and facilitating economic development in the heritage area, such as through public and private investment in adaptive reuse, interpretive attractions, or other activities.

Historic St. Mary’s City is an outdoor history and archaeology museum that preserves, researches, and interprets the site of Maryland’s first capital. The Historic St. Mary’s City Commission, an independent unit of State government, is part of the multi-year capital improvement plan with St. Mary’s College of Maryland, known as the Maryland Heritage Project. The mission of the commission is to appropriately develop and use this historic and scenic site for the education, enjoyment, and general benefit of

the public. It is the goal of the commission that the archaeological sites and collections, scenic views, and rural character of the historic city be safeguarded by preservation and research practices consistent with its status as a National Historic Landmark District.

The Maryland African American Museum Corporation was created in 1998 to plan, develop, and manage a Maryland Museum of African American History and Culture in Baltimore City. The museum opened in June 2005. The museum's mission is to educate the public about the contributions and experiences of African American Marylanders; to provide research facilities for scholars, students, and others; and to provide public programming, educational opportunities, and community outreach. The corporation is a public instrumentality and an independent unit in the Executive Branch. A 37-member board of directors manages the corporation's affairs.

## **Water Resources Management**

### **Water Resources – Generally**

The Maryland Department of the Environment is the State's lead agency for water pollution control and the protection of the State's public drinking water supply. The Water Pollution Control Program protects the State's ground and surface waters, issues water pollution control permits and monitors them for compliance, and protects tidal and nontidal wetlands. Among other things, the program regulates industrial and municipal wastewater discharges, mining and reclamation activities, gas and oil-well drilling, sediment and erosion control, and stormwater management. The Water Supply Program issues standards pursuant to the federal Safe Drinking Water Act, issues certificates of potability for community and nontransient noncommunity water system wells, and inspects and monitors community water supply systems. The Engineering and Capital Projects Program reviews and approves design plans for water treatment and distribution works including inspecting the construction of such facilities when applicable.

Effective management of stormwater runoff reduces stream channel erosion, pollution, siltation and sedimentation, and local flooding. State law requires each county and municipal corporation to adopt ordinances necessary to implement a stormwater management program and to restrict the development or grading of any land unless the landowner has submitted a stormwater management plan for local approval. Every three years, the department is required to review the stormwater management programs of the counties and municipalities and monitor their implementation. The department also provides technical assistance, training, research, and coordination services to local governments in the preparation and implementation of their stormwater management plans. Legislation enacted in 2007, along with emergency regulations adopted in April 2010, require the use of "environmental site design" to the maximum extent

practicable in stormwater management practices. The goal of the regulations is to maintain after development, as nearly as possible, the predevelopment runoff characteristics. Legislation enacted in 2012 requires certain jurisdictions to establish an annual stormwater remediation fee and a local watershed protection and restoration fund to provide financial assistance for the implementation of local stormwater management plans.

State law also requires each county to develop a comprehensive county plan for the adequate provision of water supply systems, sewerage systems, and solid waste collection and disposal. Each plan, which is required to cover a 10-year period and to be adopted by the county governing body, should anticipate the water, wastewater, and solid waste infrastructure needs of the county; identify the geographic extension of these infrastructures in accordance with the jurisdiction’s growth management objectives; and outline the county’s method(s) for achieving statutorily established recycling goals. The plan must be reviewed and amended as needed every three years and submitted to the department for approval. No State or local building permit may be issued or subdivision plat approved unless the county plan accommodates the needs of the project, and the department may not issue a permit for water supply, a sewerage system, or a solid waste disposal system in a county that does not have an approved plan.

Local governments, as owners and operators of water and wastewater treatment plants and solid waste disposal facilities, are the subject of much of the department’s permitting, regulatory review, and monitoring activities. The State certifies environmental sanitarians, water and wastewater treatment plant operators, and well drillers and offers technical assistance and training opportunities to ensure the safe and legal operation of these facilities.

The Maryland Department of the Environment also operates a number of capital grant and loan programs to share the costs of capital improvement projects with local and federal governments. The Engineering and Capital Projects Program and the Water Quality Financing Administration help local governments secure funding and plan, design, and construct capital projects, such as water and wastewater treatment plants, collection and distribution systems, and pumping stations. The Water Quality Financing Administration administers eight financial assistance programs that support these and other water quality capital projects: the Water Quality Revolving Loan Fund; the Drinking Water Revolving Loan Fund; the Water Supply Assistance Grant Program; the Biological Nutrient Removal Cost-Share Grant Program; the Bay Restoration Fund Enhanced Nutrient Removal Grant Program; the Bay Restoration Fund Septic System Grant Program; the Supplemental Assistance Grant Program; and the Linked Deposit Program. Some of these financial assistance programs are discussed in more detail below under “Chesapeake Bay Watershed Programs and Initiatives.”

The following programmatic responsibilities associated with the enforcement of regulations to protect water quality have been delegated to the 23 counties and Baltimore City:

- approving subdivision plats;
- reviewing improvements to properties serviced by private water and/or sewerage disposal systems;
- issuing certificates of potability for individual water systems and transient noncommunity water systems;
- issuing well permits and inspecting well construction;
- evaluating suitability and inspecting the construction of on-site sewerage disposal systems;
- enforcing drinking water regulations for transient noncommunity water systems, including monitoring, inspecting, tracking, and enforcing compliance;
- monitoring, reporting, and making notifications related to public bathing beaches; and
- collecting funds, identifying users of septic systems, developing a billing mechanism, and providing septic system upgrade grants to homeowners and businesses under the Bay Restoration Fund.

Local jurisdictions have additional water resources management responsibilities. Twenty counties have been delegated the authority to oversee regulation of transient water systems. In addition, the State has delegated pretreatment program responsibilities to 20 local programs; these programs protect local agency sewage treatment plants from industrial/commercial wastewater which may interfere with treatment processes, contaminate sewage sludge, or pass through sewage treatment plants. In addition, 14 counties, Baltimore City, eight municipalities, and the Washington Suburban Sanitary Commission have been delegated enforcement authority for erosion and sediment control where the department has determined that the local government would have sufficient capability to effectively enforce sediment control plans. The department may also delegate the inspection and monitoring of sewage sludge and sewage sludge utilization sites to counties upon request. Caroline, Queen Anne's, and Worcester counties currently have this authority. An agreement granting this authority to Cecil County is expected to be finalized in 2014.

The Resource Assessment Service within the Department of Natural Resources is responsible for technical assessment and monitoring of the health of the State’s water resources, including monitoring harmful algae blooms, performing technical assessments of the Port of Baltimore channel dredging needs and disposal options, and conducting submerged aquatic vegetation restoration activities. The department’s assessments are used for regulatory and permitting purposes in conjunction with other agencies.

### **Chesapeake Bay Watershed Programs and Initiatives**

The Chesapeake Bay is a unique asset of the State of Maryland, and its protection is the subject of a host of water, air, and waste management regulatory activities as well as land use initiatives. Since most of the State is located in the bay watershed, statewide efforts to reduce pollution and erosion are critical to restoring and maintaining the health of the bay.

The health of the Chesapeake Bay has degraded significantly over the past few decades in spite of the adoption of a number of intergovernmental agreements that sought to restore its water quality and living resources. In 1983, Virginia, Maryland, Pennsylvania, the District of Columbia, the Chesapeake Bay Commission, and the U.S. Environmental Protection Agency signed an historic agreement that established the Chesapeake Bay Program partnership to protect and restore the Chesapeake Bay’s ecosystem. The signatories updated and strengthened the agreement in 1987, 2000, and 2014. The most recent version of the agreement added New York, West Virginia, and Delaware as signatories, making them full partners in the Chesapeake Bay Program and the Chesapeake Executive Council.

Progress in meeting the voluntary goals set by the Chesapeake Bay Program agreements has been slow. In response to the perceived failure of the Chesapeake 2000 Agreement to effect real change for the bay, a new framework emerged in 2009 that emphasizes stronger oversight of the Chesapeake Bay restoration process by the federal government. The new framework is characterized by the (1) development of a bay-wide pollutant allocation, known as a Total Maximum Daily Load; (2) adoption of new two-year incremental goals called “milestones” to restore the bay; and (3) issuance of a federal executive order requiring federal agencies to develop and lead restoration efforts. To meet federal requirements, Maryland must reduce its contribution of nitrogen to the Chesapeake Bay to 39.09 million pounds per year by 2020, and must reduce its contribution of phosphorus to the Chesapeake Bay to 2.72 million pounds per year by 2020. Specific strategies for meeting these target reductions are outlined in the State’s Phase I and Phase II Watershed Implementation Plans. In 2012, the Maryland Department of the Environment reported that the State had met the first of its two-year milestones under these plans, having successfully reduced nitrogen loads by 3.75 million

pounds (6.9%) and phosphorus loads by 193,000 pounds (5.1%) relative to calendar 2008 load levels.

To restore the Chesapeake Bay, Maryland must not only reduce its current nutrient load, but also hold the line against new pollution. The State is expected to add an estimated 478,000 households by 2035, which will add more than 2 million pounds of nutrient pollution to the bay per year. As required by the State's Watershed Implementation Plans, Maryland is developing an Accounting for Growth policy that will address the increase in the State's pollution load from increased population growth and new development. Maryland's plan for addressing pollution load from new development centers on (1) the strategic allotment of nutrient loads to large wastewater treatment plants to accommodate growth and (2) the requirement that all other new loads must be offset by securing pollution credits. A key component of this plan is the implementation of a robust nutrient trading market.

In Maryland, development and implementation of strategies to meet Chesapeake Bay restoration goals are shared by the Department of Natural Resources, Maryland Department of Planning, Maryland Department of Agriculture, Maryland Department of the Environment, and University System of Maryland. The Department of Natural Resources coordinates the effort through the BayStat process. BayStat was created by executive order in February 2007 as an accountability process for measuring and evaluating State initiatives directed toward restoring the Chesapeake Bay, with the intent of ensuring those government programs are coordinated and operating at their highest efficiency. At monthly BayStat meetings, State agencies assess progress, evaluate program and policy strengths and weaknesses, and adjust efforts accordingly.

The Watershed Services Unit within the Department of Natural Resources provides funding and technical assistance for the protection, conservation, and restoration of water quality and living resources habitats in the Chesapeake and Coastal Bays watersheds. Services include assistance with restoration projects, environmental education, watershed and landscape analysis, and mapping.

The 1984 Chesapeake Bay Critical Area Protection Act was the State's response to the loss of viable shoreline and buffer zones along the Chesapeake Bay. The Act established the Chesapeake Bay Critical Area Commission, a planning body with authority over land bordering the bay within 1,000 feet of the tidal waters' edge or from the landward edge of adjacent wetlands. The Atlantic Coastal Bays Protection Act of 2002 applied the provisions of the Critical Area Law to the State's coastal bays in Worcester County and Ocean City to foster more sensitive development in those areas. The critical areas comprise 680,000 acres or approximately 11% of the State's land area, within 16 counties, 47 municipalities, and Baltimore City. The law requires affected

local governments to develop local critical areas programs consistent with State guidelines and oversight. Technical assistance to local governments is available from the commission staff and from the Maryland Department of Planning, particularly in those jurisdictions without a professional staff planner.

A number of State grant programs address nutrient reduction goals and other Chesapeake Bay water quality issues. Legislation enacted in 2007 established the Chesapeake Bay 2010 Trust Fund and provided financing for the fund by dedicating a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals to the trust fund. The trust fund was expanded and renamed the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in 2008 and was required to be used for nonpoint source pollution control projects. The BayStat Subcabinet administers the trust fund.

In an effort to reduce nitrogen and phosphorus loading into the Chesapeake Bay from point sources, the Bay Restoration Fund was established in 2004. The main goal of the fund is to provide the grants necessary to upgrade (1) wastewater treatment facilities with technology capable of meeting “enhanced nutrient removal” and (2) failing septic systems and holding tanks with the best available technology for nitrogen removal. Financed by a fee on users of wastewater facilities, septic systems, and sewage holding tanks, the fund provides grants to facility owners for up to 100% of eligible costs to install enhanced nutrient removal technology. Of the revenue collected from users of septic systems and sewage holding tanks, 60% is allocated to upgrading failing septic systems, while 40% is transferred to the Maryland Department of Agriculture to provide financial assistance to farmers for planting cover crops.

To address concerns about excessive levels of nutrients from animal waste runoff, the General Assembly adopted the Water Quality Improvement Act of 1998, which is enforced primarily by the Maryland Department of Agriculture. The Act requires certain agricultural operations to develop and implement nutrient management plans in an effort to reduce nutrient loading to the bay. The Maryland Agricultural Water Quality Cost Share Program provides financial assistance to Maryland farmers for installing qualifying best management practices that reduce soil and nutrient runoff from farmland. This program and other resource conservation assistance programs are discussed in greater detail under Agriculture – Agricultural Resource Conservation.

## **Waste Management**

The Maryland Department of the Environment’s Land Management Administration protects human health and preserves and restores the State’s land and water resources by reducing the quantity and toxicity of generated wastes through

recycling and source reduction; ensuring the control and proper disposal of waste; managing lead paint compliance; assuring that oil is handled in an environmentally safe manner; and overseeing the remediation of contaminated sites for viable economic development. The administration achieves these goals by maintaining a presence in the regulated community, providing assistance to stakeholders, and developing long-term strategies for waste management needs.

The department has delegated authority to inspect septic system waste haulers to all local environmental health authorities. Other functions delegated to at least some local authorities include: monitoring and inspecting supplemental sewage sludge; handling septic system waste complaints not related to facilities permitted by the department; and performing certain well sampling activities in the case of confirmed or suspected groundwater contamination at a landfill.

### **Maryland Environmental Service**

The Maryland Environmental Service is an instrumentality of the State and a self-supporting, not-for-profit public corporation that serves State, local, and federal agencies and the private sector through designing, planning, financing, constructing, and operating projects for water and wastewater treatment, solid waste management, composting, recycling, dredged material management, hazardous materials cleanup, and renewable energy. The service operates more than 200 water and wastewater treatment facilities as well as solid waste transfer stations, material recycling facilities, the Cox Creek Dredged Material Containment Facility, the Poplar Island Dredged Material Beneficial Use Project, the Midshore Regional Landfill, two yard debris composting facilities, and the wood fired cogeneration plant that supplies the Eastern Correctional Institution in Westover with electricity and steam.

The Maryland Environmental Service operates on a fee-for-service basis under contract. The service is responsible for more than 375 projects located in every jurisdiction in the State. In fiscal 2013, the Maryland Environmental Service did \$111.1 million in business.

### **Air Pollution Control**

The Air and Radiation Management Administration of the Maryland Department of the Environment operates the State's air pollution control programs under the framework established by the federal Clean Air Act. The Clean Air Act requires all areas of the country to achieve specific air quality standards for carbon monoxide, nitrogen dioxide, ozone, sulfur dioxide, lead, and particulate matter (coarse and fine). The Act provides penalties for states failing to achieve the standards. Penalties include limits on

new industries, loss of federal highway funds, and imposition of a federal implementation plan. Areas within Maryland that meet the air quality standards are designated as being in attainment; areas that do not meet the standards are designated as being in nonattainment. While all of Maryland is currently designated as being in attainment for lead, sulfur dioxide, nitrogen dioxide, and carbon monoxide, portions of Maryland are designated as being in nonattainment for ozone and fine particulate matter.

The department’s air management program monitors ambient air pollution levels, develops plans to achieve and maintain air quality standards, issues permits to sources that emit pollutants, enforces permits and regulations to control air emissions, provides technical assistance to businesses attempting to comply with Clean Air Act requirements, licenses asbestos removal contractors and accredits asbestos training providers, administers a radiation control program, and implements measures and programs to reduce motor vehicle related pollution, including the State’s Vehicle Emissions Inspection Program.

The department’s Air and Radiation Management Administration is also the State’s lead agency with respect to climate change. In that regard, it administers Maryland’s participation in the Regional Greenhouse Gas Initiative, a cooperative effort by nine Northeast and Mid-Atlantic states to reduce carbon dioxide emissions from electric generating plants. The initiative requires each participating state to auction at least 25% of its carbon dioxide allowances and use the money for a public benefits fund to promote energy efficiency, fund renewable energy sources, provide ratepayer rebates, research new technologies, and pay administrative costs. In Maryland, the auction proceeds are deposited within the Maryland Strategic Energy Investment Fund administered by the Maryland Energy Administration. The department receives some of the proceeds for its climate change activities.

The role of local health or environmental agencies in air pollution control is limited. The State has historically been the primary regulatory agent in the field of air pollution control because pollution issues are not contained by local government boundaries and a considerable level of costly technical expertise is needed to sufficiently evaluate, review, and make permit decisions regarding pollution emitting industries.

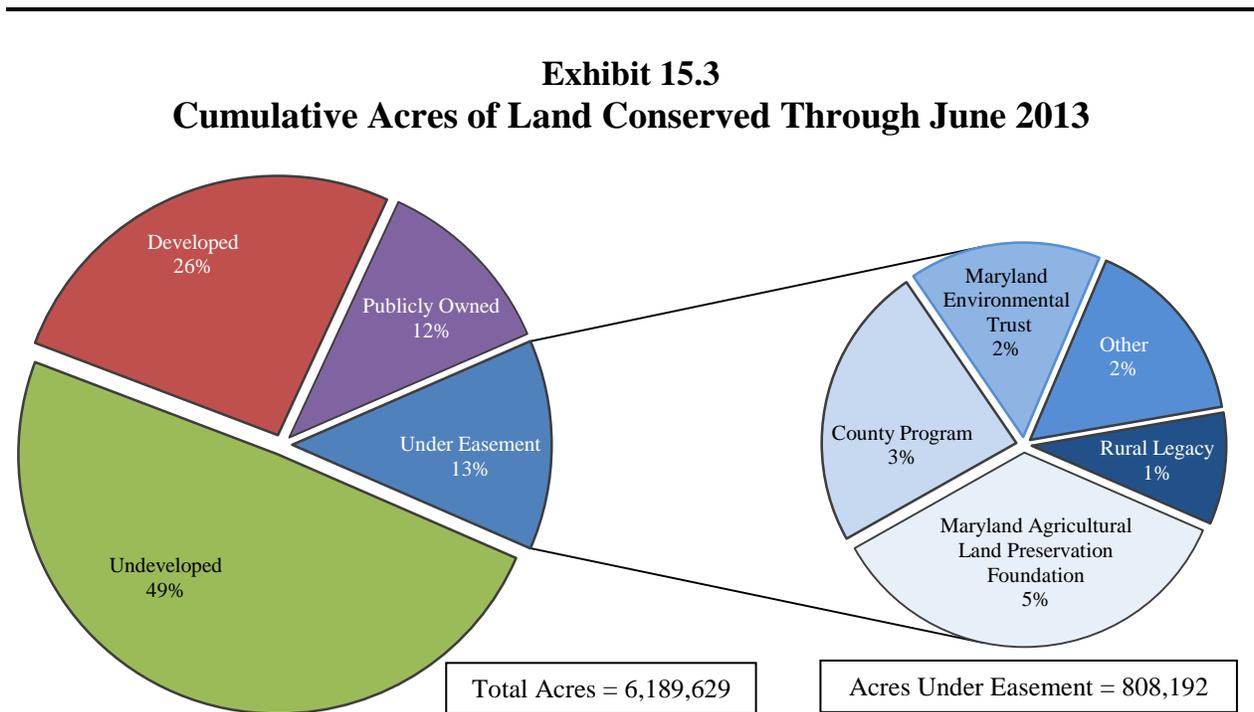
## **Natural Resources Management**

The Department of Natural Resources is charged with ensuring the preservation, development, wise use, and enjoyment of the State’s natural resources, including the Chesapeake Bay. The department’s responsibilities include the following: to preserve and restore the State’s natural ecosystems; to protect and develop fisheries and wildlife habitats to maintain biodiversity and to provide for the reasonable, safe, and appropriate

level of sport hunting and fishing; and to manage, develop, and police the State parks, forests, and wildlife management areas. The Department of Natural Resources also administers a number of programs involving technical assistance; natural resource assessments; resource planning; grants management; and design, engineering, and construction services.

### Conservation of Open Space

The State manages a number of programs designed to conserve and protect the amount of open space, rural resource land, key habitat land, forested space, and beach acreage, often in partnership with local governments. The State also protects certain areas as wildlands. Exhibit 15.3 shows the development status of the State's acreage and the percentage of acres under easement by program.



Source: Maryland Department of Agriculture; Department of Natural Resources; Maryland Department of Planning; Department of Legislative Services

Over the last 58 years, Maryland has lost more than 450,000 acres of forest. The Forestry Program provides technical advice and assistance to individuals and communities regarding the proper management, care, and protection of forest resources. Key activities include tree planting programs, sustainable forest management assistance,

and forest restoration and conservation efforts. The Forest Conservation Act provides a set of minimum standards that developers must follow when designing a new project that affects forest land and requires local governments to develop and implement a State-approved local forest conservation program. The Forest Preservation Act of 2013 establishes that it is the policy of the State to achieve no net loss of forest – meaning that 40% of all public and private land in Maryland should remain covered by tree canopy. Under the Forest Preservation Act of 2013, the Department of Natural Resources is required to conduct a statewide forest resources inventory at least every five years and to provide local jurisdictions with guidelines, recommendations, and technical assistance on policies to protect forest land and urban tree canopy from adverse effects.

The Land Acquisition and Planning Program provides statewide natural resource, conservation, and recreational planning support and policy guidance for more than 460,000 acres of public land and protected open spaces. Major program activities include (1) acquisition of public lands and landscape-scale protection of natural resources through conservation easements, technical support, and administration of open space grants to local governments; (2) interdisciplinary review of new acquisitions and proposed activities on public lands; (3) development of a statewide recreational trails system; and (4) technical support for management of more than 4,000 miles of public lands boundaries and of curatorships and leases on public lands.

Program Open Space, established in 1969 and administered by the Department of Natural Resources, provides funds for State and local conservation acquisitions and development of public outdoor recreational sites, facilities, and open space. The State share of Program Open Space focuses on the acquisition of land for natural resource conservation with the inclusion of low-impact recreational activities where appropriate. The local jurisdictions’ share of Program Open Space is used primarily for the acquisition and development of high-impact recreational sites and facilities. As of the end of fiscal 2013, the State share had conserved 317,897 acres and the local share had conserved 45,383 acres. While bond funds were provided most recently, Program Open Space is principally funded through special funds derived from the State’s transfer tax which imposes a 0.5% tax on all real property recorded in the State.

The Rural Legacy Program, designed to provide funding for local governments and conservation organizations (such as land trusts) to purchase property and conservation easements within designated “rural legacy” areas, was enacted in 1997. Local governments and land trusts may apply to the Rural Legacy Board to designate rural legacy areas and for grant funds to preserve land in the rural legacy areas. Criteria for designation include the significance of the resources proposed for protection; the ability to protect blocks of land; the nature, size, and importance of the area to be protected; the value of resource-based industries such as agriculture, forestry, recreation,

and tourism; the degree to which existing planning, zoning, and growth-management policies contribute to land conservation; and the availability of matching funds. As of the end of fiscal 2013, the board had designated 33 rural legacy areas in 23 counties, awarded over \$239 million in grants for the purchase of easements or fee interests in land, and protected 77,095 acres of land.

The Maryland Environmental Trust protects the natural resource, environmental, cultural, rural, agricultural, woodland, wetland, and scenic characteristics of the State primarily through donated conservation easements. More than 1,000 individual easements covering more than 131,000 acres are protected and managed by the trust. The trust has assisted in the formation and operation of more than 50 local nonprofit land trusts through the Local Land Trust Assistance Program and an informal network known as the Maryland Land Trust Alliance.

The Ocean City Beach Replenishment Program is the result of a federal-State-local commitment to reestablish and stabilize the Atlantic shore. Following completion of initial construction in 1994, periodic nourishment projects have continued on a four-year cycle. Continued replenishment is jointly funded by the State, Worcester County, Ocean City, and the U.S. Army Corps of Engineers. Generally, the State contributes \$1 million annually to the maintenance fund, and Ocean City and the county each contribute \$500,000 annually. Now in the operations and maintenance phase, the department annually contracts for work such as pedestrian crossover repairs, dune grass planting and fertilization, and fencing repairs.

The State wildlands preservation system protects natural areas by limiting construction, prohibiting commercial enterprise, barring the transplantation of nonnative wildlife, and otherwise leaving the land unimpaired for future use and enjoyment. Activities such as hunting, fishing, trapping, hiking, boating, and snow skiing are allowed in wildlands. Wildlands may only be designated by an act of the General Assembly. During the 2014 legislative session, the General Assembly approved the expansion of 14 existing wildland areas and the designation of 9 new wildland areas. As a result, beginning October 1, 2014, the State wildlands preservation system will encompass 38 designated wildlands covering more than 65,000 acres.

### **Parks, Forests, and Recreation**

The Maryland Park Service manages and operates 91 State parks, natural environment areas, and natural resources management areas across the State. More than 140,000 acres are under management. The service estimates that there were 10.1 million park visitors during fiscal 2013. Assateague State Park and Patapsco Valley State Park are the most visited sites, with 1.4 million and 800,000 estimated visitors,

respectively. The service’s 24 revenue generating operations garnered \$2.1 million in fiscal 2013 and include camp stores, concession areas, boat rentals, gift shops, and marinas.

According to the Department of Natural Resource’s *2013 Acreage Report*, there are 12 State forests covering 143,430 acres. These areas are managed by the department’s Forest Service. The Forest Service also manages the State-owned Chesapeake Forest Lands, which are formerly industrial forests that are now part of a sustainable management project. The Chesapeake Forest Lands encompass more than 67,000 acres in five counties on the Eastern Shore. In addition to managing forests, the Forest Service also oversees tree harvesting and planting, forest fire protection, and the licensing of tree experts and enforces regulations such as open-air burning restrictions. In addition, the department’s Wildlife and Heritage Service manages 47 wildlife management areas that cover more than 112,000 acres throughout the State.

State law permits all counties to establish, maintain, and conduct a comprehensive program of public recreation and parks for the benefit of the citizens within their respective jurisdictions. Municipalities are granted similar authority. The Land Use Article of the Annotated Code authorizes the Maryland-National Capital Park and Planning Commission to acquire property for parks, parkways, etc., and to have control of the maintenance and operation thereof in Montgomery and Prince George’s counties. In addition, the commission is authorized to provide an adequate and balanced program of recreation to serve the residents of Prince George’s County.

Outdoor recreation activities supported by county departments of parks and recreation are grouped into four major types:

- facility-oriented activities, including archery, basketball, baseball, softball, field sports, golf, ice skating, concerts, swimming, and tennis, which are typically dependent on large scale structures or developed areas;
- forest- and nature-oriented activities, including camping, hunting, nature walks, and picnicking, which are usually associated with natural, scenic areas of the State;
- water-oriented activities, including boating, water-skiing, fishing, and beach swimming, which are by necessity located adjacent to bodies of water; and
- trail- and slope-oriented activities, including biking, hiking, horseback riding, off-road vehicles, and cross-country and downhill skiing.

Since fiscal 2002, the State budget has included funds for the Community Parks and Playgrounds Program to provide grants to municipalities to rehabilitate, expand, or improve existing parks or to create new parks. Funds for the program are targeted to older neighborhoods and intensely developed areas throughout the State. Through July 2014, \$57.4 million in funding had been approved for 594 park and playground projects.

### **Wildlife and Fisheries Management**

The conservation of Maryland's varied wildlife resources comes under the jurisdiction of the Department of Natural Resources' Wildlife and Heritage Service. The mission of the service is to conserve Maryland's native wildlife and plants using scientific expertise and informed public input. A number of significant public policy issues involve wildlife, such as deer overabundance and black bear management. In addition to managing wildlife management areas, the service regulates hunting on public lands; monitors nongame wildlife, rare species, and habitat health; and seeks to restore critical plant and wildlife habitat.

The Maryland Fisheries Service is responsible for the conservation, management, and allocation of Maryland's fisheries resources to ensure the long-term sustainability and best ecological, recreational, and economic use of these resources, including the regulation of recreational commercial fishing activities. Valuable recreational and commercial fisheries are monitored and supported within target fishing rates to prevent overfishing. The service manages hatcheries and maintains a freshwater trout stocking program of approximately 500,000 fish annually. Oyster habitat is expanded through creation of new shell reefs and protected sanctuaries to increase the number and biomass of oysters and additional brood stock for future natural oyster production. Maryland commercial fisheries yielded 73.4 million pounds of product in 2012 valued at \$77.9 million.

### **Agencywide Services**

The Maryland Natural Resources Police serves as a public safety agency with statewide authority to enforce all natural resources and conservation laws and regulations relating to seafood harvesting and sport fishing, boating, waterways pollution, wildlife conservation, and activities in State parks, forests, and other public lands. In addition, the department's police force is responsible for maritime and rural search and rescue and is the lead agency for maritime homeland security on State waterways. The police force is composed of 241 sworn law enforcement positions and is supported by 71 civilians and a cadre of 200 reserve officers in a special volunteer program. The Natural Resources Police also provides public education in the areas of hunting, boating, and water safety.

The Licensing and Registration Service of the Department of Natural Resources titles and registers vessels and issues fishing and hunting licenses. In fiscal 2013, the unit collected \$33.8 million in vessel excise tax payments, vessel titling and registration fee payments, commercial fishing license fees, and sport hunting and fishing license fees. On an annual basis, the service renews the registrations of about one-half of the more than 200,000 registered and documented vessels in the State; renews the commercial fishing licenses of approximately 7,200 commercial watermen; sells more than 370,000 recreational hunting licenses, stamps, and permits; and sells more than 460,000 recreational fishing and crabbing licenses.

## **Agriculture**

Government activity in the agricultural area, primarily under the jurisdiction of the Maryland Department of Agriculture, falls into four major categories: resource conservation, agricultural land preservation, plant industries and pest management, and marketing and consumer services. The Maryland Agricultural Commission is an advisory body to the Secretary of the department and promotes agricultural improvements and the State’s agricultural industries and products.

### **Agricultural Resource Conservation**

Nutrient management has become a key role of the Maryland Department of Agriculture since the enactment of the Water Quality Improvement Act of 1998. The department reviews nutrient management plans submitted by agricultural operations, inspects farms to ensure compliance, and generally enforces the Act.

The Maryland Department of Agriculture administers several financial assistance programs addressing nutrient management, soil erosion, and agricultural runoff. The Cover Crop Program gives grants to farmers to plant cover crops on their fields immediately following the summer crop harvest. Small grains, such as wheat, rye, or barley, planted as cover crops in the fall, absorb unused nutrients, control soil erosion, and protect water quality in the bay and its tributaries. The Maryland Agricultural Water Quality Cost Share Program provides cost-share assistance to landowners installing best management practices on agricultural land. The management practices are designed to reduce water pollution caused by nutrient runoff, sediment erosion, animal wastes, and agricultural chemicals. The Conservation Reserve Enhancement Program, which is a federal-State initiative, provides annual payments to farmers to plant streamside buffers, create wetlands, and provide wildlife habitat on enrolled lands.

Three additional financial assistance programs were implemented as a result of the Water Quality Improvement Act. The department offers a cost-share program for those farmers who choose to use a private certified nutrient management planner to develop their plans; alternatively, farmers may be certified to develop their own plans or request that their plans be developed by a nutrient management planner from the University of Maryland Cooperative Extension Service. The department also administers the Manure Transport Program, which provides cost-share assistance to farmers to help offset transportation, loading, and handling costs associated with transporting excess manure off their farms. The Maryland Income Tax Subtraction Modification for Conservation Equipment is available to help farmers offset costs associated with buying certain types of conservation equipment to control soil erosion, manage nutrients, and protect water quality in streams, rivers, and the Chesapeake Bay.

In 2013, the General Assembly established the voluntary Maryland Agricultural Certainty Program to further encourage the implementation of agricultural best management practices to meet State agricultural nitrogen, phosphorus, and sediment reduction goals. The program allows the department to certify an agricultural operation that (1) has a fully implemented soil conservation and water quality plan and nutrient management plan; (2) meets certain nitrogen, phosphorus, and sediment load reduction goals; and (3) complies with all State and federal laws, regulations, and permit conditions relating to agricultural sources of nitrogen, phosphorus, or sediment reduction applicable to the operation. A certification is valid for 10 years, during which time the operation is exempt from any newly enacted State or local laws and regulations relating to meeting State water quality requirements.

The Office of Resource Conservation works closely with farmers and soil conservation districts to plan and implement conservation practices and programs that balance crop and livestock production with the need to protect natural resources. The office's responsibilities include staffing the State Soil Conservation Committee, providing financial and technical assistance to the 24 soil conservation districts, coordinating with the Cooperative Extension Service to help individual farmers plan for nutrient management, and providing public information and educational outreach materials.

The 24 Soil Conservation Districts in Maryland are self-governing entities that promote soil, water, and related natural resource programs and implement technical assistance, educational, and cooperative efforts. The districts are staffed by soil conservation professionals who help local landowners and residents install best management practices that reduce erosion and improve water quality. The districts are not regulatory agencies; rather, they work to enhance farming operations while conserving soil and preserving clean water.

### **Agricultural Land Preservation**

The Maryland Agricultural Land Preservation Program, which was established by the General Assembly in 1977 and is part of the department, purchases agricultural preservation easements that restrict development on prime farmland and woodland in perpetuity. In addition to funding from the State transfer tax, the program is funded with agricultural land transfer taxes, local matching funds, U.S. Department of Agriculture Federal Farmland Protection Program funds, and, in some years, general obligation bond funds. The Maryland Agricultural Land Preservation Program settled on its first purchased easement in October 1980. As of July 2013, the program had cumulatively purchased or had a pending contract to purchase conservation easements on 2,102 farms covering 285,902 acres.

The program is governed by a 13-member foundation (the Maryland Agricultural Land Preservation Foundation) and requires participating local governments to appoint advisory boards. These local boards advise the county government on the establishment of county agricultural districts and make recommendations to the foundation on the purchase of development rights easements.

In 2002, the General Assembly passed a resolution that set a goal for the State to preserve three times the existing number of acres of productive agricultural land by the year 2022 under the Maryland Agricultural Land Preservation Foundation, Rural Legacy, and other preservation programs. As of March 2014, 56.6% of that goal had been achieved with 582,942 farmland acres protected under these various programs.

Anne Arundel, Baltimore, Carroll, Cecil, Frederick, Harford, Kent, Montgomery, Queen Anne’s, St. Mary’s, Talbot, Washington, and Worcester counties operate certified agricultural land preservation programs. The Maryland Department of Planning and the Maryland Agricultural Land Preservation Foundation certify programs based on the applicant’s potential for a successful program, which includes a financial commitment to purchase easements and effective land use tools to control development in agricultural areas. Certified counties are eligible for additional program funds.

### **Plant Industries and Pest Management**

Pest management programs, under the direction of the Maryland Department of Agriculture, address plants and insects that are considered dangerous or nuisances. Gypsy moth control is a major focus of the State’s forestry pest management program. Since 1980, the gypsy moth has defoliated more than one million acres in the State. State officials monitor and assess forest insect and disease situations and determine the appropriate application of aerial pesticides. The cost of providing gypsy moth services is

shared among the federal, State, and local governments as well as private landowners. During the 2013 season, 11,994 acres were treated statewide.

Mosquito control efforts are also shared between the State and local governments. The department can enter into agreements with local governments to construct or maintain facilities (such as ditches or dams) or use insecticides to reduce the mosquito population, with the costs shared by the State and local government. Currently, all counties except Allegany participate in this program. The State fully funds mosquito control activities on State-owned land, with primary attention paid to State parks. While funding is often shared between the State and local governments, mosquito control activities are generally conducted by the department. In fiscal 2013, the department treated 1.9 million acres statewide.

In the control and eradication of noxious weeds including Johnson grass, shatter cane, thistles, and multiflora rose, the department works in cooperation with county governments. Under voluntary State-local agreements, the parties determine the extent of the problem, work with landowners to implement control measures, and undertake mowing, spraying, or other eradication measures. Sixteen counties (all except Allegany, Anne Arundel, Garrett, Kent, Prince George's, Somerset, and Worcester) have entered into cooperative agreements with the State for noxious weed control. Participating counties are required to appoint a weed advisory committee and a weed control coordinator.

Other departmental plant protection activities include nursery inspection, plant quarantine, nuisance bird control, and registration of honey bee colonies. The department also regulates the use of pesticides, licenses businesses that commercially apply pesticides, trains and certifies pesticide applicators, and enforces pesticide laws and regulations. The Turf and Seed Program conducts certification programs to ensure that these products meet purity, variety, germination, and labeling standards. The State Chemist administers laws requiring the registration of products; examination of labels; and chemical analysis of pesticides, commercial fertilizers, feeds, pet foods, compost, soil conditioners, and liming materials sold in the State.

### **Marketing, Animal Industries, and Consumer Services**

The Maryland Department of Agriculture's Office of Marketing, Animal Industries, and Consumer Services implements programs that promote Maryland agricultural products, assist agricultural industries, and ensure consumer confidence. Marketing activities include developing and promoting farmers' markets, linking foreign and domestic buyers of agricultural products with Maryland farmers, conducting seminars on exportation, promoting local agricultural products to Maryland consumers,

promoting the aquaculture and seafood industries, and certifying organic products. The Maryland Agricultural Fair Board promotes and provides assistance to agricultural fairs, exhibits, and youth organizations. The department is also involved with helping farmers transition from growing tobacco in the wake of the 1998 Master Settlement Agreement (national tobacco settlement). Finally, the marketing program administers funds to promote and support wine production in Maryland and coordinates the Renewable Fuels Incentive Board, which provides incentives for the production of ethanol and biodiesel.

The department administers the U.S. Department of Agriculture’s voluntary standards, grades, and weight classes for a variety of agricultural products including eggs, poultry, grain, fruits, and vegetables. The department also licenses grain dealers and operates a mandatory inspection program to enforce the Maryland Egg Law. The egg law contains standards regarding the quality, size, labeling, and recordkeeping of eggs and controls the movement and use of restricted and inedible eggs. The department is responsible for enforcing Maryland’s weights and measures laws, ensuring accuracy, equity, and the prevention of fraud in the sale and measurement of commodities and similar transactions. The department’s Animal Health Program oversees animal disease control programs; operates diagnostic laboratories in Frederick and Salisbury; and controls the importation of animals.

The department has consumer protection responsibilities associated with licensing veterinarians, including conducting examinations, reviewing qualifications, hearing complaints, and inspecting veterinary hospitals. Commercial horse stables are also licensed by the department to ensure that State standards are met and maintained.

The Rural Maryland Council is an independent unit of State government, housed within the Maryland Department of Agriculture, that provides opportunities for representatives of rural business and industry, health care facilities, educational institutions, nonprofit economic and community development organizations, and government agencies to share information, identify challenges, and develop public policy solutions that address the special needs and opportunities in rural areas. The council also administers the Maryland Agricultural Education and Rural Development Assistance Fund, which provides grants to statewide and regional rural serving nonprofit organizations that promote economic and community development and provide agricultural and forestry education. This fund also finances community college programs that provide training and technical assistance to agricultural businesses.

The Maryland Food Center Authority is an independent, nonbudgeted agency that develops and oversees the wholesale produce and seafood markets at the Maryland Food Center in Jessup, provides general administrative services to the markets, supports various promotional activities, and plans expansion opportunities.

## **Energy Conservation and Efficiency**

The Maryland Energy Administration administers several programs to promote energy conservation and efficiency, reduce reliance on foreign fuel, and improve the environment. The administration coordinates and directs energy planning for State agencies; helps local governments implement programs to reduce energy consumption; and helps Maryland businesses become more competitive by introducing new technologies and developing strategies for emerging competitive energy markets. During energy supply disruptions and emergencies, the administration also participates in security and contingency planning for Maryland's energy supplies and infrastructure.

In recent years, energy conservation and efficiency efforts have become an integral part of the State's policy agenda. Under the EmPOWER Maryland Program, which is managed by the administration, the State seeks to reduce energy consumption by 15% by 2015. As noted earlier, the administration also oversees the Strategic Energy Investment Fund, which consists of proceeds generated by the sale of carbon dioxide allowances through the State's participation in the Regional Greenhouse Gas Initiative. In 2013 alone, the administration used these funds to:

- retrofit agricultural buildings with energy efficient technologies;
- conduct energy check-ups, audits, and retrofits in single-family homes;
- conduct no-cost home energy makeovers for low- and moderate-income Marylanders;
- provide grants to Maryland residents and businesses to help offset the cost of installing solar panels, solar hot water systems, and geothermal energy systems;
- provide energy assessments to Maryland businesses;
- provide financial assistance for new and converted natural gas vehicles registered in Maryland;
- provide incentives to service stations to increase emergency preparedness and electric grid reliability;
- provide funding for communities to invest in energy efficiency and renewable energy projects;

- provide funding to local governments for energy overhauls and renewable energy projects; and
- provide competitive grants for energy innovation.

Local governments also work to reduce energy consumption and encourage the use of renewable energy by offering property tax credits and using federal and State funds to finance energy conservation and efficiency projects. For example, under the EmPOWER Clean Energy Communities grant program, local governments receive State funds to perform energy retrofits (*e.g.*, energy efficient lighting, appliance replacements, weatherization, etc.) for low- and moderate-income Maryland families. A number of other federal and State programs provide grants and loans to local governments for activities that conserve energy, increase energy efficiency, and support the use of renewable energy and alternative fuels. Some local governments, such as Howard County, also provide property tax credits for the installation of renewable or clean energy systems, such as solar and geothermal systems.

### **Research, Technical, and Advisory Services**

A number of State agency functions cut across specific programmatic lines to provide research, technical assistance, and advisory services to businesses, local governments, other State agencies, and the general public.

As noted above, the Maryland Department of Planning provides information, services, and technical assistance to help the State, local governments, and community development and environmental organizations support growth that fosters vibrant, livable communities and protects the environment. Specifically, the department works directly with local governments, citizens, and other stakeholders to develop comprehensive plans, growth tier maps, zoning codes, development regulations, and design guidelines; craft policies to protect agricultural land and natural resources, direct growth, and revitalize communities; and help determine school construction and other infrastructure needs. The department also helps coordinate the activities of other agencies, provides education and information on smart growth to the public, and facilitates redevelopment projects in existing communities and the development of smart neighborhoods in growing communities.

The department maintains and analyzes an array of environmental, land use, and demographic data, including census data and population and socioeconomic projections for indicators such as labor force, jobs, and income. This information is linked to electronic maps, enabling geographic analysis of land use and demographic and

environmental trends. In addition, the department maintains property parcel maps for use by the general public.

The Office for a Sustainable Future within the Department of Natural Resources serves to facilitate, guide, and assist the department in developing and implementing sustainable practices and coordinating with stakeholders on sustainability issues. Other divisions within the department are also technical and advisory in nature. In addition to its role of monitoring and assessing the State's water, living, and geological resources, the Resource Assessment Service routinely assists a wide variety of public and private entities on technical issues related to the health of Maryland's waterways and physical resources. Through its Coast Smart Initiative, the department's Chesapeake and Coastal Program administers a competitive grant program to provide financial and technical assistance to local governments that wish to reduce their vulnerability to the effects of climate change and sea level rise through planning and permitting activities. Also, the department's Power Plant Research Program evaluates proposed and existing power plants and assesses the impact of energy generation and transmission on the environment and natural resources. Recommendations are then made to the Public Service Commission and other regulatory agencies.

The Science Services Administration within the Maryland Department of the Environment provides technical and scientific analyses and data for departmental regulatory activities but does not itself conduct typical regulatory functions such as permitting or enforcement. It devises solutions to multimedia environmental problems and undertakes environmental risk assessments. The administration maintains expertise in geo-referenced data analysis, the State's toxic substances inventory, federal/State community and worker right-to-know programs, computer modeling of environmental conditions and the development of total maximum daily loads, and monitoring and classification of shellfish waters and beaches for contaminants. The Maryland Department of the Environment also houses the Environmental Crimes Unit, a criminal investigation and prosecution unit under the direction of the Office of the Attorney General. The Environmental Crimes Unit's prosecutors work closely with investigators assigned to the unit by the Department of State Police in the investigation and prosecution of a wide variety of environmental crimes.

## **Funding**

Government services for the management of the State's agricultural, environmental, natural, cultural, and historic resources are funded by the federal government, State general funds, user fees, certain dedicated taxes, bonds, and local funds. Local spending is concentrated on parks, recreation, and culture (including the arts), agricultural land preservation, and other agricultural/natural resource conservation activities. Exhibit 15.4 summarizes the sources of funds for the various categories of

service. State spending for these activities totaled approximately \$990 million in fiscal 2013; more than half of this spending was supported with dedicated fees, taxes, and other special purpose funds. Local spending for these activities totaled \$633.5 million in fiscal 2013 and is described in greater detail at the end of this section and in Exhibit 15.7.

## **Natural Resources**

State expenditures relating to natural resources management totaled approximately \$333.4 million in fiscal 2013; this includes all expenditures of the Department of Natural Resources except local contributions for Ocean City beach replenishment. It also includes funding for the Maryland Zoo in Baltimore. Of this total, 33% of the funding was supported with special funds, such as the Waterway Improvement Fund, the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, the Forest and Park Reserve Fund, and the Environmental Trust Fund. These funds are supported by dedicated fees and taxes, such as the property transfer tax, fishing and hunting permit and license fees, boater registration fees, the vessel excise tax, the environmental surcharge on electricity, the motor vehicle excise tax and the tax on short-term vehicle rentals, and revenues generated from State parks operations. State general funds supported approximately 16% while the federal government supported about 8% of the spending in this area in fiscal 2013. General obligation bonds authorized to support habitat restoration, aquaculture development, community parks and playgrounds, and capital development projects accounted for roughly 43% of total State spending in fiscal 2013.

## **Environment**

State expenditures relating to environmental resources management totaled approximately \$521.2 million in fiscal 2013; this includes activities of the Maryland Department of the Environment and capital funding for the Maryland Environmental Service. Of the State funding for environmental resources management programs, approximately 65% was supported with special funds, such as the Bay Restoration Fund, the Water Quality Revolving Loan Fund, the Maryland Clean Water Fund, the Oil Contaminated Site Environmental Cleanup Fund, and the Maryland Clean Air Fund, among others. In general, permit fees, application fees, license fees, other fees, penalties, and recoveries against responsible parties are retained by these special purpose funds to offset the cost of pollution abatement and control. Another 13% of the total funding in this area came from bond authorizations – including general obligation bonds authorized for various water and sewer infrastructure projects and revenue bonds authorized for drinking water, water quality, and enhanced nutrient removal infrastructure programs. The federal government provided about 15% of the funds spent in fiscal 2013 on environmental resources management, while State general funds accounted for only about 6% of fiscal 2013 spending for this purpose.

**Exhibit 15.4**  
**Funding for the Management of the State's Natural and Historic Resources**  
**Fiscal 2013**  
**(\$ in Millions)**

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Bonds (Authorized)</u>	<u>Local Funds<sup>4</sup></u>	<u>Total</u>
<b>Natural Resources<sup>1</sup></b>						
Operating	\$53.4	\$105.8	\$24.7			
Capital	0.0	4.8	1.4	\$143.3		
<i>Total, Natural Resources</i>	<i>53.4</i>	<i>110.6</i>	<i>26.1</i>	<i>143.3</i>	<i>\$617.2</i>	<i>\$950.6</i>
<b>Environment</b>						
Operating	32.4	49.5	33.2			
Capital	0.0	291.2	44.8	70.1		
<i>Total, Environment</i>	<i>32.4</i>	<i>340.7</i>	<i>78.0</i>	<i>70.1</i>		<i>521.2</i>
<b>Agriculture<sup>2</sup></b>						
Operating	24.2	42.0	3.7			
Capital	0.0	1.1	0.0	10.6		
<i>Total, Agricultural</i>	<i>24.2</i>	<i>43.1</i>	<i>3.7</i>	<i>10.6</i>	<i>16.3</i>	<i>97.9</i>
<b>Planning</b>						
Operating	11.6	4.4	0.9			
Capital <sup>3</sup>	0.0	0.1	0.0	1.2		
<i>Total, Planning</i>	<i>11.6</i>	<i>4.5</i>	<i>0.9</i>	<i>1.2</i>		<i>18.2</i>
<b>Other<sup>5</sup></b>						
Operating	4.4	1.4	0.0	0.0		5.8
Capital	0.0	0.0	0.0	0.0		0.0
<i>Total, Other</i>	<i>4.4</i>	<i>1.4</i>	<i>0.0</i>	<i>0.0</i>		<i>5.8</i>
<b>Energy Conservation</b>						
Operating	0.0	20.0	6.0			
Capital	0.0	4.3	0.0	0.0		
<i>Total, Energy Conservation</i>	<i>0.0</i>	<i>24.3</i>	<i>6.0</i>	<i>0.0</i>		<i>30.3</i>
<b>Grand Total</b>	<b>\$126.0</b>	<b>\$524.6</b>	<b>\$114.7</b>	<b>\$225.2</b>	<b>\$633.5</b>	<b>\$1,624.0</b>

<sup>1</sup> Includes funding for the Maryland Zoo (\$5.2 million in general funds).

<sup>2</sup> Excludes funding for the Maryland Agricultural and Resource-Based Industry Development Corporation. State special funds exclude local contributions to certain programs such as agricultural land preservation and pest management.

<sup>3</sup> Excludes funding for the Heritage Structure Rehabilitation Tax Credit (Sustainable Communities Tax Credit).

<sup>4</sup> Estimated local own-source spending for parks, recreation, and culture programs (listed under Natural Resources and includes arts organizations), agricultural land preservation, and other agricultural/natural resources conservation programs (listed under Agriculture).

<sup>5</sup> "Other" includes funding for the African American Museum Corporation, the Canal Place Preservation and Development Authority, and the Historic St. Mary's City Commission.

Note: Pay-as-you-go and bond capital expenditures do not necessarily occur in the year in which funds are authorized. State funding does not include \$39.8 million in funds reimbursed from other State agencies for services provided. Numbers may not sum to total due to rounding.

Source: Governor's Budget Books, Fiscal 2015; *Uniform Financial Reports*; Department of Legislative Services

## **Agriculture**

State spending on agricultural programs totaled approximately \$81.6 million in fiscal 2013; this includes all expenditures of the Maryland Department of Agriculture except funds for the Maryland Agricultural and Resource-based Industry Development Corporation and local matching funds for agricultural land preservation and local contributions for forest and pest management, mosquito control, and resource conservation. More than half of the total was supported by special funds, such as the Bay Restoration Fund, the Maryland Agricultural Land Preservation Fund, the Egg Fund, and the Weights and Measures Fund, among others. These special purpose funds receive funding from a variety of sources including the property transfer tax, agricultural land transfer tax, licensing and registration fees, and laboratory testing fees. Approximately 30% of the State’s agricultural program spending was supported with general funds. Federal funds accounted for about 5% of fiscal 2013 spending; the State receives federal funds for agricultural land preservation, environmental quality, food quality assurance, animal health, farmers’ market nutrition, and other programs. General obligation bonds authorized for the tobacco transition program and the Maryland Agricultural Land Preservation Program accounted for about 13% of total agricultural spending in fiscal 2013.

## **Planning, Growth Management, and Historic/Cultural Resources**

State spending on planning, growth management, and the preservation of historic and cultural resources totaled \$24.0 million in fiscal 2013. This total includes funding for the African American Museum Corporation, the Canal Place Preservation and Development Authority, and the Historic St. Mary’s City Commission. It excludes spending related to the Maryland Heritage Structure Rehabilitation Tax Credit Program (reestablished during the 2010 legislative session as the Sustainable Communities Tax Credit Program). Of the \$24.0 million, \$16.0 million, or 66.7% was supported with State general funds. Approximately 24.6% of the total was supported with special funds, such as the Maryland Heritage Areas Authority Financing Fund, museum revenues, and planning service fees. Federal funds accounted for about 4% of fiscal 2013 spending, and capital grants of the Maryland Historical Trust accounted for about 5% of total fiscal 2013 spending.

## **Energy Conservation**

State spending on energy conservation programs totaled \$30.3 million in fiscal 2013. Approximately 80% was supported with special funds; the largest source of special funds in this area is auction proceeds generated by the State’s participation in the Regional Greenhouse Gas Initiative and deposited into the Maryland Strategic Energy

Investment Fund. Federal funds accounted for about 20% of fiscal 2013 spending in this area.

### **Cross-cutting Programs**

Two longstanding initiatives that involve funding from several State agencies are the restoration of the Chesapeake Bay and land conservation. Funding related to these two cross-cutting efforts is described below.

#### **Chesapeake Bay Restoration**

Spending on Chesapeake Bay restoration activities reported by the Department of Natural Resources, the Maryland Department of the Environment, the Maryland Department of Agriculture, and the Maryland Department of Planning totaled \$532.1 million in fiscal 2013, as shown in Exhibit 15.5. This information, reported by the Department of Budget and Management in the fiscal 2015 budget books, includes any program with greater than 50% of the program's funding dedicated to bay restoration, as defined by the participating agencies.

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#### **Exhibit 15.5 Select Chesapeake Bay Restoration Activities Fiscal 2013 Actual Funding**

<u>Agency</u>	<u>Funding</u>
Maryland Department of the Environment	\$360,945,068
Department of Natural Resources	114,294,180
Maryland Department of Agriculture	51,882,643
Maryland Department of Planning	4,988,878
<b>Total</b>	<b>\$532,110,769</b>

Note: Includes select State agency programs that have more than 50% of their activities directly related to Chesapeake Bay restoration. Does not include bay restoration activities reported by the Maryland State Department of Education, institutions of higher education, or the Maryland Department of Transportation, which together total \$207 million.

Source: Governor's Budget Books, Fiscal 2015 (Budget Highlights, Appendix S); Department of Budget and Management

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The Maryland Department of the Environment dedicated approximately \$361 million to bay restoration activities in fiscal 2013, which included a variety of

programs related to water quality infrastructure, nutrient removal upgrades for wastewater treatment plants, stormwater, wetlands and waterways, water quality protection and restoration, and water resources planning, among others. Two programs accounted for a majority of the spending by the department – the Water Quality Revolving Loan Fund (\$198 million), which funds water quality capital infrastructure, and the Bay Restoration Fund (\$95 million), which funds nutrient removal upgrades for wastewater treatment plants and septic systems.

The Department of Natural Resources spent approximately \$114.0 million on bay restoration activities in fiscal 2013, which included select activities associated with Program Open Space (\$14.7 million), the Rural Legacy Program (\$5.6 million), and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (\$38.0 million). Other significant bay restoration activities the department funded in fiscal 2013 included the Critical Areas Commission; the Conservation Reserve Enhancement Program; various modeling, monitoring, and assessment activities; coastal zone management and other coastal programs; oyster and blue crab restoration; and implementation of the State’s tributary strategies.

The Maryland Department of Agriculture dedicated approximately \$52.0 million to bay restoration activities in fiscal 2013, which included funds spent for agricultural land preservation (\$12.9 million). The department’s other bay restoration activities in fiscal 2013 included developing agricultural nutrient management plans, implementing tributary strategies, and developing and promoting soil conservation and water quality plans and agricultural best management practices.

The Maryland Department of Planning spent approximately \$5 million on bay restoration activities in fiscal 2013, which included planning services that focus growth in priority funding areas, seek to preserve natural resources, and promote smart growth principles and practices.

### **Land Conservation**

Funding for select State capital land conservation programs, which is shown in Exhibit 15.6, totaled approximately \$39.3 million in fiscal 2013. This included funding under Program Open Space – State share, the Rural Legacy Program, and the Maryland Agricultural Land Preservation Program.

**Exhibit 15.6**  
**Major State Land Conservation Programs**  
**Fiscal 2013 Final Appropriation**  
**(\$ in Millions)**

	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Bond Funds</u>	<u>Total</u>
Department of Natural Resources				
Program Open Space – State Land Conservation	\$2.5	\$0.9	\$12.8	\$16.2
Rural Legacy Program	0	0	5.6	5.6
Maryland Department of Agriculture				
Maryland Agricultural Land Preservation Program <sup>1</sup>	8.8		8.7	17.5
<b>Total</b>	<b>\$11.3</b>	<b>\$0.9</b>	<b>\$27.1</b>	<b>\$39.3</b>

<sup>1</sup> Special funds reflect county matching funds.

Note: Does not reflect funding for Program Open Space – Local Share.

Source: Department of Budget Management

Because the State's land conservation programs are funded primarily by the State's property transfer tax, the amount of funding available for the programs depends largely on the real estate market. After transfer tax revenues generated a record amount of funding for land conservation activities in fiscal 2007, funding for these programs decreased steadily between fiscal 2008 and 2010, due in part to decreasing State transfer tax revenues. Transfer tax revenues continued to fluctuate between fiscal 2011 and 2013, and have only recently been projected to begin a steady increase.

In addition to declining revenues, in some years, transfer tax revenues and unexpended balances are redirected to the State's general fund through budget reconciliation legislation in order to help address budget deficits. For example, nearly \$1.5 billion in transfer tax revenue and fund balances have been or will be redirected to the general fund between fiscal 2002 and 2018. However, much of the diverted revenue (\$1.1 billion) is scheduled to be replaced through 2020.

For further detail on the history of Program Open Space funding, see Chapter 20 – Environment and Recreation State Aid, of *Volume VI – Maryland Local Government of the Legislative Handbook Series*.

## **Local Government Spending**

Local government spending on parks, recreation, and culture; agricultural land preservation; and other agricultural/natural resources conservation programs totaled \$633.5 million in fiscal 2013. This total includes funding for local arts organizations and excludes nearly \$98.2 million in federal and State grant funds.

Local governments reported spending \$680.3 million on parks, recreation, and culture programs in fiscal 2013, as shown in Exhibit 15.7, but as much as \$63.1 million of that amount could be grant revenues from other government sources. Thus, local government own-source spending for this purpose is estimated at \$617.2 million. Parks, recreation, and culture spending in Montgomery and Prince George’s counties accounts for \$399.3 million of the reported total. (Of this amount, the Maryland-National Capital Park and Planning Commission spent \$274.4 million.)

Local governments reported spending \$51.4 million on agricultural land preservation and other agricultural/natural resources conservation programs such as soil conservation services and cooperative extension programs in fiscal 2013; however, \$35.1 million of that amount could be grant revenues from other government sources. Thus, local government own-source spending for this purpose is estimated at \$16.3 million.

**Exhibit 15.7**  
**Local Spending on Parks, Recreation, and Culture; Agricultural Land**  
**Preservation; and Other Agricultural/Natural Resources Conservation Programs**  
**Fiscal 2013**

County	Parks, Recreation, and Culture		Agricultural Land		Total Reported Local Spending
	County	Municipal	Preservation	Other	
Allegany	\$736,413	\$1,238,516	-	\$239,976	\$2,214,905
Anne Arundel	24,806,511	5,514,566	-	744,753	31,065,830
Baltimore City	56,630,615	-	-	-	56,630,615
Baltimore	21,530,656	-	\$5,103,744	11,370,134	38,004,534
Calvert	14,058,622	4,097,333	809,699	2,324,375	21,290,029
Caroline	1,353,298	278,351	-	253,094	1,884,743
Carroll	4,939,720	1,807,976	1,842,517	3,300,583	11,890,796
Cecil	899,463	1,553,059	694,894	549,353	3,696,769
Charles	9,332,631	794,543	441,852	1,880,394	12,449,420
Dorchester	484,270	909,511	-	508,428	1,902,209
Frederick	6,129,844	9,638,454	2,848,857	1,409,688	20,026,843
Garrett	1,432,832	463,075	55,029	273,944	2,224,880
Harford	17,234,923	1,854,016	2,486,811	718,061	22,293,811
Howard	40,586,065	-	1,109,750	1,412,069	43,107,884
Kent	1,123,889	393,957	14	336,838	1,854,698
Montgomery	169,489,222	30,365,553	2,440,275	796,232	203,091,282
Prince George's	181,604,362	17,824,569	-	-	199,428,931
Queen Anne's	3,394,401	204,744	-	890,480	4,489,625
St. Mary's	8,072,059	177,745	1,313,592	701,450	10,264,846
Somerset	1,343,661	609,707	-	101,609	2,054,977
Talbot	3,705,422	1,454,709	516	217,845	5,378,492
Washington	4,376,953	3,502,132	2,283,483	556,845	10,719,413
Wicomico	9,207,942	1,902,918	-	82,073	11,192,933
Worcester	1,661,292	11,601,184	1,034,264	226,121	14,522,861
<b>Total</b>	<b>\$584,135,066</b>	<b>\$96,186,618</b>	<b>\$22,465,297</b>	<b>\$28,894,345</b>	<b>\$731,681,326</b>

Minus Parks, Recreation, and Culture Grants to Counties	(\$55,022,848)
Minus Parks, Recreation, and Culture Grants to Municipalities	(8,093,104)
Minus Agriculture/Other Natural Resources Conservation Grants to Counties	(35,069,405)
<b>Net Local Spending</b>	<b>\$633,495,969</b>

Note: As 8 municipalities did not report their expenditures for fiscal 2013, municipal expenditures reflect those reported by the other 148 municipalities as well as expenditures reported by the 11 extant special taxing districts in Allegany and Montgomery counties. There are no municipalities in Baltimore and Howard counties. For purposes of this exhibit, grant revenues are assumed to have been expended in the same year they were received.

Source: *Uniform Financial Reports*; Department of Legislative Services

## **Chapter 16. Public Works**

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Local governments are generally responsible for performing public works functions and services for their citizens. Local governments most frequently provide for the construction, maintenance, and operation of sewerage and water treatment systems and the construction, maintenance, and operation of facilities for the collection and/or disposal of solid waste. Five Maryland municipalities provide electric power to their residents.

### **Public Works**

The State has primarily an oversight function of the local government sewerage, water, solid waste, gas, and electric operations through the Public Service Commission and the Maryland Department of the Environment.

### **Sewerage, Water Services, and Solid Waste**

#### **Local Government Responsibilities, Services, and Funding**

Local governments typically provide sewerage and water services through a sanitary commission or a county or municipal agency. Baltimore City and all county governments, except Caroline, Montgomery, Prince George's, and Talbot counties, provide both water and sewerage services to their residents. In Caroline County, four municipalities (Goldsboro, Henderson, Marydel, and Templeville) joined with the county to form the North County Water and Sewer Authority starting in 2013; water and sewer services for the remainder of the county are provided by municipal, private, or community wells and septic systems. The Washington Suburban Sanitary Commission, a bi-county agency created by the General Assembly in 1918, provides nearly all parts of Montgomery and Prince George's counties with water and sewer services. Talbot County provides sewer services to St. Michaels and several unincorporated villages; water services are provided by municipal (Easton, Oxford, St. Michaels, and Trappe), community, or private well systems.

Baltimore City and all counties provide facilities for the disposal of trash (landfills, etc.). In addition, most jurisdictions provide for trash collection. In locations where the jurisdiction does not provide for solid waste removal, the service is often provided by licensed private companies or a municipality.

Under the 1988 Maryland Recycling Act, each jurisdiction in the State is required to recycle certain percentages of waste. According to the Maryland Department of the Environment, all counties and Baltimore City have met the minimum goals established

under the Maryland Recycling Act. In calendar 2012, Maryland achieved a statewide waste diversion rate of 48.9% (consisting of a 45.4% recycling rate plus a 3.5% source reduction credit). While most jurisdictions operate their own recycling programs, four counties on the Eastern Shore (Caroline, Kent, Queen Anne's, and Talbot counties) coordinate their programs under the Mid-Shore Regional Recycling Program. Exhibit 16.1 details recycling totals for each jurisdiction. All 24 jurisdictions process "core" recyclables that include mixed paper (*i.e.*, all paper types, envelopes, books, cardboard, magazines, newspaper, and telephone books), containers (*i.e.*, glass, metal, and plastic), white goods (*i.e.*, appliances), and organics (*i.e.*, yard trimmings and Christmas tree recycling). In addition, each jurisdiction offers various individual recycling programs, such as collecting household hazardous wastes or electronics. According to the Maryland Municipal League's 2014 survey of municipal services, more than 80 municipalities offer their own recycling programs, such as leaf, paper, glass, and metal.

In fiscal 2013, Baltimore City and the counties spent nearly \$2.0 billion, excluding debt service costs, on the collection and treatment of sewage, collection and disposal of solid wastes, and treatment and distribution of water. In fiscal 2013, municipalities spent approximately \$298 million to provide these services, excluding debt service costs. Exhibit 16.2 presents a breakdown of local government sewerage, solid waste, and water expenditures by jurisdiction for fiscal 2013.

Funding for sewerage, solid waste, and water services primarily comes from service charges. The counties and municipalities reported \$2.2 billion in such revenues for fiscal 2013. Interest charges, front foot assessments, and debt proceeds also contribute to own-source funding to provide these services. Besides locally generated funds, local governments rely on State and federal grants to provide sewerage, solid waste, and water services. For example, the State's Bay Restoration Fund, which is funded through a bay restoration fee on users of wastewater treatment plants and septic systems, provides funding to local governments to upgrade the equipment of wastewater treatment facilities to utilize "enhanced nutrient removal" technology and to provide financial assistance to homeowners to upgrade their septic systems with the best available technology for nitrogen removal.

**Exhibit 16.1**  
**Jurisdiction Recyclables**  
**Calendar 2012**  
**(in Tons)**

<u>Jurisdiction</u>	<u>MRA Comm</u> <u>odities</u>	<u>Non-</u> <u>MRA Recyc</u> <u>lables<sup>2</sup></u>	<u>Total Rec</u> <u>ycling</u>	<u>Recycling</u> <u>Rate (%)<sup>3</sup></u>
Allegany	29,203	501,783	530,986	30.55%
Anne Arundel	229,785	196,922	496,707	45.85%
Baltimore City	221,656	330,598	552,254	29.65%
Baltimore County	421,288	497,722	919,010	41.52%
Calvert	30,564	5,336	35,900	45.10%
Carroll	61,056	544,071	605,127	36.86%
Cecil	38,009	30,186	68,195	37.15%
Charles	74,966	502,499	577,465	49.12%
Dorchester	8,276	11,300	19,576	21.22%
Frederick	124,954	35,758	160,712	46.71%
Garrett	19,724	2,397	22,121	46.83%
Harford	150,076	108,780	258,856	54.79%
Howard	225,681	48,569	274,250	46.79%
Mid-Shore <sup>1</sup>	108,771	63,655	172,426	52.68%
Montgomery	592,149	106,918	699,067	54.81%
Prince George's	378,661	356,588	735,249	55.44%
Somerset	3,692	8,391	12,083	17.06%
St. Mary's	26,974	36,008	62,982	34.78%
Washington	77,277	53,881	131,158	55.11%
Wicomico	57,165	12,196	69,631	39.22%
Worcester	29,271	31,086	60,357	29.30%
Additional Asphalt and Concrete Recycled Statewide by State Highways		178,459	173,459	
<b>Total</b>	<b>2,979,198</b>	<b>3,658,103</b>	<b>6,637,301</b>	<b>45.42%</b>

MRA: Maryland Recycling Act

Note: Numbers may not sum due to rounding.

<sup>1</sup> Mid-Shore Regional Recycling Program includes Caroline, Kent, Queen Anne's, and Talbot counties.

<sup>2</sup> Includes materials such as construction and demolition debris, land clearing debris, and recycled fluids, that fall outside the scope of the standard MRA Recycling Rate but are reported by the counties as recycled materials.

<sup>3</sup> Recycling rate equals MRA recycling tonnage divided by the sum of MRA recycling tonnage plus MRA waste, times 100.

Source: Maryland Department of the Environment, *Maryland Solid Waste Management and Diversion Report, 2013*

**Exhibit 16.2**  
**Local Government Sewerage, Solid Waste, and Water Expenditures**  
**Fiscal 2013**

County	County Spending	Municipal Spending	Total Spending Reported
Allegany	\$18,760,930	\$24,297,811	\$43,058,741
Anne Arundel	159,315,499	13,353,790	172,669,289
Baltimore City	369,232,604	-	369,232,604
Baltimore	321,923,680	-	321,923,680
Calvert	16,497,202	3,135,558	19,632,760
Caroline	992,617	5,498,671	6,491,288
Carroll	22,480,552	19,127,951	41,608,503
Cecil	11,275,043	16,694,556	27,969,599
Charles	33,911,911	7,247,809	41,159,720
Dorchester	3,782,852	8,528,149	12,311,001
Frederick	45,696,565	34,712,920	80,409,485
Garrett	9,410,316	3,158,728	12,569,044
Harford	60,862,323	18,915,195	79,777,518
Howard	111,409,340	-	111,409,340
Kent	3,924,574	4,178,446	8,103,020
Montgomery	360,775,237	29,003,720	389,778,957
Prince George's	337,652,179	18,976,808	356,628,987
Queen Anne's	11,869,840	3,250,611	15,120,451
St. Mary's	18,666,669	2,222,407	20,889,076
Somerset	5,604,590	1,852,401	7,456,991
Talbot	3,963,841	8,785,375	12,749,216
Washington	18,210,465	29,743,607	47,954,072
Wicomico	6,928,516	16,625,191	23,553,707
Worcester	16,618,885	29,172,797	45,791,682
<b>Total</b>	<b>\$1,969,766,230</b>	<b>\$298,482,501</b>	<b>\$2,268,248,731</b>
Minus Federal Grants	(6,490,848)	(6,272,491)	(12,763,339)
Minus State Grants	(84,501,627)	(22,735,849)	(107,237,476)
Minus County Grants		(614,886)	(614,886)
<b>Net Local Spending</b>	<b>\$1,878,773,755</b>	<b>\$268,859,275</b>	<b>\$2,147,633,030</b>
<b>Revenues from Sewerage, Solid Waste, and Water Charges</b>	<b>\$1,963,223,858</b>	<b>\$277,804,405</b>	<b>\$2,241,028,263</b>

Notes: For purposes of this exhibit, the federal, State, and, as appropriate, county sewerage, solid waste, and water grant revenues reported by the local jurisdictions are assumed to have been expended in the same year they were received. Expenditures include operating and capital expenditures but do not include debt service expenditures. County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. Expenditures by the Washington Suburban Sanitary Commission are apportioned to Montgomery and Prince George's counties on a 50/50 basis. Since 8 municipalities did not report their expenditures for fiscal 2013, municipal expenditures reflect those reported by the other 148 municipalities as well as expenditures reported by the 11 extant special taxing districts in Allegany and Montgomery counties. There are no municipalities in Baltimore and Howard counties.

Source: *Uniform Financial Reports*; Department of Legislative Services

### **State Government Responsibilities, Services, and Funding**

While local governments are responsible for operating and financing the water and sewerage systems and solid waste collection and disposal facilities, the State is generally responsible for monitoring and regulating these systems and facilities.

The Public Service Commission oversees and has authority to set rates for water and sewerage companies (as well as electric companies and suppliers and gas companies discussed later in this chapter under the heading “Electric and Gas Services”) operating in Maryland. The Public Service Commission is not responsible for overseeing the rates of governmental agencies or municipalities supplying water or sewer unless, and upon request, the water or sewerage services are sold to another county, sanitary district, or municipality.

The Maryland Department of the Environment is responsible for monitoring and regulating the various sanitation, sewerage, and water operations (as well as gas and electric operations discussed later in this chapter under the heading “Electric and Gas Services”) conducted by local governments to ensure environmental protection and safety. As discussed in Chapter 15, the Maryland Department of the Environment is structured into five major program areas: (1) Water Management Administration; (2) Land Management Administration; (3) Air and Radiation Management Administration; (4) Science Services Administration; and (5) Operational Services Administration. The department provides oversight of public water systems and solid waste systems throughout the State. The department’s duties related to sewerage, solid waste, and water include:

- conducting surveys of public water systems (in connection with enforcement of the federal Safe Drinking Water Act);
- inspecting and monitoring community water supply systems;
- inspecting and monitoring solid waste acceptance facilities;
- partnering with jurisdictions and the public and private sectors to develop markets for recyclable materials and working with other State agencies to increase the volume of materials diverted from landfills;
- assisting in the development of water resource and solid waste plans;
- providing grants and loans to local governments for creating or upgrading community water supply systems;

- reviewing design plans for water treatment and distribution projects;
- providing training and technical assistance to water treatment plant operators;
- protecting and restoring the State's land resources;
- regulating and inspecting industrial facilities that treat wastewater and controlling the transportation, storage, and disposal of hazardous substances;
- controlling and supervising, so far as is feasible, the construction, reconstruction, and repair of dams, reservoirs, and other waterworks; and
- reviewing and approving local stormwater management plans.

The department is also responsible for issuing permits to individuals and local governments before the person or entity begins construction of a facility that uses water of the State.

In addition to regulatory oversight of local government water, sewerage, and solid waste facilities, the State also provides capital grants and loans to local governments and other entities through various programs including the water quality loan programs, supplemental assistance and nutrient removal programs, and water supply assistance program. For fiscal 2014 and 2015, the State appropriated approximately \$330.5 million and \$305.5 million in all funds to these programs, respectively, as shown in Exhibit 16.3.

### **Other State Government Assistance – Maryland Environmental Service**

Under Title 3, Subtitle 1 of the Natural Resources Article, State law establishes the Maryland Environmental Service as a not-for-profit public corporation charged with providing technical services, such as engineering, design, finance, construction, project management, operation, and maintenance, for water supply, wastewater treatment, and solid waste management projects that are provided by State agencies, counties, municipalities, and private entities. The Maryland Environmental Service has no regulatory authority and receives no direct State appropriations. The Maryland Environmental Service is a self-supporting instrumentality of the State that provides services at competitive rates to its government and private-sector clients. In fiscal 2013, the Maryland Environmental Service did \$111.1 million in business.

**Exhibit 16.3**  
**State Environmental Grants and Loans Available to Local Governments**  
**Fiscal 2014-2015**  
**(\$ in Thousands)**

	<b>2014</b>	<b>2015</b>
	<b><u>Appropriation</u></b>	<b><u>Appropriation</u></b>
Water Quality Revolving Loan Fund	\$130,000	\$130,000
Enhanced Nutrient Removal Program	88,000	81,000
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	36,600	25,000
Biological Nutrient Removal Program	29,200	21,200
Drinking Water Revolving Loan Fund	22,000	22,000
Septic System Upgrade Program	15,000	15,000
Supplemental Assistance Program	5,900	5,900
Water Supply Financial Assistance	3,500	4,400
Hazardous Substance Clean-up Program	300	1,000
<b>Total</b>	<b>\$330,500</b>	<b>\$305,500</b>

Source: *Fiscal Digest for Fiscal 2014; Fiscal Digest for Fiscal 2015*

## **Electric and Gas Services**

### **Local Government Responsibilities, Services, and Funding**

No county provides for the maintenance and operation of gas or electric power plants. However, two municipalities (Berlin and Easton) own and operate electric power plants. In addition, three municipalities (Hagerstown, Thurmont, and Williamsport) each contract for the purchase of electricity for their residents and own their municipal electric distribution system. The Town of Easton, through the Easton Utilities Commission, is the only municipality that provides gas services to its residents. In fiscal 2013, these municipalities recognized \$78.8 million in revenues and incurred \$83.7 million in expenses for provision of these services. All the funds for operating these plants come from service charges and fees imposed on customers. A breakdown of these revenues and expenses, excluding debt service costs, by municipality for fiscal 2013, is shown in Exhibit 16.4.

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**Exhibit 16.4**  
**Electric and Gas Services Provided by Municipalities**  
**Fiscal 2013**

<u>Municipality</u>	<u>Revenues</u>	<u>Expenditures</u>
Berlin	\$5,867,916	\$5,217,387
Easton	37,606,822	42,142,129
Hagerstown	26,120,391	27,055,385
Thurmont	7,358,478	7,414,514
Williamsport	1,830,455	1,848,708
<b>Total</b>	<b>\$78,784,062</b>	<b>\$83,678,123</b>

Note: The amounts for Easton include both electric and gas services.

Source: *Uniform Financial Reports; Audited Financial Statements*; Department of Legislative Services

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### **State Government Responsibilities, Services, and Funding**

As is the case for water and sewerage companies operating in Maryland (discussed earlier in this chapter), the Public Service Commission also oversees and has authority to set rates for electric companies and suppliers and gas companies operating in Maryland.

Similarly, as is the case for various sanitation, sewerage, and water operations conducted by local governments, the Maryland Department of the Environment also is responsible for monitoring and regulating the gas and electric operations conducted by local governments to ensure environmental protection and safety.

# Appendix 1

## Maryland State/Local Relationships Overview by Function

Program	State	Local
<b>Chapter 2 – Legislative/Executive Direction &amp; State Administration</b>		
Elections	State policy and direction through legislation and regulation. State shares cost with counties of statewide uniform voting system.	Counties and Baltimore City fund local election boards – budgetary role is limited.
Employee Pensions	State Pension and Retirement System.	Local governments may participate.
<b>Chapter 3 – Financial Administration</b>		
Tax Collection	State assesses all real and personal property.  State collects State income tax and local income tax levied by counties; remits local income tax to counties.	Property taxes collected by counties and Baltimore City.  Counties fund 50% of the State assessment costs.
<b>Chapter 4 – Courts and Related Offices</b>		
Courts (Appellate and District Court)	State administers and funds appellate courts and the trial court of limited jurisdiction.	

<b>Program</b>	<b>State</b>	<b>Local</b>
Courts (Circuit Court)	<p>State policy and direction through legislation and judicial rules.</p> <p>State funds judges' salaries, clerks of the court, judicial masters, family divisions, interpreter services, juror fees, and law clerks.</p>	Baltimore City and counties fund certain operating costs, including capital expenses and physical facilities.
State's Attorney (Prosecutor)	<p>Elected official in Baltimore City and each county.</p> <p>State policy and direction through legislation.</p>	Each jurisdiction is solely responsible for funding its office.
Orphans' Court	<p>Elected judges in Baltimore City and all counties except Harford and Montgomery counties.</p> <p>State policy and direction through legislation.</p>	Jurisdictions fund operating expenses.
Sheriff (Judicial Functions)	<p>Elected official in Baltimore City and each county.</p> <p>State policy through legislation and judicial direction.</p>	Each jurisdiction is solely responsible for funding its office.

Program	State	Local
<b>Chapter 5 – Public Safety</b>		
Police	<p>State police patrol highways, provide specialized services (<i>i.e.</i>, crime lab), and provide backup to local police.</p> <p>State provides grants to local governments for police protection.</p> <p>State sets minimal standards for training.</p> <p>State funds and manages central booking facility for individuals arrested in Baltimore City.</p>	<p>Local governments provide policy direction, management, and budget approval for local police or sheriff’s departments.</p> <p>Local governments provide 82% of funding.</p> <p>Sheriffs are responsible for local police function and corrections in rural counties.</p>
Fire and Emergency Services	<p>State grants total \$10.0 million.</p> <p>State administers funding program for 9-1-1 System.</p> <p>State Fire Marshal provides support in investigation and inspection.</p> <p>State coordinates emergency services and runs Medevac helicopter rescue system.</p>	<p>Local governments provide policy direction, management, and budget approval for paid fire protection and coordination/ financial support for volunteer fire companies, ambulances, and emergency medical services.</p> <p>Local governments provide 83% of the funding.</p>

<b>Program</b>	<b>State</b>	<b>Local</b>
Corrections	<p>State correctional system for long-term inmates (more than 12 months).</p> <p>State sets minimum standards for local facilities.</p> <p>State provides grants for construction of local facilities.</p> <p>State manages pretrial facility in Baltimore City.</p>	<p>County correctional system for pretrial (except Baltimore City) and short-term inmates (12 months or less).</p>
<b>Chapter 6 – Public Education</b>		
Public Schools	<p>State policy through legislation and regulation.</p> <p>State funding – 48%.</p> <p>Federal funding – 6%.</p>	<p>Local school board – autonomy in management.</p> <p>Baltimore City and county government – budget approval.</p> <p>County funding – 45%.</p> <p>Other local revenues – 1%.</p>
<b>Chapter 7 – Higher Education</b>		
University System of Maryland and Other Public Four-year Institutions	<p>State policy through legislation and regulation.</p> <p>State funding – 23%; tuition and fees – 30%; grants, contracts, auxiliary revenue, and other sources – 47%.</p>	

Program	State	Local
Community Colleges	<p>State policy through legislation and regulation.</p> <p>Baltimore City Community College operated by the State.</p> <p>State funding – 21%.</p>	<p>College board – autonomy in management.</p> <p>County government – budget approval.</p> <p>County funding – 22%; tuition and fees – 31%; other sources – 26%.</p>
<b>Chapter 8 – Public Libraries &amp; Public Television</b>		
Libraries	<p>State policy through legislation and regulation.</p> <p>State funding – 24%.</p>	<p>Local library board (except in Montgomery County, the public library system is a county agency) – autonomy in management.</p> <p>County government – budget approval.</p> <p>County funding – 68%; fees and other revenue (including federal funding) – 8%.</p>
<b>Chapter 9 – Transportation</b>		
Highways	<p>State manages interstate, primary, and secondary systems (except in Baltimore City).</p> <p>State allocates a share of highway user revenues (gasoline tax, vehicle titling tax, vehicle registration fees) to local governments.</p> <p>State/federal funding approximately 80%.</p>	<p>Counties and municipalities manage local roads.</p> <p>Baltimore City manages all roads except certain interstate highways within the city.</p>

<b>Program</b>	<b>State</b>	<b>Local</b>
Transit	<p>State funds transit costs in metropolitan areas; at least 35% of Baltimore area services operating costs must be recovered through fares and other operating revenues.</p> <p>State makes grants for transit in rural areas.</p>	<p>Baltimore City, counties, and municipalities offer supplemental services funded in part by State grants.</p>
Airport	<p>State maintains and operates Baltimore/Washington International Thurgood Marshall Airport and Martin State Airport.</p>	<p>Local governments own and operate 16 airports that are open to the public.</p>
Port	<p>State owns seven cargo terminals and a transfer facility. State manages dredging activities.</p> <p>State funding – 95%. Federal funding – 5%.</p>	
<b>Chapter 10 – Health Services</b>		
Health Services	<p>State policy, standards, and direction through legislation, regulation, and directives.</p> <p>State and federal funding – 97%.</p>	<p>Local health board, health officers, and health department in Baltimore City and each county.</p> <p>Baltimore City and counties have some discretion as to scope of programs.</p>

Program	State	Local
<b>Chapter 11 – Human Services</b>		
Human Services	<p>State policy, standards, and management through legislation, regulation, and directives.</p> <p>State-funded social services office in Baltimore City and every county except Montgomery County, which receives block grants from State.</p> <p>More than 90% funded by State and federal governments.</p>	<p>Baltimore City and some counties provide supplemental funding or specialized programs.</p> <p>Montgomery County runs its own Department of Health and Human Services.</p> <p>Local management boards coordinate service delivery for children, youth, and families.</p> <p>Area agencies on aging serve as the primary point of entry for elderly adults seeking to access services. They also deliver services funded by the State.</p>
<b>Chapter 12 – Housing &amp; Community Development</b>		
Housing	State makes grants and loans to local governments and private developers for construction projects.	Local governments manage housing programs as part of government or through a housing authority.
<b>Chapter 13 – Economic Development &amp; Business Regulation</b>		
Economic Development	<p>State focuses on national and international markets.</p> <p>State makes grants/loans to governments and private businesses for land, structures, equipment, and training.</p>	Local governments focus on local markets and coordinate with State activities.

Program	State	Local
Liquor Board	State policy and direction through legislation and regulation.	Boards are self-supporting from license fee revenues.
<b>Chapter 14 – Labor and Workforce Development</b>		
Worker Protection and Unemployment Insurance	State policy through legislation and regulation.  State administers federal programs.	
Workforce Development	State policy through legislation and regulation.  State administers federal programs.	Workforce development services delivered through local government agencies or nonprofits.
<b>Chapter 15 – Natural &amp; Historic Resources</b>		
Environmental Protection	State policy through legislation and regulation.	Baltimore City and counties enforce delegated environmental laws.
Parks/Recreation	State manages system of State forests and parks.  State makes grants for land acquisition/development.	Local governments manage local parks and recreation programs.

<b>Program</b>	<b>State</b>	<b>Local</b>
Agricultural Services	<p>State policy through legislation and regulation.</p> <p>State provides annual funding to preserve farmland and promote good practices.</p>	Soil conservation districts and local health departments administer programs.
<b>Chapter 16 – Public Works</b>		
Water and Sewerage Services	<p>State policy through legislation and regulation.</p> <p>State provides construction loans and grants.</p>	<p>Counties and municipalities construct and operate water and sewerage systems.</p> <p>Operating costs almost 100% local funding, primarily through user charges.</p>
Solid Waste	State policy through legislation and regulation.	<p>Baltimore City and counties responsible for disposal.</p> <p>Public/private collection at county/municipal level.</p>



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