July 1, 2002

The Honorable Thomas V. Mike Miller, Jr., President of the Senate
The Honorable Casper R. Taylor, Jr., Speaker of the House of Delegates
Members of the General Assembly

Ladies and Gentlemen:

I am pleased to present to you the *Major Issues Review 1999–2002*.

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

Information about the operating and capital budgets, as well as aid to local governments, is presented in Part A. Also included in Part A are relevant comparative data relating to State expenditures during the 1999–2002 term.

Like the *90 Day Report* on the 2002 session, the four-year *Major Issues Review* is divided into 13 major parts which are listed in the Contents. An alphabetical checklist of major issues considered during the 1999–2002 term is also provided.

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

Sincerely,

Karl S. Aro
Executive Director

KSA/eeo

Contents

Major Issues

Part A – Budget and State Aid **A-1**
- **Operating Budget** **A-1**
  - Overview A-1
  - 1999 Session (Fiscal 2000) A-4
  - 2000 Session (Fiscal 2001) A-5
  - 2001 Session (Fiscal 2002) A-6
  - 2002 Session (Fiscal 2003) A-6
  - The Budget Reconciliation and Financing Act of 2002 A-8
- **Capital Budget** **A-15**
  - Overview A-15
  - Capital Debt Affordability A-18
- **State Aid to Local Governments** **A-22**
  - Overview A-22
  - Changes in State Aid A-25
  - Appendix I – State Assistance to Local Governments A-36

Part B – Taxes **B-1**
- **Property Tax** **B-1**
  - Mandatory Semiannual Payment of Taxes B-1
  - Truth in Taxation – Real Property Assessments B-1
  - Petition for Review B-2
  - Property Tax Credits B-2
- **Income Tax** **B-4**
  - Budget Reconciliation and Financing Act of 2002 B-4
  - County Income Tax B-6
  - Maryland Higher Education Investment Program B-7
  - Income Tax Credits B-9

Part B – Taxes – continued
Sales and Use Tax **B-16**
Sales Tax and E-commerce B-16
Tax-free Weeks B-17
Dedication of Sales Tax Revenue to Mass Transit B-18
Miscellaneous **B-19**
Tobacco Taxes B-19
Inheritance and Estate Taxes B-20
Electric and Gas Utility Tax Reform B-22
Tax Amnesty B-24
Commission on Maryland's Fiscal Structure B-24
Financial Institutions Franchise Tax B-24
Maryland-mined Coal Tax Credit B-25
Recordation Tax Collection B-25
Maryland Clean Energy Incentive Act B-25

Part C – State Government **C-1**
State Agencies, Offices, and Officials **C-1**
Anti-Terrorism C-1
Electronic Government C-4
Reorganization of State Government C-6
Chesapeake Regional Olympic Games Authority C-8
Equal Access to State Agencies – Individuals with Limited English Proficiency C-9
Public Records – Privacy Policies and Security C-9
Governor's Salary Commission C-10
Elections **C-12**
Conduct of Elections C-12
Election Board Procedure and Personnel C-14
Baltimore City Election Dates C-15
Legislative and Congressional Redistricting C-16
Voter Qualifications – Convicted Individuals C-20
Campaign Finance C-21
Code Revision – Election Law Article C-24
Ethics **C-24**
Legislative Ethics C-25
Lobbyist Ethics C-28
Procurement **C-32**
Minority Business Enterprise Program C-32
Procurement Procedures C-34
Procurement of Information Technology C-35
Cooperative Purchasing/Nonpublic Schools C-36
Conflict of Interests C-36
Construction Contracts C-37
University System of Maryland C-38

Part C – State Government – continued
Regulations and Procedures **C-39**
Public Records C-39
Smart Codes C-40
Personnel **C-42**
Collective Bargaining C-42
State Employment C-44
Employee Compensation C-45
Leave and Benefits C-46
Pensions and Retirement **C-46**
Changes in Law Enforcement Officer Retirement Systems C-47
Reemployment of Retirees C-50
State Retirement and Pension System Actuarial Funding Mechanism C-53
Follow-up to 1998 Pension Enhancement C-54
Other Changes and Enhancements C-56
Pensions for Governors and Judges C-57
General Assembly **C-58**
Legislative Redistricting C-58
Congressional Redistricting C-59
Legislative Ethics C-60
Legislative Salaries, Expenses, and Pensions C-60
State Budget C-61
New Joint Legislative Committee C-63
Recording of General Assembly Proceedings C-63
Legislation – Single Subject Rule C-64
Legislation – Retroactive Application C-65

Part D – Local Government **D-1**
Local Governments – Generally **D-1**
Land Use, Zoning, and Planning D-1
Pensions D-3
Public Safety D-4
Housing D-4
Financial Reporting D-5
Counties – Generally **D-5**
Taxes D-5
Special Elections D-5
Constitutional Officers D-6
Courts and Public Safety D-6
Environment and Land Use D-8
Municipal Governments **D-9**

Part D – Local Government – continued
Bi-county Agencies **D-11**
Maryland-National Capital Park and Planning Commission D-11
Washington Suburban Sanitary Commission D-13

Part E – Crimes, Corrections, and Public Safety **E-1**
Criminal Law **E-1**
Anti-Terrorism E-1
Code Revision – Nonsubstantive E-5
Code Revision – Substantive E-6
Sex Crimes E-10
New Crimes and Penalties E-11
Criminal Procedure **E-17**
Law Enforcement and Pretrial Procedures E-17
Victims' Rights E-19
Postconviction, Sentencing, and Confinement E-20
Death Penalty E-22
Juvenile Law **E-23**
Destructive Devices E-23
School-related Legislation E-24
Commission on Juvenile Justice Jurisdiction E-25
Juveniles Charged as Adults E-25
Mental Health and Substance Abuse E-26
The Department of Juvenile Justice E-27
Eastern Shore Juvenile Curfew E-28
Baltimore City Juvenile Justice Center E-29
Community Detention E-29
Children Awaiting Placement E-29
Firearms E-29
Sexual Offenses – Juvenile Facilities E-30
Public Safety **E-30**
Gun Control and Safety E-30
Baltimore City Criminal Justice System E-32
Corrections E-33
Law Enforcement E-34
Registration of Sexual Offenders E-36

Part F – Courts and Civil Proceedings **F-1**
Judges and Court Administration **F-1**
State Assumption of Circuit Court Costs F-1
Baltimore City Criminal Justice System F-3
Creation of Judgeships F-4
Compensation in the Judicial Branch F-5

Part F – Courts and Civil Proceedings **F-1**
Judges and Court Administration – continued
Business and Technology Division F-7
Jurors F-7
Civil Actions and Procedures **F-8**
Year 2000 Problem F-8
Evidence F-9
Immunity and Liability F-10
Awards, Damages, and Other Payments F-12
Civil Procedure F-13
District Court Jurisdiction – Small Claims Actions F-15
Administrative Appeals and Orders F-15
Comparative Negligence F-16
Family Law **F-16**
Domestic Violence F-16
Child Support F-20
Marriage and Divorce F-22
Child Care, Family Day Care, and Residential Facilities F-24
Infant Abandonment F-25
Child Abuse and Neglect F-25
Child in Need of Assistance (CINA) Proceedings F-26
Adoption and Foster Care F-27
International Child Abduction F-28
Human Relations **F-29**
Discrimination on Basis of Sexual Orientation F-29
Genetic Information – Nondiscrimination in Employment F-29
Human Relations Commission F-30
Real Property **F-30**
Landlord and Tenant F-30
Real Property "Flipping" F-32
Drug Nuisance Abatement F-33
Condominiums and Homeowners Associations F-34
Estates and Trusts **F-35**
Inheritance Tax F-35
Small Estates F-35
Uniform Principal and Income Act F-35
Intestate Succession F-36
Guardians F-37

Part G – Transportation and Motor Vehicles **G-1**
Transportation **G-1**
Overview G-1
Mass Transit G-2
Highways G-5
Aviation G-7
General Transportation Issues G-8
Motor Vehicles **G-10**
Drunk and Drugged Driving G-10
Rules of the Road G-15
Motor Vehicle Registration G-17
Vehicle Emissions Inspection Program G-19

Part H – Business and Economic Issues **H-1**
Business Occupations **H-1**
Occupational and Professional Licensing Boards – In General H-1
Occupational and Professional Licensing Boards – By Specific Occupation H-4
Business Regulation **H-11**
Boiler and Pressure Vessel Safety H-11
Charitable Solicitations H-12
Cigarette Dealers H-13
Death Care Industry H-14
Elevator Safety H-14
Heating, Ventilation, Air-conditioning, and Refrigeration H-15
Household Goods Movers H-16
Innkeepers H-17
Home Builders H-17
Public Service Companies **H-18**
Public Service Commission and Office of the People's Counsel H-18
Electric Utilities H-19
Gas Utilities H-23
Holding Company Formation H-24
Telephones and Telecommunications H-25
Taxi and For-hire Driving Services H-25
Insurance **H-26**
Maryland Insurance Administration H-26
Regulation H-27
Insurers Generally H-30
Life Insurance H-31
Property and Casualty Insurance H-33

Part H – Business and Economic Issues – continued

Horse Racing and Gaming **H-37**
Financial Assistance to the Horse Racing Industry H-38
Sunset Evaluation of the Maryland Racing Commission H-39
Video Lottery Terminals (Slot Machines) H-40
Lotteries for the Maryland Stadium Authority H-41
Commissions of Licensed Lottery Agents H-41
Multijurisdictional Lotteries H-41
Economic and Community Development **H-41**
Distressed Jurisdictions H-42
Business Incentives – Small and Minority Businesses H-43
Business Incentives – Major Economic Development Projects H-45
Smart Growth H-46
Other Important Economic and Community Development Issues H-50
Tourism Funding H-52
Workers' Compensation **H-54**
Workers' Compensation Commission H-54
Injured Workers' Insurance Fund H-55
Subsequent Injury Fund H-56
Uninsured Employers' Fund H-56
Workers' Compensation Benefits H-57
Workers' Compensation Insurance Regulation H-59
Unemployment Insurance **H-59**
Unemployment Insurance Trust Fund H-60
Employer Contributions and Surcharge H-60
Benefits H-60
Self-employment Assistance Program H-61
Labor and Industry **H-61**
Use of Employee Sick Leave for Adoption H-61
Drug Screening of Job Applicants H-62
Occupational Safety and Health – Bloodborne Pathogen Standard H-62
Health Care Whistleblower Protection H-62
Mandatory Nurse Overtime Prohibition H-63
Alcoholic Beverages – Statewide Laws **H-63**
Direct Shipments to Consumers H-63
Winery Events H-64
Enforcement of Unlawful Sale to Underage or Intoxicated Persons H-64
Issuance, Renewal, and Transfer of Licenses H-65
Value of Advertising Signs H-66

Part I – Financial Institutions, Commercial Law, and Corporations **I-1**
Financial Institutions **I-1**
Commissioner of Financial Regulation – Investigative and Enforcement Powers I-1
Office of the Commissioner of Financial Regulation and the Banking Board – Extension of Sunset Date I-2
Modernization of Bank Charter Laws I-2
Modernization of Credit Union Laws I-5
Fiduciary Institutions – Disclosure of Customers' Financial Records I-8
Maryland Money Transmission Act I-9
Commercial Law **I-10**
Generally I-11
Credit Regulation I-17
Consumer Protection I-20
Corporations and Associations **I-22**
Corporations I-22
Real Estate Investment Trusts (REITs) I-23
Limited Liability Companies I-27
Investment Companies I-28
Business Trusts I-29
Business Entities Generally I-29
Electric Cooperatives I-30

Part J – Health **J-1**
Public Health – Generally **J-1**
Medicaid J-1
Maryland Children's Health Program J-3
Tobacco J-3
Mental Health J-6
Substance Abuse J-8
Developmental Disabilities Administration J-9
Confidentiality of Medical Records J-11
Lead Paint J-12
Anti-Terrorism J-12
Health Occupations **J-12**
Health Care Providers J-12
Health Occupations Boards J-15
Sunset Evaluations J-16
Health Care and the Workplace J-18
Health Care Regulatory Reform J-19
Long-term Care J-21
Hospitals J-26
Long-term Care Facilities J-28
Mental Health J-28

Part J – Health – continued
Health Insurance **J-29**
Quality of Health Care J-29
Access to Care J-30
Reimbursement of Providers J-35
Regulation of Business Practices J-37
Small Group Market Reforms J-41
Mandated Benefits and Coverages J-43
Nonprofit Health Entity Accountability J-45
Conversion of CareFirst BlueCross/BlueShield of Maryland J-46

Part K – Natural Resources, Environment, and Agriculture **K-1**
Natural Resources **K-1**
Water Resources K-1
Land Preservation K-6
Hunting and Fishing **K-8**
Wildlife Management K-8
Fishery Management K-11
Other Matters Related to Wildlife and Fishery Management K-14
Environment **K-16**
Air Quality K-16
Water Quality K-17
Smart Growth K-21
Lead Poisoning K-21
Hazardous Substances and Chemicals K-22
Agriculture **K-23**
Agricultural Land Preservation K-23
Nutrient Management K-24
Tobacco Crop Conversion K-25

Part L – Education **L-1**
Education – Primary and Secondary **L-1**
School Finance L-1
Baltimore City-State Partnership L-14
Prince George's County School Board L-15
Accountability L-18
Public School Construction L-21
Aid to Nonpublic Schools L-27
Programmatic Funding L-28
Help for Struggling Schools L-30
Charter Schools L-31
Collective Bargaining Between Public School Employers and Employee Organizations L-31
School Safety and Student Behavior L-32
Libraries L-33

Part L – Education – continued
Higher Education **L-34**
Funding L-35
Governance and Independence L-39
Partnership with the Office for Civil Rights L-40
Collective Bargaining Rights L-43
Task Force to Study College Readiness for Disadvantaged and Capable Students L-43
Student Financial Aid L-44
Savings Plans for Higher Education L-47
Community Colleges L-49
Regional Higher Education Centers L-50

Part M – Human Resources **M-1**
Social Services – Generally **M-1**
Welfare Reform M-1
Programs for Low-income Families M-5
Child Welfare M-7
The Elderly **M-9**
Assisted Living Programs M-9
Retirement Communities M-9
The Disabled **M-10**
Waiting List Initiative and Fiscal Management of Waiting List Funds M-11
Developmental Disabilities Administration M-11
Assistive Technology Equipment M-12
Paratransit Services M-13
The Disabled Elderly M-13
Community Attendant Services and Supports Program M-13
Long-term Care M-14
Children **M-15**
Maryland After-school Opportunity Program M-15
Rate Setting M-16
Child and Dependent Care Tax Credits M-16
Child Care Quality and Regulation M-16
Joint Committee on Children, Youth, and Families M-18
Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education M-18
Citizen Review Panels M-19
Adoption Subsidies M-19
Office for Children, Youth, and Families M-20
Advisory Council on Attention Deficit Hyperactivity Disorder M-20

Major Issues – 1999 to 2002

- Abandoned Infants and "Safe Havens" F-25
- After School Opportunities Program M-15
- Aggressive Driving G-15
- Aid to Nonpublic Schools L-27
- Air Quality Control Permits – Public Participation – Judicial Review K-17
- Anti-Terrorism C-1/E-1/J-12
- Assisted Suicide E-11
- Atlantic Coastal Bays Protection Act K-2
- Baltimore City Criminal Justice System E-32/F-3
- Budget Reconciliation and Financing Act of 2002 A-8/B-4
- CareFirst BlueCross/BlueShield of Maryland – Conversion and Acquisition J-46
- Chesapeake Bay Critical Area Protection Program – Variances K-2
- Chesapeake Regional Olympic Games Authority Act C-8
- Children's Health Program – Expansion J-3
- Collective Bargaining for State Employees C-42
- College Readiness for Disadvantaged and Capable Students L-43
- Congressional Districting Plan of 2002 C-18
- Credit Union Laws – Modernization I-5
- Criminal Procedure – DNA Testing and DNA Evidence Preservation E-20
- Death Penalty – Moratorium E-22

- Developmental Disabilities Administration – Community Providers – Reimbursement Rate M-11
- Domestic Violence – District Court Commissioners – Interim Protective Orders F-17
- Drinking Water – State Primary Drinking Water Regulations K-18
- Drunk Driving – Blood Alcohol Level G-11
- Drunk Driving – Open Containers of Alcoholic Beverages in Motor Vehicles G-12
- Drunk Driving – Repeat Offenders G-13
- Early Child Care and Education M-18
- Earned Income Tax Credit B-13
- Economic Development Corporation, Maryland (MEDCO) – Scope of Authority H-50
- Economic Development Program for Distressed Counties H-42
- Elections – Statewide Voting Systems C-12
- Electric Utility Deregulation and Restructuring H-19
- Electric Utility Tax Reform B-22
- Electronic Commerce/Electronic Government C-4
- Energy Efficient Technology Incentives B-25
- Environment – Deposit of Dredge Material K-19
- General Assembly Compensation C-60
- Governor's Compensation C-10
- "GreenPrint" Program – Conservation of Natural Resources K-7
- Gun Safety E-30
- Hazardous Substances – Community Right to Know K-22

- Heritage Structure Rehabilitation Tax Credit – Limitations B-11
- Higher Education Funding L-35
- Higher Education Investment Program B-7
- HOPE Scholarship Program L-44
- Horse Racing Industry – Financial Assistance H-38
- Human Relations – Discrimination on Basis of Sexual Orientation F-29
- Income Tax Credit for "Green" Buildings B-14
- Inheritance Tax B-20
- Injured Workers' Insurance Fund H-55
- Judicial Compensation F-5
- Juvenile Justice Department – Reforms E-27
- Legislative Ethics Law Reform C-25
- Lobbyist Ethics Law Reform C-28
- Maryland Research and Development Tax Credit B-12
- Mass Transit Initiative G-2
- Medicaid Waiver for Home and Community Based Services J-1
- Medical Records – Confidentiality J-11
- Mental Health Services – Funding J-6
- Minority Business Enterprise Program – Increase in Goal C-32
- Money Transmission Act I-9
- Motor Vehicles – Distracted Driving – Use of Hand-Held Cellular Telephones G-16
- Motor Vehicles – Speed Monitoring – Radar Cameras G-16

- New Home Builders H-17
- Nursing Homes J-28
- Patients' Bill of Rights J-29
- Peace Orders F-16
- Prescription Drugs – Subsidies, Discounts, and Assistance to Seniors J-32
- Prevailing Wage – School Construction Projects C-38
- Prince George's County School System Reform L-15
- Property and Casualty Insurance – Use of Credit Ratings by Insurers H-33
- Property Tax – Mandatory Semiannual Payment B-1
- Public Education Funding L-1
- Quality Teacher Incentives L-2
- Racial Profiling/Race-Based Traffic Stops E-34
- Real Property Sales Practices (Flipping) F-32
- Recreational Crabbing License K-12
- Regional Air Services Development Program G-7
- Sex Offenders E-36
- "Smart Growth" H-46/K-21
- State Budget – Increase in Executive Branch Items C-61
- State Legislative Districting Plan of 2002 C-16
- State Personnel – Higher Education – Collective Bargaining C-43/L-43
- Tax Amnesty B-24
- Tax Free Weeks B-17

- Tobacco Crop Conversion K-25
- Tobacco Settlement Agreement – Use of Funds (Cigarette Restitution Fund) J-3
- Tobacco Tax – Increase in Rate B-19
- Tourism H-52
- Transportation Funding G-8
- Truth in Taxation B-1
- Uniform Computer Information Transaction Act (UCITA) I-13
- Uniform Electronic Transaction Act (UETA) I-12
- University System of Maryland Structure and Governance L-39
- Voter Registration – Individuals Convicted of Crimes C-20
- Water Conservation K-19

Part A
Budget and State Aid

Operating Budget

Overview

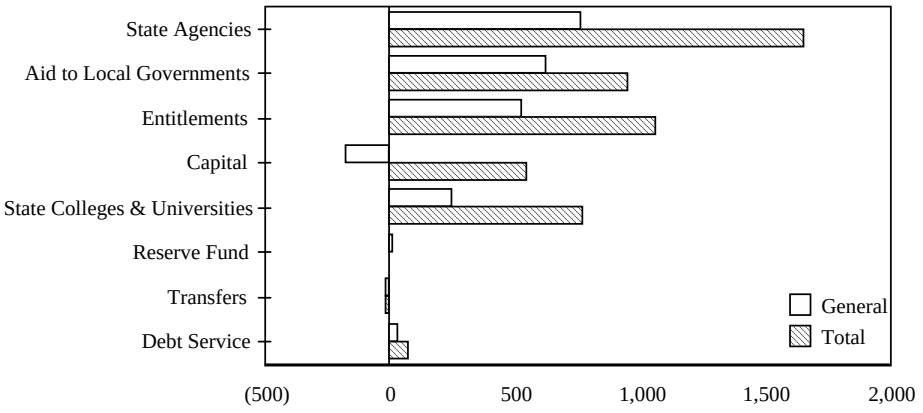
The 1999–2002 legislative term marked a period of significant change with respect to the budget. Throughout the mid- to late-1990s, the longest post-war economic expansion provided states with unanticipated levels of revenue growth. Following the presidential election of 2000, the inevitable economic downturn followed and was exacerbated by terrorist attacks on September 11, 2001. At the 2000 session the State had a surplus of nearly $1.0 billion, plus 5 percent of general fund revenues in reserve. Only two years later the stagnant economy left policy makers scrambling to balance the budget through one-time transfers, withdrawn appropriations, and revenue enhancements. Although the Rainy Day Fund remained intact, the State faces a structural deficit between general fund revenues and spending.

Since 1982 the Spending Affordability Committee, composed of legislative and citizen members, recommends to the Governor and the General Assembly a level of spending for the State operating budget that is reflective of the current and prospective condition of the State's economy. The rate of growth in each of the budgets enacted over the four-year period was within these recommendations. During the economic growth periods of the 1999 and 2000 sessions, increases in State spending were constrained to prevent building in unsupportable levels of spending in future years. Adherence to those limits mitigated the actions necessary to balance the fiscal 2003 budget.

The change in State spending in the operating budget by major category of expenditure is shown in **Exhibit A.1**. General funds derive primarily from general tax revenues such as income and sales taxes and the State Lottery. From fiscal 1999 to 2003, expenditures supported by general funds increased 24 percent, from $8.5 billion to $10.6 billion. Roughly 50 percent of this new spending was for State agencies

Exhibit A.1

Budget Change by Category: FY 1999-2003



($ in Millions)

General Funds

	Actual FY 1999	Leg Appr FY 2003	$ Change	% Change
State Agencies	$3,053	$3,821	$768	25.1%
Aid to Local Governments	2,887	3,516	629	21.8%
Entitlements	1,320	1,852	532	40.3%
Capital	223	50	(174)	-77.8%
State Colleges & Universities	721	970	249	34.5%
Reserve Fund	170	181	11	6.5%
Transfers	17	0	(17)	n.a.
Debt Service	152	184	32	21.1%
	$8,544 *	$10,574 *	$2,030	23.8%

Total Funds

	Actual FY 1999	Leg Appr FY 2003	$ Change	% Change
State Agencies	$5,713	$7,375	$1,662	29.1%
Aid to Local Governments	3,770	4,729	959	25.4%
Entitlements	2,834	3,903	1,068	37.7%
Capital	1,322	1,875	553	41.8%
State Colleges & Universities	2,281	3,059	778	34.1%
Reserve Fund	185	181	(4)	-2.2%
Transfers	17	0	(17)	-100.0%
Debt Service	551	629	79	14.3%
	$16,674 *	$21,751 *	$5,078	30.5%

* Detail may not add to total due to rounding. FY 2003 totals do not reflect anticipated reversions.

Source: Department of Legislative Services

($1.1 billion). Aid to local governments ($0.6 billion) and entitlement spending ($0.5 billion) also grew substantially, accounting for most of the remaining change.

Total spending from all sources of funds, including federal, grew by $5.1 billion over the four-year period, boosting expenditures from $16.7 billion to $21.8 billion. Spending on State agencies accounted for about one-half of the growth during this period, with roughly equal growth for entitlements and aid to local governments. The medical assistance program demonstrated the largest growth, increasing $1.1 billion in total funds. This growth was followed closely by education aid to local governments and higher education spending, which each grew by nearly $800 million. Notable growth also occurred due to higher special and federal fund PAYGO capital spending in the transportation, natural resources, and environmental program areas.

State agency expenditures are driven in part by personnel related expenses, including general salary increases provided in fiscal 2000 ($1,275 per employee), fiscal 2001 (4 percent), and fiscal 2002 (4 percent), and higher costs for health insurance and retirement. A cap on positions of 75,600 for fiscal 2003 places the number of regular full-time equivalent employees just above the fiscal 2000 level. Agency growth centered largely in the areas of higher education, health, public safety, and transportation.

Over the 1999–2002 term, total spending on higher education grew by $778 million, or 34 percent over the fiscal 1999 budget. General fund support increased by $212 million, or 28 percent, reflecting the Governor's emphasis in this area. Growth was spurred in part by funding guidelines developed by the Maryland Higher Education Commission in collaboration with the colleges and universities, based on a comparison of the colleges and universities to institutions with similar characteristics known as their current peers.

Entitlement spending increased by $1.1 billion or 38 percent since fiscal 1999, almost entirely in the medical assistance program. This was due to expansion of children's health services, higher nursing home reimbursement rates, enrollment growth, inflation, and escalating spending. Aid to local governments also grew by nearly $1.0 billion over the four-year period, with nearly 80 percent of that growth occurring in mandated education/library aid to local jurisdictions.

Sizeable appropriations were made to the Revenue Stabilization Fund, also known as the Rainy Day Fund, to retain State revenues for emergency needs and to offset the revenue losses associated with the 10 percent reduction in the State's income tax rate. Chapter 4 of 1998 stipulated that the unappropriated general fund surplus in excess of $10 million at the end of certain fiscal years must be appropriated to the Rainy Day Fund each year. Based on favorable revenue growth the fund's balance was increased to nearly $1.0 billion, just under 10 percent of estimated general fund revenues. This balance was reduced to support one-time PAYGO capital spending and later to mitigate revenue

losses at the 2002 session. The fund balance as of June 30, 2003, is projected at $500.5 million, at the minimum statutorily required 5 percent of general fund revenues.

Significant aspects of each of the budgets adopted over the past four years are discussed below:

1999 Session (Fiscal 2000)

The Governor's original budget submission assumed enactment of legislation to increase the tobacco tax by $1.00 per pack; however, no contingent reductions were tied to the estimated $154.8 million that the bill would raise. It also exceeded the spending affordability limit by nearly $150 million. Abundant revenues were available, yet significant reductions were necessary to meet spending affordability guidelines and provide the legislature with the flexibility to pass a budget that did not require a tobacco tax increase. Ultimately, ***Chapter 121 of 1999*** implemented a 30 cent increase in the tobacco tax. Much of this funding was appropriated via a supplemental budget to be used for one-time PAYGO capital spending.

The final budget adopted in the 1999 session provided $17.6 billion in appropriations for fiscal 2000 and allocated an additional $68.0 million for fiscal 1999. Total spending for fiscal 2000 increased 3.9 percent over fiscal 1999 appropriations. As enacted, the budget was $7.8 million below the limit set by the Spending Affordability Committee.

Compensation enhancements included a flat $1,275 phased in cost-of-living adjustment, monies to establish and convert employees to a new pay plan, a State match of up to $600 of employee contributions to deferred compensation plans, and performance bonuses. State Police retirement benefits were also enhanced by ***Chapters 122 and 123 of 1999***.

The 1999 session was also notable in that it marked the initial receipt of funds resulting from the national settlement between the states and tobacco companies. The Cigarette Restitution Fund was established ***(Chapters 172 and 173 of 1999)*** to receive the settlement money and serve as the vehicle to appropriate the funds for specified purposes such as health care and tobacco cessation.

The State's Rainy Day Fund was projected to have a closing balance of nearly $600 million. Appropriations were made to the Rainy Day Fund which represented the fiscal 1998 unappropriated surplus in excess of $10 million, offset by transfers of $174 million for school construction, higher education PAYGO, and public education of utility restructuring. A new Joseph Fund account was created by ***Chapters 516 and 517 of 1999*** to assist the economically disadvantaged during an economic downturn.

2000 Session (Fiscal 2001)

The 2000 session was framed by the State's strong financial position. Higher than expected revenue growth continued, prompting upward revisions by the Board of Revenue Estimates. Fiscal 2001 was projected to have a closing balance of nearly $1.0 billion, composed of fund balance and reserve funds in excess of the statutorily required 5 percent of estimated general funds. Similar to the 1999 session, the legislature was placed in the position of having to make significant reductions to the budget in order to meet the spending affordability limit. Including supplemental budgets, the Governor exceeded the limit by $107 million.

The final budget adopted at the 2000 session provided $19.6 billion in appropriations for fiscal 2001, an increase of $1.6 billion or 8.6 percent over the fiscal 2000 appropriation. However this included nearly $500 million in one-time PAYGO spending. Absent this amount, the operating budget grew 5.6 percent. The budget also included the allocation of $266 million of tobacco settlement dollars from the Cigarette Restitution Fund. Final action on the budget resulted in a level of spending that was $4.2 million below the spending affordability limit.

Employee compensation enhancements provided for a 4 percent general salary increase effective November 15, 2000, salary increments, and upgrades for selected positions. Over 2,000 new positions were created in the public safety, juvenile justice, and higher education areas. Most new positions were contractual conversions. ***Chapter 179 of 2000*** modified executive compensation, resulting in a shift of approximately 400 managerial service employees to the expanded standard salary schedule. This left about 150 executive service employees in the executive pay plan.

Programmatically, large funding increases were directed primarily to State agencies. The Governor provided significant funding enhancements for higher education, juvenile justice, and services to the developmentally disabled.

Significant legislation affecting revenues and the budget resulted in the partial repeal of the inheritance tax ***(Chapter 497 of 2000)***, expansion of the earned income tax credit ***(Chapter 510 of 2000)***, and establishment of a teacher salary challenge program ***(Chapters 492 and 493 of 2000)***. Although not a significant amount, provision of monies for nonpublic school textbooks was the subject of considerable debate during budget deliberations.

The Rainy Day Fund balance was also increased, as additional surplus funds were realized at the close of fiscal 1999. The projected fiscal 2001 closing balance of $921 million represented nearly 10 percent of estimated general funds.

2001 Session (Fiscal 2002)

The 2001 session was similar to the prior two sessions in that revenue attainment remained strong. Revenue estimates were again revised upward, but the national economic picture had become unsettling. The results of the 2000 election caused uncertainty, amid layoffs and business failures in the technology sector. The Governor's budget reflected an optimistic outlook. His $21.4 billion submission exceeded the spending affordability limit by more than $200 million, utilized $533 million from the Rainy Day Fund to support spending, and underfunded the base budget by an estimated $160 million in health and other programs.

The budget adopted at the 2001 session provided $21.2 billion in appropriations for fiscal 2002, an increase of $1.2 billion or 6.2 percent over the fiscal 2001 appropriation. This included $125 million from the Cigarette Restitution Fund, largely for cancer and tobacco cessation programs. The lower amount reflected the recognition that the issue of remuneration of outside counsel had not yet been resolved. On a spending affordability basis the final budget ended below the limit by approximately $300,000.

Funding for employee compensation again provided a 4 percent cost-of-living adjustment, albeit not effective until January 1, 2002. Nearly 3,000 new positions were created, of which 60 percent were allocated to higher education, juvenile justice, public safety, and transportation. Large growth was also incurred due to higher costs for health and other insurance benefits.

Nearly one-third of the budget increase in fiscal 2002 was composed of one-time PAYGO capital projects. Higher education received another large increase of nearly 10 percent. Smart growth related programs were funded to enhance land preservation efforts, revitalize at-risk neighborhoods, and develop community parks and playgrounds. Large increases in the health area funded rate increases for nursing home and community service providers, expansion of health insurance coverage for children, services for the developmentally disabled, and development of home- and community-based services for the elderly and disabled.

With the transfer of funds from the Rainy Day Fund, the balance was reduced to $577 million, or just below 6 percent of estimated general fund revenues. In addition to base budget underfunding, this budget did not balance in a business sense and made PAYGO capital commitments assuming continued surplus fund availability.

2002 Session (Fiscal 2003)

The 2002 session was the most difficult and challenging to the legislature. A downturn in the economy that had begun in March 2001 was exacerbated by the terrorist

attacks. Revenues began falling below estimates in early fall at levels significant enough to warrant the implementation of a hiring freeze and other cost containment actions. The Governor submitted a $22 billion spending proposal that was balanced on one-time fund transfers, cancellation of the final phase of the 10 percent income tax reduction, and statutory mandate relief through a Budget Reconciliation Act. In a business sense the budget was structurally imbalanced by $1.3 billion, following a revenue write down of $249 million in March 2002. On a spending affordability basis, the budget exceeded the limit by $129 million, although this was less of a major factor during this session.

At the beginning of the session, the legislative leadership built a policy consensus to take a multi-year approach to reduce the structural deficit, honor the income tax reduction, and limit debt issuance to the level recommended by the Spending Affordability Committee. Through a combination of budget reductions, transfers, and revenue enhancements, these goals were met. The budget adopted at the 2002 session provided $21.8 billion in appropriations for fiscal 2003, an increase of $0.5 billion or 2.6 percent over the fiscal 2002 appropriation. This included $131 million from the Cigarette Restitution Fund. The release of additional escrow monies related to the tobacco settlement was also realized based on a settlement with outside counsel. On a spending affordability basis the final budget ended below the limit by nearly $72 million.

Budgetary actions to achieve a balanced budget included reductions and changes in the area of State personnel. A cap of 75,600 positions was adopted, requiring the abolition of over 3,400 vacant positions throughout State government by July 1, 2002, along with a reduction of $11 million in general funds. A proposed 2 percent cost-of-living adjustment and performance bonuses were deleted. Funding for increments was converted to a one-time lump sum payment contingent upon a September 2002 certification by the Board of Public Works as to its affordability. The deferred compensation match was reduced, and the required pension contribution amount was modified based on a new actuarial methodology adopted by legislation.

Although the budget was leaner, spending increases were provided for mandated local education aid, medical assistance, and higher education, and to address underfunding of mental health services. Significant legislation affecting the budget included ***Chapter 440 of 2002*****,** the Budget Reconciliation and Financing Act of 2002, ***Chapter 288 of 2002***, the Bridge to Excellence in Public Schools Act, and ***Chapter 449 of 2002***, which established multijurisdictional lotteries.

The budget relied upon the transfer of $249 million from the Rainy Day Fund, leaving a balance of $500.5 million. This amount represents the statutorily required 5 percent of estimated general funds. Leaving the 5 percent level intact was also a policy priority, based on the desire to retain a cushion of funding against future emergency needs as well as to demonstrate prudent financial management necessary to retain the State's AAA bond rating.

The Budget Reconciliation and Financing Act of 2002

The Budget Reconciliation and Financing Act of 2002 (BRFA) constitutes an integral component of the plan to ensure a balanced budget in both fiscal 2002 and 2003. **Exhibit A.2** summarizes the fiscal provisions of BRFA for these years.

Exhibit A.2
Budget Reconciliation and Financing Act of 2002
Summary of Financial Provisions
General and Special Funds

BRFA Action	FY 2002	FY 2003	Total
Transfers	$146,235,967	$85,200,000	$231,435,967
Withdrawn Appropriations	468,807,761	0	468,807,761
Revenues	0	166,744,339	166,744,339
Total	**$615,043,728**	**$251,944,339**	**$866,988,067**

Source: Department of Legislative Services

Transfers: BRFA effects a number of one-time transfers from various funds. The three largest, accounting for 55.5 percent of the transfers, were made from the State Reserve Fund's Dedicated Purpose Fund, the State's reserve toward the liability for State employees' workers' compensation, and the uninsured motorist division of the Maryland Automobile Insurance Fund.

Withdrawn Appropriations: BRFA withdraws $468.8 million in general fund appropriations made in prior years. This includes $457.2 million in PAYGO capital appropriations made between fiscal 1999 and 2002, much of which is now funded with general obligation bonds. Another $11.6 million is withdrawn from the Maryland State Department of Education (MSDE), the State Board of Elections (SBE), and the State's contribution to public higher education.

Revenues: BRFA includes provisions that increase fiscal 2003 general fund revenues by $161.0 million and special fund revenues by $5.7 million. The actions modify the percentages for various vendor discounts, decouple from federal changes to the estate tax and tuition deduction, recover revenues that had been redirected to the

Transportation Trust Fund to support the transit initiative, reduce the period for the presumption of abandoned property from five to four years, and change the transfer tax distribution to provide 50 percent of attainments to the general fund. Additional action was taken to decouple the State from federal tax changes due to revenue losses unofficially estimated at $98.4 million ($85.1 million general funds and $14.3 million special funds) related to the federal Job Creation and Worker Assistance Act of 2002 (economic stimulus). Approximately one-third of the general fund revenue actions taken in BRFA are in effect for only a two-year period and will terminate at the end of fiscal 2004.

Rebasing Statutory Funding Formulas: The fiscal 2003 budget reflects reductions made to formulas that provided State funding for community colleges (including Baltimore City Community College), nonpublic institutions of higher education, and the Maryland Tourism Development Board Fund. To provide some out-year savings related to these reductions, the statutory methodology related to each formula was rebased. As set out in BRFA, the formulas return to current levels in either fiscal 2006 or 2007.

Other Provisions of BRFA: Other budget related provisions of BRFA pertain to changes in underfunded health and human services programs, reporting requirements for general fund PAYGO capital projects, State personnel, transportation, the State Reserve Fund, and actions made in the budget.

Exhibits A.3 through **A.7** set forth State expenditures during the 1999–2002 term of the General Assembly as follows: general funds, special and higher education funds, federal funds, all State funds, and all funds.

Exhibit A.3
State Expenditures – General Funds
($ in Millions)

Category	Actual FY 1999	Actual FY 2000	Actual FY 2001	Work. App. FY 2002	Leg. Appr. FY 2003	$ Diff. 99 to 03	% Diff. 99 to 03
Debt Service	$151.8	$189.3	$204.5	$204.0	$183.9	$32.1	21.1%
Aid to Local Governments							
General Government	136.1	145.1	174.5	200.9	228.9	92.8	68.2%
Community Colleges	129.0	141.4	163.3	178.5	188.9	59.9	46.4%
Education/Libraries	2,577.3	2,650.6	2,718.1	2,847.3	3,036.3	459.0	17.8%
Health	44.9	48.4	52.5	56.9	61.9	17.0	37.9%
	2,887.3	2,985.5	3,108.4	3,283.7	3,516.1	628.7	21.8%
Entitlements							
Foster Care Payments	126.9	123.1	126.9	137.8	132.9	6.0	4.8%
Assistance Payments	67.2	68.1	34.5	55.5	62.7	-4.5	-6.8%
Medical Assistance	1,077.4	1,118.7	1,320.3	1,547.0	1,600.7	523.3	48.6%
Property Tax Credits	48.7	55.2	52.6	55.7	55.5	6.8	14.0%
	1,320.2	1,365.0	1,534.3	1,795.9	1,851.7	531.5	40.3%
State Agencies							
Health	891.0	942.2	1,006.6	1,090.0	1,183.6	292.6	32.8%
Human Resources	244.0	271.8	303.8	289.4	298.7	54.7	22.4%
Systems Reform Initiative	52.8	47.0	46.9	43.1	40.1	-12.7	-24.0%
Juvenile Justice	123.7	129.9	150.3	162.2	173.6	49.9	40.3%
Public Safety/Police	749.5	806.0	863.9	920.8	961.2	211.8	28.3%
Higher Education	721.3	799.1	886.5	961.3	970.4	249.1	34.5%
Other Education	185.6	210.5	248.6	275.5	284.6	99.0	53.4%
Agric./Natl Res./Envir.	99.4	109.9	125.5	147.3	155.6	56.2	56.5%
Other Executive Agencies	466.5	484.0	520.6	553.2	517.9	51.4	11.0%
Judicial/Legislative	240.7	260.6	281.4	316.5	329.7	89.1	37.0%
Across-the-Board Cuts	0.0	0.0	0.0	0.0	-78.1	-78.1	n.a.
	3,774.5	4,060.8	4,434.2	4,759.3	4,837.4	1,062.9	28.2%
Subtotal	**$8,133.8**	**$8,600.6**	**$9,281.4**	**$10,042.8**	**$10,389.0**	**$2,255.2**	**27.7%**
Capital	223.1	315.4	638.4	366.4	49.6	-173.5	-77.8%
Transfers	17.1	0.0	2.0	0.0	0.0	-17.1	-100.0%
Reserve Fund	170.0	115.5	315.8	176.8	181.0	11.1	6.5%
Appropriations	**$8,543.9**	**$9,031.5**	**$10,237.5**	**$10,586.0**	**$10,619.7**	**$2,075.7**	**24.3%**
Reversions	0.0	0.0	0.0	-25.0	-55.0	-55.0	n.a.
Grand Total	**$8,543.9**	**$9,031.5**	**$10,237.5**	**$10,561.0**	**$10,564.7**	**$2,020.7**	**23.7%**

Note: The FY 2002 working appropriation reflects deficiency appropriations, legislative reductions to the deficiencies ($0.9 million), and $342.5 million in withdrawn appropriations.

Source: Department of Legislative Services

Exhibit A.4
State Expenditures – Special and Higher Education Funds **
($ in Millions)

Category	Actual FY 1999	Actual FY 2000	Actual FY 2001	Work. App. FY 2002	Leg. Appr. FY 2003	$ Diff. 99 to 03	% Diff. 99 to 03
Debt Service	$398.7	$405.1	$376.3	$410.5	$445.5	$46.8	11.7%
Aid to Local Governments							
General Government	449.9	479.8	495.9	487.3	476.4	26.5	5.9%
Community Colleges	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Education/Libraries (1)	0.3	0.9	66.7	83.3	124.3	124.0	n.a.
Health	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
	450.2	480.7	562.6	570.6	600.7	150.5	33.4%
Entitlements							
Foster Care Payments	0.3	0.3	0.2	2.0	0.2	-0.1	-18.4%
Assistance Payments	24.7	21.8	16.8	21.1	17.4	-7.2	-29.3%
Medical Assistance	25.2	116.1	39.0	15.2	47.4	22.2	88.0%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
	50.2	138.2	56.0	38.4	65.1	15.0	29.8%
State Agencies							
Health	74.1	82.0	165.6	174.0	161.6	87.4	117.9%
Human Resources	27.5	27.3	47.5	63.5	57.0	29.5	107.4%
Systems Reform Initiative	0.3	0.3	0.0	0.0	1.8	1.5	546.1%
Juvenile Justice	0.1	0.7	0.3	0.1	0.3	0.1	100.2%
Public Safety/Police	119.2	133.2	140.9	140.8	143.5	24.3	20.3%
Higher Education	1,560.1	1,680.2	1,864.7	1,989.5	2,088.8	528.8	33.9%
Other Education	24.0	26.0	39.9	44.6	36.7	12.7	52.9%
Transportation	841.9	881.6	942.6	983.0	1,006.4	164.5	19.5%
Agric./Natl Res./Envir.	90.3	99.5	108.8	108.4	105.3	15.0	16.6%
Other Executive Agencies	209.1	245.6	256.7	229.5	254.6	45.4	21.7%
Judicial/Legislative	12.3	14.2	11.9	15.3	12.9	0.6	4.8%
Across-the-Board Cuts	0.0	0.0	0.0	0.0	-11.1	-11.1	n.a.
Operating Spending in BRFA(2)	0.0	0.0	0.0	1.0	16.9	16.9	n.a.
	2,959.0	3,190.7	3,578.7	3,749.8	3,874.7	915.7	30.9%
Subtotal	**$3,858.1**	**$4,214.6**	**$4,573.7**	**$4,769.2**	**$4,986.1**	**$1,128.0**	**29.2%**
Capital	723.8	821.5	889.5	969.3	983.3	259.5	35.9%
Reserve Fund	15.0	0.0	0.0	0.0	0.0	-15.0	-100.0%
Capital Spending in BRFA(2)	0.0	0.0	0.0	0.0	22.2	22.2	n.a.
Transfer to MDTA	0.0	20.0	19.9	0.0	0.0	0.0	n.a.
Grand Total	**$4,596.9**	**$5,056.1**	**$5,483.1**	**$5,738.5**	**$5,991.5**	**$1,394.6**	**30.3%**

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

Note: The FY 2002 working appropriation reflects deficiency appropriations and $1 million in withdrawn appropriations.

(1) FY 2003 includes $79.0 million in education aid funded from an increase in the tobacco tax ***(Chapter 288 of 2002)***. This is not technically part of the legislative appropriation. It was authorized by ***Chapter 288*** but will be appropriated via budget amendment.

(2) The Budget Reconciliation and Financing Act ***(Chapter 440 of 2002)*** included additional spending from the dedicated purpose fund, a portion of which ($23.1 million) was contingent on the passage of a tobacco tax increase ***(Chapter 288***). This additional spending is not technically part of the legislative appropriation. It was authorized by BRFA but will be appropriated via budget amendment.

Source: Department of Legislative Services

Exhibit A.5
State Expenditures – Federal Funds
($ in Millions)

Category	Actual FY 1999	Actual FY 2000	Actual FY 2001	Work. App. FY 2002	Leg. Appr. FY 2003	$ Diff. 99 to 03	% Diff. 99 to 03
Debt Service	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	n.a.
Aid to Local Governments							
General Government	29.9	22.3	21.4	32.9	23.4	-6.6	-21.9%
Community Colleges	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Education/Libraries	398.1	440.1	475.6	511.0	584.3	186.1	46.8%
Health	4.5	4.5	4.5	4.5	4.5	0.0	0.0%
	432.5	466.9	501.5	548.4	612.1	179.6	41.5%
Entitlements							
Foster Care Payments	55.7	75.7	90.9	94.0	101.2	45.5	81.7%
Assistance Payments	331.2	263.0	290.8	283.2	284.5	-46.7	-14.1%
Medical Assistance	1,076.8	1,208.7	1,326.7	1,518.6	1,600.0	523.1	48.6%
Property Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
	1,463.7	1,547.4	1,708.4	1,895.9	1,985.6	521.9	35.7%
State Agencies							
Health	395.0	422.7	477.9	481.8	521.2	126.2	31.9%
Human Resources	415.6	452.9	570.1	570.2	598.5	182.9	44.0%
Systems Reform Initiative	21.0	28.5	38.2	29.0	29.3	8.3	39.6%
Juvenile Justice	12.5	16.7	14.3	16.8	15.2	2.7	21.9%
Public Safety/Police	9.4	11.3	10.9	9.8	7.3	-2.1	-22.4%
Higher Education	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Other Education	78.1	80.6	88.3	98.0	95.0	16.9	21.7%
Transportation	20.5	24.4	29.4	45.5	61.4	40.9	200.0%
Agric./Natl Res./Envir.	42.8	44.0	45.7	53.2	51.0	8.2	19.0%
Other Executive Agencies	264.6	243.6	286.0	392.8	394.8	130.2	49.2%
Judicial/Legislative	1.5	1.7	1.8	2.0	1.9	0.3	22.6%
Across-the-Board Cuts	0.0	0.0	0.0	0.0	-7.5	-7.5	n.a.
	1,261.0	1,326.4	1,562.6	1,699.1	1,768.1	507.1	40.2%
Subtotal	**$3,157.3**	**$3,340.7**	**$3,772.5**	**$4,143.4**	**$4,365.9**	**$1,208.6**	**38.3%**
Capital	375.5	439.9	571.7	762.0	820.2	444.7	118.4%
Grand Total	**$3,532.8**	**$3,780.6**	**$4,344.2**	**$4,905.4**	**$5,186.0**	**$1,653.3**	**46.8%**

Note: The FY 2002 working appropriation reflects deficiency appropriations.

Source: Department of Legislative Services

Exhibit A.6
State Expenditures – State Funds
($ in Millions)

Category	Actual FY 1999	Actual FY 2000	Actual FY 2001	Work. App. FY 2002	Leg. Appr. FY 2003	$ Diff. 99 to 03	% Diff. 99 to 03
Debt Service	$550.5	$594.4	$580.7	$614.5	$629.4	$78.9	14.3%
Aid to Local Governments							
General Government	586.0	624.9	670.4	688.2	705.3	119.3	20.4%
Community Colleges	129.0	141.4	163.3	178.5	188.9	59.9	46.4%
Education/Libraries [1]	2,577.6	2,651.5	2,784.8	2,930.6	3,160.6	583.0	22.6%
Health	44.9	48.4	52.5	56.9	61.9	17.0	37.9%
	3,337.5	3,466.2	3,671.1	3,854.3	4,116.8	779.2	23.3%
Entitlements							
Foster Care Payments	127.2	123.4	127.1	139.8	133.1	6.0	4.7%
Assistance Payments	91.9	89.9	51.3	76.6	80.1	-11.8	-12.8%
Medical Assistance	1,102.7	1,234.8	1,359.3	1,562.1	1,648.1	545.5	49.5%
Property Tax Credits	48.7	55.2	52.6	55.7	55.5	6.8	14.0%
	1,370.4	1,503.1	1,590.4	1,834.3	1,916.9	546.5	39.9%
State Agencies							
Health	965.2	1,024.2	1,172.2	1,264.0	1,345.2	380.0	39.4%
Human Resources	271.4	299.1	351.3	352.9	355.7	84.2	31.0%
Systems Reform Initiative	53.0	47.2	46.9	43.2	41.8	-11.2	-21.1%
Juvenile Justice	123.9	130.6	150.6	162.3	173.9	50.0	40.4%
Public Safety/Police	868.7	939.2	1,004.8	1,061.6	1,104.7	236.0	27.2%
Higher Education	2,281.4	2,479.3	2,751.2	2,950.8	3,059.2	777.8	34.1%
Other Education	209.6	236.5	288.5	320.1	321.4	111.7	53.3%
Transportation	841.9	881.6	942.6	983.0	1,006.4	164.5	19.5%
Agric./Natl Res./Envir.	189.8	209.4	234.2	255.7	260.9	71.2	37.5%
Other Executive Agencies	675.6	729.6	777.3	782.8	772.4	96.8	14.3%
Judicial/Legislative	253.0	274.7	293.2	331.8	342.7	89.6	35.4%
Across-the-Board Cuts	0.0	0.0	0.0	0.0	-89.1	-89.1	n.a.
Operating Spending in BRFA[2]	0.0	0.0	0.0	1.0	16.9	16.9	n.a.
	6,733.5	7,251.5	8,012.9	8,509.0	8,712.1	1,978.6	29.4%
Subtotal	**$11,991.9**	**$12,815.3**	**$13,855.1**	**$14,812.0**	**$15,375.1**	**$3,383.2**	**28.2%**
Capital	946.9	1,136.9	1,527.9	1,335.7	1,032.9	86.0	9.1%
Capital Spending in BRFA[2]	0.0	0.0	0.0	0.0	22.2	22.2	n.a.
Transfers	17.1	0.0	2.0	0.0	0.0	-17.1	-100.0%
Transfer to MDTA	0.0	20.0	19.9	0.0	0.0	0.0	n.a.
Reserve Fund	185.0	115.5	315.8	176.8	181.0	-3.9	-2.1%
Appropriations	**$13,140.8**	**$14,087.7**	**$15,720.6**	**$16,324.5**	**$16,611.2**	**$3,470.4**	**26.4%**
Reversions	0.0	0.0	0.0	-25.0	-55.0	-55.0	n.a.
Grand Total	**$13,140.8**	**$14,087.7**	**$15,720.6**	**$16,299.5**	**$16,556.2**	**$3,415.4**	**26.0%**

Note: The FY 2002 working appropriation reflects deficiency appropriations, legislative reductions to the deficiencies, and withdrawn appropriations.

[1] FY 2003 includes $79.0 million in education aid funded from an increase in the tobacco tax ***(Chapter 288 of 2002***). This spending is not technically part of the legislative appropriation. It was authorized by ***Chapter 288*** but will be appropriated via budget amendment.

[2] The Budget Reconciliation and Financing Act ***(Chapter 440 of 2002)*** included additional spending from the dedicated purpose fund, a portion of which ($23.1 million) was contingent on the passage of a tobacco tax increase ***(Chapter 288)***. This additional spending is not technically part of the legislative appropriation. It was authorized by BRFA but will be appropriated via the budget amendment process.

Source: Department of Legislative Services

Exhibit A.7
State Expenditures – All Funds
($ in Millions)

Category	Actual FY 1999	Actual FY 2000	Actual FY 2001	Work. App. FY 2002	Leg. Appr. FY 2003	$ Diff. 99 to 03	% Diff. 99 to 03
Debt Service	$550.5	$594.4	$580.7	$614.5	$629.4	$78.9	14.3%
Aid to Local Governments							
General Government	615.9	647.2	691.8	721.1	728.6	112.8	18.3%
Community Colleges	129.0	141.4	163.3	178.5	188.9	59.9	46.4%
Education/Libraries [1]	2,975.7	3,091.6	3,260.4	3,441.6	3,744.9	769.2	25.8%
Health	49.4	52.9	57.0	61.4	66.4	17.0	34.4%
	3,770.1	3,933.1	4,172.6	4,402.6	4,728.9	958.8	25.4%
Entitlements							
Foster Care Payments	182.8	199.0	218.0	233.8	234.3	51.5	28.1%
Assistance Payments	423.1	352.9	342.1	359.8	364.6	-58.5	-13.8%
Medical Assistance	2,179.5	2,443.4	2,686.0	3,080.8	3,248.1	1,068.6	49.0%
Property Tax Credits	48.7	55.2	52.6	55.7	55.5	6.8	14.0%
	2,834.1	3,050.5	3,298.8	3,730.1	3,902.5	1,068.4	37.7%
State Agencies							
Health	1,360.2	1,446.9	1,650.1	1,745.8	1,866.4	506.2	37.2%
Human Resources	687.0	752.0	921.4	923.1	954.2	267.1	38.9%
Systems Reform Initiative	74.0	75.7	85.1	72.2	71.2	-2.9	-3.9%
Juvenile Justice	136.4	147.3	164.9	179.1	189.1	52.8	38.7%
Public Safety/Police	878.1	950.5	1,015.7	1,071.3	1,112.0	233.9	26.6%
Higher Education	2,281.4	2,479.3	2,751.2	2,950.8	3,059.2	777.8	34.1%
Other Education	287.7	317.1	376.8	418.1	416.4	128.7	44.7%
Transportation	862.3	906.0	972.0	1,028.5	1,067.8	205.4	23.8%
Agric./Natl Res./Envir.	232.6	253.4	279.9	308.9	311.9	79.3	34.1%
Other Executive Agencies	940.2	973.2	1,063.3	1,175.6	1,167.2	227.0	24.1%
Judicial/Legislative	254.5	276.4	295.0	333.8	344.5	90.0	35.4%
Across-the-Board Cuts	0.0	0.0	0.0	0.0	-96.6	-96.6	n.a.
Operating Spending in BRFA[2]	0.0	0.0	0.0	1.0	16.9	16.9	n.a.
	7,994.5	8,577.9	9,575.4	10,208.2	10,480.2	2,485.7	31.1%
Subtotal	**$15,149.2**	**$16,155.9**	**$17,627.5**	**$18,955.4**	**$19,741.0**	**$4,591.8**	**30.3%**
Capital	1,322.4	1,576.8	2,099.6	2,097.7	1,853.0	530.7	40.1%
Capital Spending in BRFA[2]	0.0	0.0	0.0	0.0	22.2	22.2	n.a.
Transfers	17.1	0.0	2.0	0.0	0.0	-17.1	-100.0%
Transfer to MDTA	0.0	20.0	19.9	0.0	0.0	0.0	n.a.
Reserve Fund	185.0	115.5	315.8	176.8	181.0	-3.9	-2.1%
Appropriations	**$16,673.6**	**$17,868.3**	**$20,064.8**	**$21,229.9**	**$21,797.2**	**$5,123.7**	**30.7%**
Reversions	0.0	0.0	0.0	-25.0	-55.0	-55.0	n.a.
Grand Total	**$16,673.6**	**$17,868.3**	**$20,064.8**	**$21,204.9**	**$21,742.2**	**$5,068.7**	**30.4%**

Note: The FY 2002 working appropriation reflects deficiency appropriations, legislative reductions to the deficiencies, and withdrawn appropriations.

[1] FY 2003 includes $79.0 million in education aid funded from an increase in the tobacco tax (***Chapter 288 of 2002)***). This spending is not technically part of the legislative appropriation. It was authorized by ***Chapter 288*** but will be appropriated via budget amendment.

[2] The Budget Reconciliation and Financing Act ***(Chapter 440 of 2002)*** included additional spending from the dedicated purpose fund, a portion of which ($23.1 million) was contingent on the passage of a tobacco tax increase (***Chapter 288***). This additional spending is not technically part of the legislative appropriation. It was authorized by BRFA but will be appropriated via budget amendment.

Source: Department of Legislative Services

Capital Budget

Overview

A total of $10.1 billion was authorized by the General Assembly for the State's capital program during the 1999–2002 term. Total authorizations by major category are shown in **Exhibit A.8**.

Exhibit A.8
Authorizations by Major Category
1999–2002 Sessions

	($ in Millions)	% of Total
Transportation	$5,566.8	55.1
Environment	1,149.9	11.4
Higher Education	1,071.2	10.6
Education	953.1	9.4
Local Projects	285.4	2.8
Economic Development	269.5	2.7
Housing/Community Development	269.4	2.7
State Facilities	221.1	2.2
Public Safety	216.3	2.1
Health/Social	124.1	1.2
Deauthorizations	(16.8)	(0.2)
Total	**$10,110.0**	**100.0**

Source: Department of Legislative Services

Nearly two-thirds of the capital program was accounted for by transportation and environmental projects, with another 20 percent comprising education-related projects including public school construction and higher education institutions. **Exhibit A.9** provides greater detail of capital authorization by session year. The authorizations reflect the actions taken to revert general funds but do not include the transfers of special fund balances (approximately $60 million) from the Department of Natural Resources, the Department of Housing and Community Development, and the Department of Business and Economic Development.

Exhibit A.9

Capital Program Authorizations: 1999–2002 Sessions

($ in Millions)

	1999 Session (FY 2000)	2000 Session (FY 2001)	2001 Session (FY 2002)	2002 Session (FY 2003)	Subtotal	Total
Uses of Funds:						
State Facilities						$221.1
Facilities Renewal	$14.5	$13.3	$11.4	$10.4	$49.6	
Other	39.3	63.2	54.3	14.7	171.5	
Health/Social						124.1
State Facilities	2.1	11.8	20.7	8.5	43.1	
Private Hospitals	3.8	4.7	5.2	5.0	18.7	
Other	21.3	16.5	10.7	13.8	62.3	
Environment						1,149.9
Natural Resources	108.8	106.3	160.8	89.5	465.4	
Agriculture	26.7	27.9	33.3	28.9	116.8	
Environment	205.2	106.2	149.6	85.3	546.3	
MD Envir. Services	3.2	3.6	3.9	3.4	14.1	
Energy	2.1	2.1	2.1	1.0	7.3	
Public Safety						216.3
State Corrections	44.6	34.1	41.3	8.9	128.9	
Local Jails	11.7	12.7	1.8	5.2	31.4	
State Police	5.6	4.1	8.1	0.3	18.1	
Other	11.0	0.0	22.2	4.7	37.9	
Education						953.1
School Construction	255.2	261.0	244.8	151.0	912.0	
Other	16.0	4.7	15.6	4.8	41.1	
Higher Education						1,071.2
University System	110.2	286.4	297.3	41.7	735.6	
Morgan State University	8.3	16.2	11.7	25.1	61.3	
St. Mary's College	11.0	1.1	6.2	2.0	20.3	
Community Colleges	23.1	40.9	43.7	30.6	138.3	
Private Colleges/Universities	6.0	24.0	18.0	11.9	59.9	
Medical System	10.0	11.0	12.0	8.0	41.0	
Other	0.5	5.7	8.0	0.6	14.8	
Housing/Comm. Development						269.4
Housing	48.4	45.8	37.4	61.9	193.5	
Other	20.1	17.7	25.9	12.2	75.9	

	1999 Session (FY 2000)	2000 Session (FY 2001)	2001 Session (FY 2002)	2002 Session (FY 2003)	Subtotal	Total
Economic Development						269.5
Economic Development	68.0	66.9	73.6	61.0	269.5	
Local Projects						285.4
Administration	41.5	94.9	66.8	15.5	218.7	
Legislative	19.1	23.1	24.5	0.0	66.7	
Transportation						5,566.8
Transportation	1,134.9	1,315.1	1,511.4	1,605.4	5,566.8	
Deauthorizations						-16.8
Deauthorizations	-3.7	-2.0	0.0	-11.1	-16.8	
Total	**$2,268.5**	**$2,619.0**	**$2,922.3**	**$2,300.2**	**$10,110.0**	**$10,110.0**
Sources of Funds:						
Debt						
General Obligation	$445.0	$460.0	$505.0	$391.3	$1,801.3	
Revenue Bonds	265.0	210.0	260.0	389.9	1,124.9	
Recycled	0.0	0.0	0.0	0.9	0.9	
Subtotal	$710.0	$670.0	$765.0	$782.1	$2,927.1	
Current Funds (PAYGO)						
General	$314.9	$613.3	$548.1	$49.6	$1,525.9	
Special	672.8	655.4	766.0	648.4	2,742.6	
Federal	570.9	680.3	843.3	820.2	2,914.7	
Subtotal	$1,558.6	$1,949.0	$2,157.4	$1,518.2	$7,183.2	
Total Funds	**$2,268.6**	**$2,619.0**	**$2,922.4**	**$2,300.3**	**$10,110.3**	
Qualified Zone Academy Bonds		$9.80	$8.30			

Note: At the 2002 session, $457 million in general funds authorized for capital projects in fiscal 1999–2002 was withdrawn to balance the budget. A significant number of these projects were funded with bonds in fiscal 2003. The amounts in this table do not reflect this funding shift. The fiscal 2000–2002 amounts have been reduced to reflect those projects for which general funds were withdrawn, but not replaced with bond funds in fiscal 2003.

Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

As shown in Exhibit A.9, the source of funds for the capital program experienced a major influx of current funds (pay-as-you-go or PAYGO), particularly in fiscal 2001 and 2002. PAYGO funding increased by $1 billion over that two-year period. Most of that was attributable to the State's general fund surplus due to the strong economy. These surplus funds were primarily directed toward capital projects for education ($300 million), higher education (over $400 million), and local projects ($100 million). The

use of large amounts of general funds for higher education capital projects was a new phenomenon.

However, the economy slowed following the 2001 session causing revenue estimates to be reduced. This reduction impacted the availability of general funds for capital projects in fiscal 2003. Facing projected budget deficits for fiscal 2003 and 2004, the Spending Affordability Committee recommended that debt authorization be increased to $720 million for fiscal 2003 to allow up to $200 million in previously authorized general fund projects to be withdrawn and replaced with debt. During the 2002 session, the General Assembly withdrew $457 million of general fund PAYGO, that had been appropriated from fiscal 1999–2002, to help balance the operating budget ***(Chapter 440 of 2002)***. The fiscal 2003 capital budget, as passed, was consistent with the recommendation of the Spending Affordability Committee.

Capital Debt Affordability

The Capital Debt Affordability Committee, a part of the Executive Branch of the State government, was created by law in 1985. It was charged with reviewing the size and condition of State tax supported debt and recommending to the Governor and the General Assembly prudent levels of general obligation and higher education and academic revenue debt that may be issued each year. During the 1999–2002 term, the committee made recommendations for authorization of general obligation debt ranging from a low of $445 million for fiscal 2000 to a high of $520 million for fiscal 2003. For fiscal 2002, the committee's recommendation of $505 million included an increase of $30 million over its initial debt recommendation (September 2000 report). The increase was based on the favorable debt to personal income and debt service to revenues ratios.

The General Assembly has adhered to the recommendations for each year except for fiscal 2003. Despite the increase in general obligation debt authorizations for fiscal 2003 to $720 million, consistent with the recommendation of the Spending Affordability Committee, a number of projects had to be deferred to fiscal 2004. To help ensure that the projects that were deferred to fiscal 2004 are funded and to avoid the delay of planned fiscal 2004 projects, the budget committees requested that the Capital Debt Affordability Committee analyze the debt affordability ratios and make a determination of whether the debt limit for fiscal 2004 can be prudently increased by up to $200 million above the $535 million anticipated.

During the first three years of the 1999–2002 term, the Capital Debt Affordability Committee's recommendation on the appropriate level of academic revenue debt authorizations remained at $25 million per year. For fiscal 2003 the committee increased its recommendation to $40 million. In each year the General Assembly authorized the recommended level of academic revenue debt. Also during the term, Maryland, as one of only eight other states to do so, maintained its AAA bond rating from the three major

bond rating agencies (Moody's, Standard and Poor's, and Fitch Investors Services). The AAA bond rating strongly enhances the marketability of State bonds and enables the State to borrow money at the lowest possible interest rate.

Transportation

Transportation projects accounted for 55 percent of the State's capital program expenditures during the 1999–2002 term. Authorized funding totaling nearly $5.6 billion was provided in support of improvements for highways (e.g., U.S. 113, U.S. 29, U.S. 220 and I-70, I-270), specific transit projects (e.g., the metrorail expansions of the Green Line and Addison Road), statewide neighborhood conservation projects, and various infrastructure enhancements at Baltimore-Washington International airport (parking garage and pier expansions).

These projects were primarily funded with current funds through the annual operating budgets. Federal funds represented over half of the available current funds. Additionally, over $900 million in transportation revenue bonds were authorized during the term. The limit on maximum debt outstanding for consolidated transportation bonds was raised to $1.5 billion ***(Chapter 440 of 2002)*** for fiscal 2003 in anticipation of the need to continue implementation of key capital transit initiatives. For an additional discussion of transit initiatives, see the "Transportation" subpart of Part G - Transportation and Motor Vehicles of this *Major Issues Review*.

Environment

Capital funding for environmental programs totaled $1.1 billion over the four-year period. These programs are typically administered by the Department of Natural Resources, the Department of Agriculture, and the Department of the Environment. About half of the total funding authorized was for resource conservation. More than $300 million was authorized for Program Open Space and the Rural Legacy program during this period. Additionally, two of the three Smart Growth programs – Green Print and Community Parks and Playground (begun in fiscal 2002) – received $57 million. Another $89 million was authorized for the Agricultural Land Preservation program.

The other half of the funds was authorized for the restoration of the State's water and land resources. Among the programs falling within this environmental goal was the Water Quality Revolving Loan Fund, the Drinking Water Revolving Loan Fund, the Biological Nutrient Removal Program, and the Agricultural Cost-Share Program. During the four-year period, the two water revolving loan programs were authorized over $400 million and the nutrient removal program was authorized $60 million.

Much of the funding for the conservation programs are derived from property transfer tax revenues. Transfer tax revenues have exceeded the projected estimates in

recent years. In light of the recent fiscal condition of the State, for fiscal 2003 and 2004, approximately half of these revenues ($47 million each year) will be transferred to the general fund. These transfers will temporarily reduce funding for Program Open Space, the Maryland Agricultural Land Preservation Foundation, Rural Legacy, and the Heritage Conservation Fund. For an additional discussion of the transfer tax, see Part K - Natural Resources, Environment, and Agriculture of this *Major Issues Review*.

Public School Construction

During the 1999–2002 term, spending on public school construction rose to nearly $1 billion, a substantial funding increase reflecting a strong economy. Over $900 million was accounted for in new capital authorizations. Over half of those authorizations were made in current PAYGO funds. Federal funds accounted for less than 2 percent. The special funds consist of an annual transfer of $2.4 million from the Maryland Stadium Authority. In fiscal 2003 these special funds may be transferred only if the transfer will not produce a negative balance in the Maryland Stadium Authority Financing Fund at the end of the fiscal year. The remainder of funding stems from the reallocation of funds remaining from completed projects. For an additional discussion on the allocation of authorized funds for public school construction, see the "Education - Primary and Secondary" subpart of Part L - Education of the *Major Issues Review*.

As authorized in ***Chapter 322 of 2000***, the Board of Public Works sold $18 million in Qualified Zone Academy Bonds (QZABs) on behalf of qualified local schools (at least 35 percent of their students eligible for free or reduced price meals or are located within enterprise or empowerment zones). These funds will provide for improvements, repairs, and deferred maintenance. The State pays only the principal on the bonds. Bond holders receive federal tax credits in lieu of interest payments.

Higher Education

The General Assembly continued its high level of support for the higher education system by authorizing just over $1 billion during the 1999–2002 term. These funds provided primarily for the construction of new science buildings on many campuses, as well as state-of-the-art research and technology facilities, sports complexes, and fine arts centers. The funds also supported the development of the Hagerstown Higher Education Center and the expansion of other regional centers. Also, funding provided ongoing support for the University of Maryland Medical System Diagnostic and Treatment Facility.

The University System of Maryland received the majority of this funding. Other major beneficiaries of the State's capital program were community colleges ($138 million), Morgan State University (over $60 million), private colleges and universities

($65 million), and St. Mary's College ($20 million). Some of the major projects for higher education institutions approved during the four-year period are set forth below.

University of Maryland, Baltimore

- Schools of Law and Social Work
- Health Science Research Facility II
- Dental School

University of Maryland, College Park

- New Arena
- Chemistry Teaching Building
- Engineering and Applied Sciences Building

Bowie State University

- New Science Building

Towson University

- Regional Sports Complex
- Fine Arts Building

Frostburg State University

- New Compton Science Center

Salisbury University

- New Science Building

University of Maryland, Baltimore County

- Chemistry/Physics Building
- Information Technology/Engineering Building
- Public Policy Institute Building

University of Maryland, Eastern Shore

- Social Science and Health Education Building

University of Maryland Center for Environmental Studies

- Aquaculture Ecology Lab

Morgan State University

- Science Research Building with Greenhouse
- Fine Arts Building
- Communications Building and Pedestrian Bridge

Baltimore City Community College

- Liberty Campus Main Building

Montgomery College

- Takoma Park Expansion

Economic Development

The General Assembly continued its investment in economic development over the four-year period by providing $285 million for various projects. This included $35.5 million for the Smart Growth Economic Development Infrastructure Fund (One Maryland) and a total of $47 million for the Sunny Day Fund. Other initiatives included $7 million in funding each for Canal Place and the Technology Development Investment Fund. Also during this period, the General Assembly consolidated multiple financing programs into the Maryland Economic Development Assistance Fund ***(Chapter 305 of 2000)***.

Public Safety

A total of $216 million was authorized for public safety projects. This included $31 million for local jails and $132 million for State correctional facilities. Among the major projects authorized were the Public Safety Training Center ($33 million) and the Western Correctional Institution Housing Unit and Support Services Expansion ($60 million).

State Aid to Local Governments

Overview

Direct Aid and Retirement Payments

State aid to local governments accounts for approximately 25 percent of State expenditures. This assistance includes direct aid to county and municipal governments, local school systems, libraries, community colleges, and local health departments. In addition, the State pays the employer's share of retirement costs for public school teachers, librarians, and community college faculty who are members of either the teachers' retirement or pension systems maintained and operated by the State. In fiscal 2003 direct aid totals $3.7 billion and retirement payments total $0.4 billion. More than $3.1 billion or 75 percent of these funds are targeted to local school systems.

Over the last legislative term, State aid to local governments has increased by $768.1 million or 23 percent. Direct aid has increased by $832.9 million or 29 percent and retirement payments have decreased by $64.8 million or 15 percent. The decrease in retirement payments is due to lower contribution rates resulting from high investment returns. However, due to the recent downturn in the financial investment markets, State retirement payments increased in fiscal 2003, the first time since fiscal 1997.

State Assumption of Local Functions

Another aspect of State/local fiscal relationships is the State assumption of functions or responsibilities traditionally performed by local governments. To help alleviate the fiscal pressures confronting Baltimore City, the State has assumed the responsibility for several public services within the city. Legislation enacted in 1990 established the Baltimore City Community College as a State agency with State assumption beginning in fiscal 1991. The State previously funded the city's community college through a formula program. Legislation enacted in 1991 authorized the State to assume the costs and operation of the Baltimore City jail and provided for State operation of a central booking facility in Baltimore City by fiscal 1995. State funding for Baltimore City under the police aid formula was discontinued to offset the State costs for these functions. Legislation enacted in 1996 provided a small grant to Baltimore City under the police aid formula beginning in fiscal 1997. State funding for these programs in Baltimore City total $121.3 million in fiscal 2003, a $26.4 million or 28 percent increase over fiscal 1999.

The State also provided increased funding for the Washington Metropolitan Area Transit Authority (WMATA) for services in Montgomery and Prince George's counties. The enhanced funding will total $39.8 million in fiscal 2003. The mass transit system serving the Baltimore area is operated by the Maryland Department of Transportation.

Total State Aid

Overall State aid to local governments, including the costs assumed since 1990, totals almost $4.3 billion. This represents an $805 million or 23 percent increase over fiscal 1999. **Exhibit A.10** provides a summary of State aid since fiscal 1999. The growth in State aid over the four-year period was below the aggregate increase in State spending. From fiscal 1999 to 2003, State spending increased by 26 percent. The increase in State spending was significantly higher than the increase in State aid in both fiscal 2000 and 2001. However, beginning in fiscal 2002, the increase in State spending was below the increase in State aid.

Exhibit A.10
Summary of State Aid to Local Governments
FY 1999–2003
($ in Millions)

Fiscal Year	Direct State Aid	Retirement Payments on Behalf	Subtotal	Functions Assumed by the State	Total	Percent Change
1999	$2,909.8	$442.5	$3,352.3	$124.3	$3,476.6	7.0%
2000	3,029.7	420.5	3,450.3	132.6	3,582.9	3.1%
2001	3,273.7	389.8	3,663.5	148.0	3,811.6	6.4%
2002	3,502.9	349.9	3,852.8	154.6	4,007.4	5.1%
2003	3,742.7	377.7	4,120.4	161.2	4,281.6	6.8%

Source: Department of Legislative Services

State Aid Patterns

As **Exhibit A.11** indicates, the overall composition of State aid changed slightly from fiscal 1999 to 2003. State aid to local school systems accounts for nearly 76 percent of total State aid. County and municipal governments receive 17 percent of State aid, with most of the aid targeted for transportation, public safety, and park land acquisition and development. Community colleges, libraries, and local health departments account for the remaining 7 percent of State aid.

Exhibit A.11
Changes in State Aid Patterns
($ in Millions)

	FY 1999	Percent of Total	FY 2003	Percent of Total	Percent Increase
Public Schools	$2,544.9	75.9%	$3,112.9	75.6%	22.3%
Libraries	38.9	1.2%	47.4	1.2%	22.0%
Community Colleges	129.0	3.8%	189.8	4.6%	47.1%
Local Health	44.9	1.3%	61.9	1.5%	37.9%
General Government	594.6	17.7%	708.3	17.2%	19.1%
Total	**$3,352.3**	**100.0%**	**$4,120.4**	**100.0%**	**22.9%**

Source: Department of Legislative Services

Community colleges realized the largest increase in State aid over the four-year period, due to enhancements made to the community college formula. State aid to community colleges increased by 47 percent from fiscal 1999 to 2003. Local health departments received a 38 percent increase in funding during this period, most of which is attributed to salary enhancements for health department employees. Funding for public schools and local libraries increased by 22 percent and funding for counties and municipalities increased by 19 percent from fiscal 1999 to 2003. **Exhibit A.12** shows State aid on a county-by-county basis for fiscal 1999–2003. **Exhibit A.13** compares total State aid distributed to local governments in fiscal 1999 and 2003 by program.

Changes in State Aid

Approximately $292.3 million or 36 percent of the increase in State aid over fiscal 1999 is attributed to enhancements made by the General Assembly during the 1999–2002 legislative term. Most of the funding increase ($250.9 million or 85 percent) is targeted to public schools. The remainder of the increase goes to county governments and local community colleges.

The General Assembly approved several new education funding programs that provided additional funding to local school systems including the Quality Teacher Incentive Act, Class Size Reduction Program, Governor's Teacher Salary Challenge Program, academic intervention grants, early childhood education grants, infants and toddlers program, and adult education. The most extensive change occurred at the 2002 session when the General Assembly approved ***Chapter 288 of 2002*** which established a new funding mechanism for public schools. Pursuant to the legislation, 27 existing State education aid programs are eliminated and funding for four programs are significantly enhanced. The enhanced State education aid is phased in from fiscal 2003 to 2008. By fiscal 2008 State education aid is projected to increase by $1.3 billion above the amounts that would have been required before the enactment of ***Chapter 288***.

The General Assembly also established several new funding programs affecting community colleges and county governments during the last legislative term. Initiatives funded include the electricity equipment property tax grant, STOP gun violence grants, domestic violence grants, local voting systems, senior citizen centers, lead paint abatement in Baltimore City, unrestricted grants to the Allegany and Garrett counties community colleges, and several miscellaneous public safety grants.

Exhibit A.12

State Aid to Local Governments by County
FY 1999–2003

County	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Difference FY 1999–2003	Percent Difference
Allegany	$60,616,977	$60,673,975	$64,400,501	$67,693,095	$73,211,971	$12,594,994	20.8%
Anne Arundel	239,405,892	247,769,056	262,720,432	275,855,401	287,070,659	47,664,767	19.9%
Baltimore City	779,178,227	794,114,533	830,639,483	851,945,302	896,597,643	117,419,416	15.1%
Baltimore	361,980,004	370,736,561	390,107,656	405,956,940	430,716,290	68,736,286	19.0%
Calvert	46,980,706	49,654,736	56,714,388	63,855,864	70,189,976	23,209,270	49.4%
Caroline	30,285,033	30,795,935	32,519,860	33,630,713	36,724,244	6,439,211	21.3%
Carroll	99,347,529	102,716,332	108,297,164	111,051,015	118,657,986	19,310,457	19.4%
Cecil	61,384,198	63,108,461	66,746,618	70,880,035	75,849,971	14,465,773	23.6%
Charles	81,963,127	86,891,861	93,715,191	101,501,576	108,318,511	26,355,384	32.2%
Dorchester	26,518,400	26,900,646	28,884,819	29,267,437	29,957,908	3,439,508	13.0%
Frederick	123,134,205	127,629,041	137,443,236	141,885,097	153,652,712	30,518,507	24.8%
Garrett	30,000,292	30,379,271	31,117,588	32,376,760	33,888,396	3,888,104	13.0%
Harford	142,197,591	145,053,901	152,067,189	158,406,386	167,477,753	25,280,162	17.8%
Howard	122,712,777	131,119,814	141,049,329	148,692,606	156,854,229	34,141,452	27.8%
Kent	12,284,075	12,413,870	13,005,423	13,137,727	13,664,140	1,380,065	11.2%
Montgomery	312,473,469	326,879,208	350,841,557	376,706,827	402,557,727	90,084,258	28.8%
Prince George's	528,826,164	544,337,263	580,983,584	615,401,950	683,008,096	154,181,932	29.2%
Queen Anne's	24,003,051	26,603,877	27,505,863	28,627,664	29,634,193	5,631,142	23.5%
St. Mary's	58,200,150	57,357,072	60,560,469	63,396,555	67,199,753	8,999,603	15.5%
Somerset	20,597,385	20,640,952	21,737,353	22,489,122	24,480,014	3,882,629	18.9%
Talbot	12,924,501	12,942,975	13,707,394	13,543,134	14,167,109	1,242,608	9.6%
Washington	83,055,112	85,176,993	87,571,995	91,217,834	96,935,708	13,880,596	16.7%
Wicomico	61,650,872	62,854,684	66,756,185	69,631,581	76,519,580	14,868,708	24.1%
Worcester	17,864,245	18,659,066	20,511,619	20,236,761	21,938,980	4,074,735	22.8%
Unallocated	14,757,090	14,860,739	23,940,422	45,420,683	51,078,397	36,321,307	246.1%
Total	**$3,352,341,072**	**$3,450,270,822**	**$3,663,545,318**	**$3,852,808,065**	**$4,120,351,946**	**$768,010,874**	**22.9%**

Source: Department of Legislative Services

Exhibit A.13
Total State Assistance to Local Governments
Direct State Aid

Program	FY 1999	FY 2003	Difference
Current Expense Aid	$1,517,574,447	$1,764,230,813	$246,656,366
Compensatory Education	101,683,159	141,945,669	40,262,510
School Transportation – regular	107,458,429	133,156,684	25,698,255
School Transportation – special education	4,779,500	5,740,500	961,000
Special Education – formula	81,253,348	81,253,345	(3)
Special Education – nonpublic placements	76,114,647	100,691,229	24,576,582
Special Education – infants & toddlers	0	5,199,999	5,199,999
Limited English Proficiency Grants	23,550,750	34,156,350	10,605,600
Additional Poverty Grants	18,163,360	18,163,360	0
Targeted Poverty Grants	7,999,998	8,000,000	2
Magnet Schools	16,100,000	16,100,000	0
Extended Elementary	19,262,500	19,262,500	0
Baltimore City Partnership	50,000,000	70,465,079	20,465,079
Aging Schools	10,370,000	10,370,000	0
Targeted Improvement Grants	20,645,706	23,275,284	2,629,578
Teacher Development/Mentoring Programs	19,056,000	34,895,000	15,839,000
Adult Education	753,602	2,553,622	1,800,020
Food Service	4,336,664	6,264,664	1,928,000
Gifted and Talented Grants	4,857,461	6,169,829	1,312,368
Class Size Initiative	0	24,613,411	24,613,411
Out-of-County Placements	4,350,550	6,463,043	2,112,493
Teacher's Salary Grant	0	72,273,294	72,273,294
Early Education Initiatives	0	19,000,000	19,000,000
Headstart	0	2,949,664	2,949,664
Bridge to Excellence (SB 856)	0	64,656,835	64,656,835
Prince George's Restructuring Grant	0	10,000,000	10,000,000
Education Modernization	5,375,000	13,486,002	8,111,002
School Reconstitution	9,797,400	11,835,600	2,038,200
Academic Intervention	0	19,100,000	19,100,000
Maryland's Tomorrow	9,847,189	0	(9,847,189)
Other Programs	15,928,558	32,125,881	16,197,323
Total Primary & Secondary Education	**$2,129,258,268**	**$2,758,397,657**	**$629,139,389**
Library Formula	$22,990,884	$27,062,145	$4,071,261
Special Grant to Prince George's County	1,500,000	0	(1,500,000)
Library Network	5,081,942	12,557,844	7,475,902
Total Libraries	**$29,572,826**	**$39,619,989**	**$10,047,163**
Community College Formula	$99,919,634	$158,816,372	$58,896,738
Grants for ESOL Programs	1,000,001	2,378,410	1,378,409
Optional Retirement	5,045,137	8,000,001	2,954,864
Small College Grant/Allegany & Garrett Grant	2,242,981	3,100,000	857,019
Statewide Programs	3,312,050	3,489,885	177,835
Total Community Colleges	**$111,519,803**	**$175,784,668**	**$64,264,865**
Highway User Revenue	$401,786,430	$432,103,926	$30,317,496
Elderly and Handicapped Transportation Aid	2,506,946	4,815,788	2,308,842
Paratransit	2,944,042	3,632,051	688,009
Total Transportation	**$407,237,418**	**$440,551,765**	**$33,314,347**

Exhibit A.13 (Continued)
Total State Assistance to Local Governments
Direct State Aid

Program	FY 1999	FY 2003	Difference
Police Aid	$57,645,522	$62,144,781	$4,499,259
Fire and Rescue Aid	7,500,000	10,000,000	2,500,000
Fire Appartus Grant	300,000	0	(300,000)
Vehicle Theft Prevention	2,518,277	2,600,000	81,723
9-1-1 Grants	8,776,629	4,253,349	(4,523,280)
Community Policing	2,000,000	2,000,000	0
Foot Patrol/Drug Enforcement Grants	4,462,500	4,462,500	0
Law Enforcement Training Grants	0	95,000	95,000
Stop Gun Violence Grants	0	1,000,000	1,000,000
Violent Crime Grants	5,000,000	5,000,000	0
Baltimore City State's Attorney Grant	0	1,000,000	1,000,000
Domestic Violence Grants	0	200,000	200,000
Foreign Vehicle Registration Grant	25,046	360,000	334,954
School Vehicle Safety Grant	0	550,000	550,000
Body Armor	100,000	50,000	(50,000)
Total Public Safety	**$88,327,974**	**$93,715,630**	**$5,387,656**
Program Open Space	$30,713,999	$18,261,173	($12,452,826)
Critical Area Grants	0	750,000	750,000
Total Recreation/Environment	**$30,713,999**	**$19,011,173**	**($11,702,826)**
Local Health Formula	**44,919,642**	**61,935,705**	**17,016,063**
Utility Property Tax Grant	**0**	**30,615,201**	**30,615,201**
Disparity Grant	**64,116,025**	**115,179,884**	**51,063,859**
Horse Racing Impact Aid	$1,330,200	$1,341,400	$11,200
Payments in Lieu of Taxes	418,200	905,989	487,789
Security Interest Filing Fees	2,450,000	2,750,000	300,000
Baltimore City Lead Paint Abatement Grant	0	250,000	250,000
Senior Citizens Activities Center	0	500,000	500,000
Warfield Complex Historic Site	0	0	0
Statewide Voting Systems	0	2,119,000	2,119,000
Total Other Direct Aid	**$4,198,400**	**$7,866,389**	**$3,667,989**
Total Direct Aid	**$2,909,864,355**	**$3,742,678,061**	**$832,813,706**
Payments-in-Behalf			
Retirement – Teachers	$415,664,913	$354,543,785	($61,121,128)
Retirement – Libraries	9,297,486	7,792,763	(1,504,723)
Retirement – Community Colleges	17,514,318	13,981,834	(3,532,484)
Retirement – Local Employees	0	1,355,503	1,355,503
Total Payments-in-Behalf	**$442,476,717**	**$377,673,885**	**($64,802,832)**
Total State Assistance	**$3,352,341,072**	**$4,120,351,946**	**$768,010,874**

Source: Department of Legislative Services

Primary and Secondary Education

The State's commitment to ensure that public schools are adequately funded remains strong. From fiscal 1999 to 2003, State funding for public schools increased by $568.0 million or 22 percent. State aid paid directly to local boards of education increased by $629 million or 30 percent; whereas teachers' retirement payments paid by the State on behalf of local boards of education decreased by $61 million or 15 percent. Based on recommendations of the Commission on Education Finance, Equity, and Excellence, the General Assembly adopted legislation at the 2002 session ***(Chapter 288)*** that established a new funding mechanism for public schools that will enhance State funding by $1.3 billion over the next five years. The following is a brief discussion of the major State education aid programs. For a more detailed discussion of ***Chapter 288,*** see the "School Finance" subpart of Part L – Education of this *Major Issues Review*.

Current Expense Aid: The current expense formula is the largest State education aid program accounting for 57 percent of State funding to public schools. Current expense aid is not restricted for specific purposes and is distributed inversely to local wealth, as measured by net taxable income and assessable base. State law provides for automatic increases in current expense formula aid based on two factors: student enrollment and prior years' spending growth. Between fiscal 1999 and 2003, current expense aid increased by $246.7 million. In fiscal 2003 current expense aid totals $1.8 billion.

Compensatory Aid: The compensatory aid formula distributes funding to local school systems on the basis of the number of students from economically disadvantaged environments as measured by the student counts used for federal Title I aid. In addition, the compensatory aid formula is tied to growth in the current expense formula in that the program's per pupil foundation is one-fourth of the foundation for the current expense formula. State funding for this program increased by $40.3 million or 40 percent between fiscal 1999 and 2003. In fiscal 2003 compensatory aid totals $141.9 million.

Student Transportation Grants: Each county receives a grant for student transportation based on the county's grant in the previous year increased by inflation. Increases cannot exceed 8 percent or be less than 3 percent. As a result of legislation enacted in 1996, counties with enrollment increases receive additional funds. Student transportation grants total $138.9 million in fiscal 2003, a $26.7 million increase over fiscal 1999.

Special Education: State aid for special education recognizes the additional costs associated with providing programs for students with disabilities. Most special education students receive services in the public schools; however, if an appropriate program is not available in the public schools, students may be placed in a private school offering more specialized services. The State and local school systems share the costs of these nonpublic placements. The $24.1 million increase in special education funding

between fiscal 1999 and 2003 is for nonpublic placements. State funding for special education programs within public schools has not increased over the last four years.

Teachers' Retirement Payments: The State pays the employers' retirement costs for public school teachers who are members of either the teachers' retirement or pension systems maintained and operated by the State. From fiscal 1999 to 2002, teachers' retirement payments have decreased by $87.4 million. However, after several years of declining teachers' retirement costs due to lower contribution rates resulting from high investment returns, teachers' retirement costs increased by $26.3 million in fiscal 2003. This increase results from an 8 percent increase in the salary base and a constant employer contribution rate (9.35 percent). The employer contribution rate was scheduled to increase to 9.87 percent in fiscal 2003 resulting in a $46 million increase in retirement payments. However, to control the increased costs, the General Assembly approved the Budget Reconciliation and Financing Act of 2002, ***Chapter 440 of 2002***, that changed the methodology for determining the State's contribution for teachers' retirement.

Baltimore City Partnership Grant: This program is part of the State's effort to reform the Baltimore City Public School System. State funding in the amount of $33 million was first provided to Baltimore City in fiscal 1998. State funding for the partnership grant was increased in subsequent years: $50 million in fiscal 1999 and 2000, $66.2 million in fiscal 2001, and $70.5 million in fiscal 2002 and 2003.

Targeted Poverty Funding: The State provides local school systems with $49.4 million in fiscal 2003 for targeted poverty programs for disadvantaged students. State funding is allocated based on the free and reduced price meal count. State funding under the targeted improvement grant has increased by $2.6 million between fiscal 1999 and 2003. State funding for targeted poverty and additional poverty grants has remained constant.

Limited English Proficiency: The State provides grants to local school systems for programs for students with limited English proficiency. The grant amount totals $1,350 per limited English proficient student. Funding for this program totals $34.2 million in fiscal 2003, representing a $10.6 million increase over fiscal 1999. Approximately 23,891 students are categorized as limited English proficient, a 49 percent increase since the fiscal 1999 enrollment count.

Teacher Development/Mentoring/Certification Grants: Funding for teacher development, mentoring, and certification grants totals $26.7 million in fiscal 2003. Teacher development grants are provided to enhance teacher development programs in schools with a free or reduced price meal count of 25 percent or more of their student population. Each eligible school receives an $8,000 grant to enhance teacher training in instructing at-risk students. In fiscal 2003 these grants will total $5.8 million, representing a $280,000 increase over fiscal 1999. In addition, the State budget includes $5.0 million for teacher certification programs, of which $2.5 million is for Prince

George's County and $2.0 million is for Baltimore City. The State budget also includes $5.0 million for teacher mentoring programs in accordance with legislation passed in the 1999 session. In addition, $10.9 million for mentoring programs is provided to three local school systems ($1.0 million for Anne Arundel County, $7.9 million for Baltimore County, and $2.0 million for Prince George's County).

Teacher Quality Incentives: The General Assembly passed legislation at the 1999 session ***(Chapter 600 of 1999)*** that provided salary enhancements for teachers obtaining national certification, a signing bonus for teachers graduating in the top of their class, and a stipend for teachers working in a reconstitution-eligible or challenge school. State funding will total $12.2 million in fiscal 2003.

Teacher Salary Grants: The General Assembly approved legislation at the 2000 session ***(Chapter 492 of 2000)*** that established teacher salary grants. The teacher salary challenge program requires the State to provide a one percent salary match to local school systems granting a 4 percent cost-of-living increase to teachers in fiscal 2001 and 2002. ***Chapter 420 of 2001*** extended funding for the teacher salary grants through fiscal 2003. State funding totals $72.3 million in fiscal 2003.

Academic Intervention: The General Assembly approved legislation at the 2000 session ***(Chapter 492 of 2000)*** that provided funding for academic intervention programs. State funding totals $19.1 million in fiscal 2003.

Class Size Reduction Grants: Local school systems will receive $24.6 million in funding in fiscal 2003 to reduce class size for reading instruction in the first and second grades. The funding is based on a statutory formula passed by the General Assembly at the 1999 session ***(Chapter 513 of 1999)***. State funding for the program began in fiscal 2001 at $11.3 million. Funding was increased to $24.6 million in fiscal 2003.

Early Education Initiatives/Judith P. Hoyer Program: In fiscal 2001 the State began to provide financial support for the establishment of centers that provide full-day, comprehensive, early education programs and family support services that will assist in preparing children to enter school ready to learn. This program also provides funding to support voluntary accreditation of early child care centers, professional development of early childhood educators, and statewide implementation of an early childhood assessment system. State funding in fiscal 2003 includes $7.6 million for Judy Center grants and approximately $3 million for school readiness and program accreditation. In addition, beginning in fiscal 2002, the State provided local school systems with $19 million in funding for early education programs that improve academic achievement of students in prekindergarten through third grade. The funding is distributed on the basis of the State's special education formula.

Extended Elementary: The Extended Elementary Education Program, a public school prekindergarten program for four-year-old children identified as having a high potential for failure in school, will continue to receive $19.3 million in funding in fiscal 2003. Funding for this program has remained constant since fiscal 1999.

School Reconstitution Funds: Under the Maryland School Performance Program, the State may undertake changes in the management of poorly performing public schools. In 1994 two public schools were identified for local reconstitution. In fiscal 2003, 106 public schools operate under local reconstitution and four public schools operate under State reconstitution. The fiscal 2003 State budget includes $11.8 million in funding for this purpose. Local school systems receiving funding in fiscal 2003 include Baltimore City and Anne Arundel, Baltimore, and Prince George's counties.

Aging Schools Program: This program provides funds to local school systems for the improvements, repairs, and deferred maintenance of public school buildings exceeding 15 years of age. Each local school system's share of the total funding is generally consistent with the school system's share of school building square footage constructed prior to 1960. In addition, each local school system receives a $65,000 minimum funding level. In fiscal 2003 local school systems receive $10.4 million in funding under this program. State funding for the aging schools program has remained constant since fiscal 1999.

Education Modernization Initiative: This program provides schools access to on-line computer resources and capacity for data, voice, and video equipment. Total funding for this program is $13.5 million. The Maryland Technology Academy will continue to receive $1.9 million in funding in fiscal 2003.

Additional Enhancements for Fiscal 2003: ***Chapter 288 of 2002*** bases State funding on the framework established by the Commission on Education Finance, Equity, and Excellence. Special funds obtained through the increased tobacco tax in fiscal 2003 will be used to provide: (1) unrestricted grants to local boards of education totaling $62.7 million; (2) a $10.0 million board of education restructuring grant for Prince George's County; (3) $4.8 million for the Maryland Infants and Toddlers Program; and (4) $1.1 million for adult education and literacy services. Pursuant to the Act, 27 existing State education aid programs are eliminated or phased out in fiscal 2004, and the funding for the programs is replaced by enhanced funding for current expense aid, compensatory aid, special education, and limited English proficiency. The enhanced State education aid is phased in from fiscal 2003 to 2008. By fiscal 2008 State education aid would increase by $1.3 billion.

Libraries

The State provides assistance to public libraries through a formula that determines the State and local shares of a minimum per capita library program. The

minimum library program is specified in statute. For fiscal 2003 the program is based on a $12 per capita grant. Overall, the State provides about 40 percent of the minimum program and the counties provide 60 percent. However, the State/local share of the minimum program varies from county to county depending on local wealth. In fiscal 2003 State library formula aid will total $27.1 million, an increase of $4.1 million since fiscal 1999. In addition, the State pays the employer's share of retirement costs for eligible library employees. These payments will total $7.8 million in fiscal 2003, a $1.5 million decrease from fiscal 1999.

The General Assembly approved legislation at the 1999 session ***(Chapter 701 of 1999)*** that established a funding formula for the State Library Resource Center requiring the State to contribute a larger share of the center's funding. In 2000 legislation was enacted ***(Chapter 547 of 2000)*** that altered the calculation of the State funding formula for regional resource centers. State funding for the resource centers totals $12.6 million in fiscal 2003, a $7.5 million increase since fiscal 1999.

Community Colleges

Total State funding for community colleges increases by $11.3 million for fiscal 2003. Local community colleges will receive $158.8 million through the State's funding formula, a 58.9 percent increase over fiscal 1999. The Budget Reconciliation and Financing Act of 2002 ***(Chapter 440 of 2002)*** lowers the percentages used in calculating the aid per full-time equivalent student at the 15 community colleges included in the Senator John A. Cade funding formula. The percentage is set at 23.1 percent of the per pupil funding in fiscal 2003 level for the State's four-year colleges and fiscal 2004 and 24.0 percent in fiscal 2005. The funding formula returns to the previous statutory level (25.0 percent) in fiscal 2006. Local community colleges will receive $17.0 million in special categorical grants, including the small college grant, English for Speakers of Other Languages (ESOL) grant, statewide programs, optional retirement grant, and the innovative partnership for technology grant. State-paid retirement expenditures total $14.0 million in fiscal 2003, a $3.5 million decrease over fiscal 1999.

New legislation enacted in 2002 ***(Chapter 350 of 2002)*** provides an additional $360,000 to Allegany College and $240,000 to Garrett Community College beginning in fiscal 2003.

Local Health Programs

State aid for local health departments totals $61.9 million in fiscal 2003, reflecting a $17.0 million or 38 percent increase since fiscal 1999. This increase includes funds to annualize the current year's cost-of-living adjustment for eligible employees of local health departments and the statutorily required increase based on population and inflation.

General Government Assistance

The State provides grants to counties and municipalities for various governmental functions, including public safety, transportation, and recreation. In addition, the disparity grant program targets aid to low income wealth jurisdictions. Overall, general government assistance will increase by $113.7 million or 19 percent from fiscal 1999 to 2003.

Police Aid Grants: Maryland's counties and municipalities receive grants for police protection through the police aid formula. The police aid formula allocates funds on a per capita basis, and jurisdictions with higher population density receive greater per capita grants. Municipalities receive additional grants based on the number of sworn officers. Police aid grants in fiscal 2003 total $62.1 million, a $4.5 million or 8 percent increase over fiscal 1999.

Public Safety Grants: ***Chapter 440 of 2002*** authorizes $1.0 million for the Baltimore City State's Attorney's Office to improve the prosecution of gun offenses and repeat violent offenders and to expand the homicide division. Baltimore City also received $1.3 million in fiscal 2001 and $1.7 million in fiscal 2002 for this purpose. In addition, the fiscal 2003 State budget continues to fund $11.5 million in special public safety grants for Baltimore City and Prince George's County.

Vehicle Theft Prevention Program: This program provides grants to law enforcement agencies, prosecutors' offices, local governments, and community organizations for the purpose of establishing vehicle theft prevention, deterrence, and educational programs. Funds are also used to enhance the prosecution and adjudication of vehicle theft crimes. Funding for the program is provided through the Vehicle Theft Prevention Fund, a nonlapsing dedicated fund that receives up to $2.0 million a year from penalties collected for lapsed or terminated insurance coverage. Additional funds are received from inspection fees collected for salvaged vehicle verification. Accordingly, funding for this program will total $2.6 million in fiscal 2003.

Fire, Rescue, and Ambulance Services: The State provides formula grants to the counties, Baltimore City, and qualifying municipalities for local and volunteer fire, rescue, and ambulance services. The grants are for equipment and renovations, not operating costs. The program is funded from the Maryland Emergency Medical System Operations Fund (MEMSOF). The grant level for the program is set at $10.0 million in fiscal 2003.

Program Open Space Grants: Under Program Open Space, the State provides grants to the counties and Baltimore City for land acquisition and the development of park and recreation facilities. State property transfer tax revenues fund Program Open Space and related programs. State funding for this program increased from $30.7 million in fiscal 1999 to $44.0 million in fiscal 2002. Due to the State's budgetary constraints

in fiscal 2003, ***Chapter 440 of 2002*** earmarked 50 percent of the transfer tax revenues in fiscal 2003 and 2004 to the general fund. This results in a reduction to local Program Open Space grants. In fiscal 2003 Program Open Space funding totals $18.3 million, which includes a $1.0 million special grant for Baltimore City.

Transportation: The State shares receipts from motor fuel taxes, vehicle excise (titling) taxes, registration fees, and corporate income taxes with local governments for the purpose of constructing and maintaining transportation facilities across the State. Counties, municipalities, and Baltimore City receive 30 percent of these "highway user" revenues. State highway user grants will total $432.1 million in fiscal 2003, representing a $30.3 million or 7 percent increase from fiscal 1999 to 2003.

Disparity Grant: The disparity grant, which provides funding to counties whose per capita local income tax revenue is less than 75 percent of the statewide average, totals $115.2 million in fiscal 2003. State funding for disparity grants has increased by $51.1 million or 80 percent since fiscal 1999. The nine jurisdictions receiving a disparity grant in fiscal 2003 are Allegany, Caroline, Dorchester, Garrett, Prince George's, Somerset, Washington, and Wicomico counties, and Baltimore City. ***Chapter 288 of 2002*** required that $11.9 million be earmarked for increased funding to public schools in fiscal 2003 only.

Electric Utility Grant: To partially offset lost local revenues resulting from legislation enacted in 1999 restructuring Maryland's electric utility tax system, ten counties and Baltimore City receive an electricity generating equipment property tax grant. The grants were phased in over two years beginning with fiscal 2001 and total $30.6 million in fiscal 2003.

Appendix I

State Assistance to Local Governments

County Level Detail

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

Direct Aid/Shared Revenues and Retirement Payments

Direct Aid/Shared Revenues

The State distributes aid or shares revenue with the counties, municipalities, and Baltimore City through over 50 different programs.

Retirement Payments

County teachers, librarians, and community college faculty are members of either the teachers retirement or pension systems maintained and operated by the State. The State pays the employer share of the retirement costs on behalf of the counties for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Although these funds are not paid to the local governments, it is possible to estimate each county's allocation from salary information collected by the State retirement systems. The figure shown in this report for each county is the four-year cumulative total retirement costs (fiscal 2000 through 2003).

Estimated State Spending on Selected Health and Social Services

The State funds the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Estimates of general fund appropriations are divided into three categories: health services, social services, and senior citizen services.

Health Services

The Department of Health and Mental Hygiene, through its various administrations, funds in whole or part community health programs that are provided in the local subdivisions. These programs are described below. This appendix does not include spending at the State mental health hospitals, developmental disability facilities, or chronic disease centers.

- ***Alcohol and Drug Abuse:*** The Alcohol and Drug Abuse Administration funds community-based programs that include primary and emergency care, intermediate care facilities, halfway houses and long-term care programs, outpatient care, and prevention programs.

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

- ***Geriatric and Children's Services:*** The Medical Care Policy Administration provides funding for community-based programs that serve senior citizens and children. The geriatric services include operating grants to adult day care centers and an evaluation program administered by the local health departments to assess the physical and mental health needs of elderly individuals. The children's services includes the Early, Periodic Screening Diagnosis and Treatment (EPSDT) program and the Adolescent Case Coordinator program that assures at-risk or pregnant teenagers receive needed health services.

- ***Mental Health:*** The Mental Hygiene Administration (MHA) oversees a wide range of community mental health services which are developed and monitored at the local level by Core Service Agencies (CSAs). These Core Service Agencies have the clinical, fiscal, and administrative responsibility to develop a coordinated network of services for all public mental health clients of any age within a given jurisdiction. These services include in-patient and out-patient hospital services, in-patient and out-patient mental health services, psychiatric rehabilitation services, targeted case management services, rental assistance, pharmacy services, private practitioners, and other clinic services.

- ***Prevention and Disease Control:*** The Community Health Administration and the Family Health Administration are responsible for chronic and hereditary disease prevention (cancer, heart disease, diabetes, etc.). They also provide for the promotion of safe and effective immunization practices, the investigation of disease outbreaks, and continuous disease surveillance and monitoring with the support of local health departments and the medical community. In addition to general funds, Cigarette Restitution Funds are used for tobacco use prevention and cessation and for cancer prevention and screening at the local level.

- ***Developmental Disabilities:*** The Developmental Disabilities Administration's community-based programs include residential services, day programs, transportation services, summer recreation for children, individual and family

support services, including respite care, individual family care, behavioral support services, and community supported living arrangements.

- ***AIDS:*** The AIDS Administration funds counseling, testing, education and risk reduction services through the local health departments.

Social Services

The Department of Human Resources provides funding for various social and community services in the subdivisions. Fiscal 2003 funding for homeless services and the women's services programs was allocated among the subdivisions on the basis of each jurisdiction's share of fiscal 2002 funding.

- ***Homeless Services Program:*** The Community Services Administration funds the homeless services program (including the housing counselor program) to provide emergency and transitional housing, food, and transportation for homeless families and individuals in the subdivisions.

- ***Women's Services Program:*** The Community Services Administration provides funding for a variety of community-based programs for women. These include the battered spouse program, rape crisis centers, displaced homemakers program, and crime victims' services.

- ***Adult Services:*** The State social services departments in each of the subdivisions provide a variety of services to disabled, elderly, neglected, and exploited adults. Services include information and referral, crisis intervention, case management, protective services, in-home aid, and respite care for families.

- ***Child Welfare Services:*** The State social services departments in each of the subdivisions offer programs to support the healthy development of families, assist families and children in need, and protect abused and neglected children. Services include adoptive services, foster care programs, family preservation programs, and child protective services.

Senior Citizens Services

The Department of Aging funds a variety of services for senior citizens mostly through local agencies on aging. These programs have been combined into two broad categories: long-term care and community services. The fiscal 2003 funding was allocated among the subdivisions on the basis of each jurisdiction's share of fiscal 2002 funding.

- ***Long-term Care:*** This category includes the following programs: frail and vulnerable elderly, senior care, senior guardianship, and the ombudsman program.

- ***Community Services:*** Included in this category are the senior information and assistance program, the senior nutrition program, and the insurance counseling program.

Capital Grants and Capital Projects for State Facilities

This section shows capital grants for local projects as well as capital spending at State owned facilities. The projects included and the funding level are those that were anticipated at the time the operating and capital budgets were adopted for each of the four fiscal years covered by this appendix. The actual projects funded and/or the amount of funding for a specific project could be significantly different from what is reported here.

During the 2002 session, operating revenues used in prior years to fund capital projects were reverted as part of the budget balancing plan. Some of those prior year projects were included in the fiscal 2003 capital budget to receive funds to replace all or some of the reverted general funds. The projects listed in this appendix reflect these changes with the exception of the Chesapeake Bay Water Quality Loan. The fiscal 2002 budget included $5 million in general funds for nutrient removal of which $1.25 million was reverted. At the time of this publication, the impact of that reversion on specific projects was not known so this appendix includes all the nutrient removal projects originally included in the fiscal 2002 budget.

Selected State Grants for Capital Projects

The State provides capital grants for schools, community colleges, local jails, community health facilities, adult day care centers, water quality projects, waterway improvements, homeless shelters, and other cultural, historical, and economic development projects. Projects are funded from either bond sales or current revenues. Projects at regional community colleges are shown for each county that the college serves.

Each year the Department of Health and Mental Hygiene includes in the capital budget a list of projects at adult day care centers and community mental health facilities. These lists generally exceed the amount of funding requested in a given year because the department does not know which project will be ready. All of the requested projects for those two programs are included in this appendix. However, because of this funding process, it is possible that not all the projects listed here were actually funded or funded in the amounts shown.

Capital Projects for State Facilities Located in the County

Capital projects, authorized by the operating and capital budgets, at State facilities and public colleges and universities by the county in which the facility is located are set forth in the third part of this appendix. For facilities that are located in more than one county, such as a State park, the total amount of the capital project is shown for all relevant counties. For each capital project, the total authorized amount is given, regardless of funding source although federally funded projects are generally shown separately. For the universities, projects funded from academic revenue bonds are included. Projects funded from auxiliary revenue bonds are not included in this appendix.

Allegany County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	27,421	28,230	28,593	28,403	3.6
Compensatory Education	3,010	3,380	3,558	3,779	25.6
School Transportation	2,564	2,652	2,862	2,940	14.7
Special Education	1,930	1,852	1,904	2,022	4.8
Limited English Proficiency Grants	14	9	12	16	20.0
Targeted Poverty Grants	1,274	1,327	1,332	1,296	1.7
Extended Elementary	348	348	348	348	0.0
Aging Schools	355	355	355	355	0.0
Class Size Initiative	0	116	144	203	n.a.
Early Education Initiative	0	0	440	566	n.a.
Teacher Development/Mentoring	196	297	318	310	58.2
Teacher's Salary Grant	0	788	1,796	1,823	n.a.
Academic Intervention	0	183	269	271	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	2,891	n.a.
Other Education Aid	878	1,372	2,302	1,202	36.9
Primary & Secondary Education	37,991	40,910	44,232	46,427	22.2
Libraries	535	556	568	627	17.2
Community Colleges	3,728	4,051	4,304	4,814	29.1
Health Formula Grant	1,031	1,141	1,374	1,543	49.7
** Transportation	6,305	6,480	6,250	6,435	2.1
** Police and Public Safety	971	913	885	901	(7.1)
** Fire and Rescue Aid	229	238	225	225	(2.1)
Recreation and Natural Resources	377	398	474	192	(49.0)
Disparity Grant	4,207	5,099	5,264	7,590	80.4
** Other Direct Aid	13	0	0	0	(100.0)
Total Direct Aid	**55,386**	**59,787**	**63,576**	**68,755**	**24.1**
Aid Per Capita	785	795	842	907	15.6
Property Tax Equivalent ($)	2.02	2.19	2.44	2.59	28.6

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Allegany County for teachers, librarians, community college faculty, and local officials are estimated to be $18,476,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	1,917	1,510	3,526	3,681
Family Health and Primary Care	153	193	211	155
Geriatric and Children's Services	494	528	565	582
Mental Health	4,262	4,273	4,861	4,910
Prevention and Disease Control	105	623	631	738
Developmental Disabilities	2,982	3,458	3,750	4,251
AIDS	24	44	43	83
	9,937	10,629	13,585	14,400
Social Services				
Homeless Services	81	101	101	102
Women's Services	152	177	181	170
Adult Services	70	109	77	108
Child Welfare Services	1,615	1,642	1,131	981
	1,918	2,029	1,491	1,361
Senior Citizen Services				
Long-term Care	252	252	306	330
Community Services	89	92	92	92
	340	343	398	422

Selected State Grants for Capital Projects

Public Schools

Beall Elementary School	$223,000
Beall Junior/Senior High - wiring	96,000
Career Center - wiring	324,000
Cash Valley Elementary School - wiring	38,000
Eckhart School - wiring	86,000
Flintstone School - wiring	46,000
Frost Elementary School - wiring	38,000
George's Creek Elementary School - renovations (roof)	246,000
George's Creek Elementary School - wiring	90,000
John Humbird Elementary School - construction	839,000
John Humbird Elementary School - renovations (roof)	108,000
Mount Savage School - construction	2,240,000
Oldtown School - wiring	116,000
Parkside Elementary School - wiring	38,000
South Penn Elementary School - renovations (roof)	202,000
West Side Elementary School - wiring	101,000
Westmar Middle School - wiring	234,000
	5,065,000

Allegany Community College

Automotive Technology & Service Bldgs. - replace roofs	131,000
College Center & Humanities Building - replace roofs	456,000
Physical Education Building - renovation (Phase I)	85,000
Science Building - renovate	1,523,000
	2,195,000

Local Jail Loan

Allegany County Detention Center - new 190-bed center	428,000

Senior Citizen Activity Centers

Frostburg Senior Center	199,000
Westernport Senior Center	294,000
	493,000

Partnership Rental Housing Program

Allegany Towers	975,000

Chesapeake Bay Water Quality Loan

Celanese - nutrient removal	300,000
Coney - acid mine drainage remediation project	75,000
Cumberland Combined Sewer - overflow improvements	2,271,000
Cumberland WWTP - nutrient removal	2,408,725
Frostburg Combined Sewer - overflow improvements	520,000
George's Creek - stream restoration	62,500
George's Creek WWTP - nutrient removal	850,000
Potomac Hill - acid mine drainage remediation project	75,000
Westernport Combined Sewer - overflow improvements	300,000
Westernport Sewer	180,000
	7,042,225

Water Supply Assistance Loan

Consol - water supply	332,500
Messick/Williams Road - water main extension	400,000
Morantown - water supply	290,000
Oldtown Road - water main extension	500,000
Westernport - water line	678,444
	2,200,944

Comprehensive Flood Management Program

Bowman's Addition	495,500
George's Creek - phase III	174,976
	670,476

Waterway Improvement

City of Cumberland - construct boat ramp	25,000
City of Cumberland - dam removal	30,000
Cumberland Fairgrounds - boat ramp and parking	5,000
Cumberland Riverside Park - boat ramp & parking access	100,000
Fairgrounds Park - boat ramp & parking access road	25,000
Potomac River North Branch - dam removal	25,000
	210,000

Other Projects

Allegany Agricultural Expo and Fairgrounds	450,000
Allegany County Fair - Multipurpose Building	300,000
Allegany County Public Works - capital equipment	500,000
Allegany County Roads - Satellite Garage	500,000
Allegheny Highlands Trail	1,800,000
Canal Place - construct improvements	4,194,000
Court House Annex	400,000
Frostburg Recreation Complex	620,000
Gilchrist Museum	175,000
Sacred Heart Hospital	545,000
Western Maryland Flood Mitigation	5,900,000
Western Maryland Scenic Railroad	175,000
Westernport Landfill Cap	200,000
	15,759,000

Capital Projects for State Facilities in the County

Department of Labor, Licensing, & Regulation

Cumberland Regional Claims Center - acquisition	2,446,000

Department of Natural Resources

C&O Canal National Park - boat ramp construction	25,000
Green Ridge State Forest - land acquisition	950,000
Natl. Park Service - Fifteen Mile Creek boat ramp	50,000
Natl. Park Service - parkwide ADA access replace toilets	25,000
Rocky Gap Amphitheater	1,395,000
Rocky Gap State Park - bath house	1,737,000
Rocky Gap State Park - boat rental building construction	40,000
Rocky Gap State Park - dam rehabilitation	167,000
Rocky Gap State Park - new lighting at boat ramp	25,000
Rocky Gap State Park - pave parking lot/replace pier	135,000
Rocky Gap State Park - replace pier at Camp Loop	11,000
Rocky Gap State Park - telecommunications upgrade	300,000
Warrior Mountain WMA - comfort station, parking, camping	114,000
Western Maryland Forest and Parks - land acquisition	360,000
	5,334,000

Department of Public Safety & Corrections

Western Correctional Inst. - 512-bed expansion	45,310,000
Western Correctional Inst. - 512-bed expansion (federal)	14,920,000
Western Correctional Inst. - construct furniture shop	3,803,000
	64,033,000

University System of Maryland

Frostburg State - Compton Science Center construction	31,598,000
Frostburg State - Gunter Hall	5,407,000
Frostburg State - Temporary Academic Building	500,000
	37,505,000

Anne Arundel County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	118,579	120,741	122,635	126,159	6.4
Compensatory Education	3,995	3,448	3,540	5,308	32.9
School Transportation	11,028	11,478	12,419	12,899	17.0
Special Education	14,587	15,402	14,831	15,753	8.0
Limited English Proficiency Grants	711	813	1,013	1,250	75.7
Targeted Poverty Grants	2,084	2,088	2,077	2,086	0.1
Extended Elementary	1,295	1,295	1,295	1,295	0.0
Aging Schools	570	570	570	570	0.0
Class Size Initiative	0	852	1,175	1,861	n.a.
Early Education Initiative	0	0	1,307	1,355	n.a.
Teacher Development/Mentoring Grants	354	1,270	1,629	1,629	360.7
Teacher's Salary Grant	0	2,121	5,109	4,553	n.a.
Academic Intervention	0	884	1,530	1,490	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	2,369	n.a.
Other Education Aid	2,107	3,479	4,684	4,648	120.6
Primary & Secondary Education	155,310	164,442	173,814	183,225	18.0
Libraries	1,736	1,788	1,819	1,808	4.2
Community Colleges	15,741	18,553	21,267	22,375	42.2
Health Formula Grant	3,971	4,513	4,894	5,228	31.6
** Transportation	24,642	25,856	25,193	26,140	6.1
** Police and Public Safety	5,826	5,835	5,793	5,925	1.7
** Fire and Rescue Aid	822	821	817	817	(0.7)
Recreation and Natural Resources	4,077	4,294	5,124	2,080	(49.0)
Utility Property Tax Grants	0	3,910	7,820	7,820	n.a.
** Other Direct Aid	495	504	495	495	0.0
Total Direct Aid	**212,620**	**230,516**	**247,035**	**255,913**	**20.4**
Aid Per Capita	438	464	491	502	14.7
Property Tax Equivalent ($)	0.65	0.68	0.69	0.68	3.7

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Anne Arundel County for teachers, librarians, community college faculty, and local officials are estimated to be $127,332,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	955	1,800	2,676	2,708
Family Health and Primary Care	632	659	543	384
Geriatric and Children's Services	805	777	821	831
Mental Health	15,489	14,533	16,999	17,133
Prevention and Disease Control	147	1,542	2,426	3,347
Developmental Disabilities	20,750	22,596	24,506	27,779
AIDS	11	11	0	0
	38,791	41,919	47,970	52,182
Social Services				
Homeless Services	164	183	183	186
Women's Services	303	321	325	315
Adult Services	114	114	110	130
Child Welfare Services	1,939	3,499	2,711	2,283
	2,520	4,118	3,328	2,914
Senior Citizen Services				
Long-term Care	550	550	550	550
Community Services	135	135	135	135
	685	685	685	685

Selected State Grants for Capital Projects

Public Schools

Annapolis Elementary School - renovations (roof)	$40,000
Annapolis Elementary School - wiring	34,000
Annapolis High School - renovations (boiler)	175,000
Annapolis High School - renovations (roof)	469,000
Annapolis High School - wiring	117,000
Annapolis Middle School - renovations (roof)	231,000
Anne Arundel County Learning Center - renovations (boiler)	84,000
Anne Arundel County Learning Center - wiring	36,000
Arlington Echo/Outdoor Education Center - wiring	10,000
Arnold Elementary School - renovations (boiler)	144,000
Arnold Elementary School - wiring	25,000
Arundel High School - renovations (boiler)	191,000
Arundel High School - renovations (roof)	810,000
Arundel High School - wiring	106,000
Arundel Middle School - renovations (boilers)	145,000
Bates Middle School - renovations (roof)	42,000
Belle Grove Elementary School - renovations (boiler)	85,000
Belle Grove Elementary School - wiring	29,000
Belvedere Elementary - construction	535,000
Benfield Elementary School - renovations (roof)	239,000
Benfield Elementary School - wiring	23,000
Bodkin Elementary School - renovations (HVAC)	468,000
Bodkin Elementary School - wiring	33,000
Broadneck Elementary School - renovations (HVAC)	213,000
Broadneck Elementary School - wiring	68,000
Broadneck High School - renovations (roof)	368,000
Broadneck High School - wiring	53,000
Brock Bridge Elementary School - renovations (HVAC/roof)	935,000
Brooklyn Park Elementary School - wiring	68,000
Brooklyn Park Middle School - renovations (roof)	213,000
Cape St. Clair Elementary School - construction	3,380,000

CAT North - renovations (boiler)	118,000
CAT South School - renovations (roof)	214,000
Center for Applied Technology - North - wiring	116,000
Center for Applied Technology - South - wiring	72,000
Central Elementary School - renovations (electrical)	46,000
Central Elementary School - renovations (HVAC)	680,000
Central Elementary School - renovations (roof)	260,000
Central Elementary School - wiring	65,000
Central Special Education - wiring	48,000
Central Special School - renovations (HVAC)	687,000
Chesapeake Bay Middle School - renovations (boilers)	170,000
Chesapeake Bay Middle School - renovations (roof)	1,179,000
Chesapeake High School - renovations (boiler)	356,000
Chesapeake High School - wiring	135,000
Corkran Middle School - renovations (roof)	638,000
Crofton Elementary School - construction	230,000
Crofton Elementary School - renovations (boiler)	82,000
Crofton Elementary School - wiring	45,000
Crofton Meadows Elementary School - wiring	62,000
Crofton Middle School - renovations (roof)	340,000
Crofton Woods Elementary School - renovations (HVAC/roof)	935,000
Crofton Woods Elementary School - wiring	65,000
Davidsonville Elementary School - construction	1,337,000
Deale Elementary School - wiring	29,000
Eastport Elementary School - wiring	19,000
Edgewater Elementary School - wiring	31,000
Folger McKinsey Elementary School - renovations (roof)	97,000
Folger McKinsey Elementary School - renovations (electrical)	74,000
Folger McKinsey Elementary School - wiring	48,000
Four Seasons Elementary School - renovations (HVAC)	1,285,000
Four Seasons Elementary School - renovations (roof)	213,000
Four Seasons Elementary School - wiring	43,000
Freetown Elementary School - renovations (roof)	105,000
Freetown Elementary School - wiring	45,000
George Cromwell Elementary School - renovations (boiler)	85,000

George Fox Middle School - renovations (boilers)	75,000
George Fox Middle School - renovations (roof)	269,000
George T. Cromwell Elementary School - wiring	34,000
Georgetown East Elementary School - renovations (multi-systemic/electrical)	1,224,000
Georgetown East Elementary School - wiring	59,000
Germantown Elementary School - renovations (roof)	213,000
Germantown Elementary School - renovations (boiler/electrical)	200,000
Germantown Elementary School - wiring	50,000
Glen Burnie High School - renovations (boiler)	149,000
Glen Burnie High School - renovations (HVAC)	400,000
Glen Burnie High School - science facilities	234,000
Glen Burnie High School - wiring	135,000
Glen Burnie High School "A" - renovations (roof)	334,000
Glen Burnie High School "B" - renovations (roof)	174,000
Glen Burnie High School "C" - renovations (roof)	137,000
Glendale Elementary School - construction	2,121,000
Harman Elementary School - wiring	41,000
High Point Elementary School - renovations (HVAC)	680,000
High Point Elementary School - wiring	33,000
Hillsmere Elementary School - renovations (boiler)	80,000
Hilltop Elementary School - renovations (roof)	255,000
Hilltop Elementary School - wiring	65,000
Jessup Elementary School - renovations (roof)	219,000
Jessup Elementary School - wiring	69,000
Learning Center Special Ed. School - renovations (roof)	96,000
Lindale Middle School - wiring	42,000
Linthicum Elementary School - renovations (HVAC/elec)	1,224,000
Linthicum Elementary School - wiring	70,000
Lothian Elementary School - renovations (electrical)	80,000
Lothian Elementary School - renovations (roof)	128,000
Lothian Elementary School - wiring	59,000
MacArthur Middle School - renovations (boiler)	205,000
MacArthur Middle School - renovations (roof)	880,000
Magothy/Severn River Middle School - renovation (boiler)	175,000
Magothy/Severn River Middle School - renovations (roof)	553,000

Manor View Elementary School - renovations (roof)	255,000
Manor View Elementary School - wiring	66,000
Marley Glen Elementary School - renovations (roof)	170,000
Marley Glen Elementary School - wiring	46,000
Mary Moss Academy - wiring	7,000
Maryland City Elementary School - renovations (boiler)	82,000
Maryland City Elementary School - renovations (roof)	248,000
Maryland City Elementary School - wiring	29,000
Mayo Elementary School - construction	2,386,000
Meade High School - renovations (boiler)	170,000
Meade High School - wiring	135,000
Meade Middle School - construction	1,734,000
Millersville Elementary School - renovations (boiler)	80,000
Millersville Elementary School - renovations (roof)	213,000
Millersville Elementary School - wiring	36,000
Mills-Parole Elementary School - wiring	49,000
North County High School - construction	4,256,000
North County High School - wiring	165,000
North Glen Elementary School - renovations (roof)	203,000
North Glen Elementary School - wiring	36,000
Northeast High School - renovations (boiler)	267,000
Northeast High School - renovations (HVAC)	388,000
Northeast High School - wiring	93,000
Oak Hill Elementary School - renovations (HVAC)	935,000
Oak Hill Elementary School - wiring	33,000
Oakwood Elementary School - renovations (boiler)	117,000
Oakwood Elementary School - renovations (roof)	197,000
Oakwood Elementary School - wiring	25,000
Odenton Elementary School - wiring	40,000
Old Mill High School - renovations (boiler)	400,000
Old Mill High School - renovations (HVAC)	760,000
Old Mill High School - renovations (roof)	1,466,000
Old Mill High School - wiring	127,000
Overlook Elementary School - renovations (boiler)	120,000
Overlook Elementary School - renovations (roof)	98,000

Overlook Elementary School - wiring	24,000
Park Elementary School - wiring	39,000
Pershing Hill Elementary School - renovations (boiler)	74,000
Pershing Hill Elementary School - renovations (roof)	128,000
Pershing Hill Elementary School - wiring	36,000
Phoenix-Annapolis School - wiring	33,000
Piney Orchard Elementary - construction	2,239,000
Point Pleasant Elementary School - wiring	94,000
Point Pleasant Elementary School - renovations (roof)	213,000
Quarterfield Elementary School - wiring	46,000
R.H. Lee Elementary School - renovations (roof)	239,000
R.H. Lee Elementary School - wiring	54,000
Rippling Woods Elementary School - wiring	60,000
Riviera Beach Elementary School - renovations (roof)	207,000
Rolling Knolls Elementary School - wiring	23,000
Ruth Eason Special School - renovations (HVAC)	638,000
Ruth Parker Eason School - renovations (roof)	223,000
Ruth Parker Eason School - wiring	49,000
Severn Elementary School - renovations (electrical)	66,000
Severn Elementary School - wiring	48,000
Severna Park Elementary School - wiring	27,000
Severna Park High School - renovations (roof/boiler)	978,000
Severna Park High School - wiring	133,000
Severna Park Middle School - renovations (HVAC/boiler)	315,000
Shadyside Elementary School - renovations (HVAC/roof)	935,000
Shadyside Elementary School - wiring	64,000
Shipley's Choice Elementary School - renovations (electrical)	46,000
Shipley's Choice Elementary School - wiring	57,000
Solley Elementary School - wiring	41,000
South River High School - construction	2,238,000
South River High School - science facilities	1,037,000
South River High School - wiring	133,000
South Shore Elementary School - wiring	26,000
Southern High School - renovations (boiler)	170,000
Southern High School - wiring	102,000

Southern Middle School - construction	2,594,000
Southern Middle School - renovations (roof)	298,000
Southgate Elementary School - renovations (boiler)	76,000
Southgate Elementary School - wiring	43,000
Sunset Elementary School - renovations (HVAC/roof)	935,000
Sunset Elementary School - wiring	33,000
Tracey's Elementary School - wiring	36,000
Tyler Heights Elementary School - renovations (boiler)	115,000
Tyler Heights Elementary School - wiring	43,000
Van Bokkelen Elementary School - renovations (HVAC)	687,000
Van Bokkelen Elementary School - renovations (roof)	482,000
Van Bokkelen Elementary School - wiring	63,000
Waugh Chapel Elementary School - renovations (boiler)	80,000
Waugh Chapel Elementary School - wiring	46,000
West Annapolis Elementary School - renovations (roof)	128,000
West Annapolis Elementary School - wiring	25,000
West Meade Elementary School - wiring	36,000
Windsor Farm Elementary School - wiring	57,000
Woodside Elementary School - renovations (roof)	123,000
Woodside Elementary School - wiring	47,000
	62,299,000

Anne Arundel Community College

Center for Applied Learning & Technology	9,005,000
Communications Infrastructure	300,000
Student Services Center - renovation & addition	3,950,000
	13,255,000

Local Jail Loan

Jennifer Road Detention Center	2,945,000

Community Mental Health/Addictions/Dev. Disabilities

Chrysalis House, Inc. - renovate and expand	231,000
OMNI House Behavior Health System - acquisition	250,000
Supported Housing Developers, Inc.	1,672,000
	2,153,000

Senior Citizen Activity Centers

Brooklyn Park Senior Center	384,000

Partnership Rental Housing Program

Bloomsbury II	2,550,000

Chesapeake Bay Water Quality Loan

Cox Creek WWTP - nutrient removal	626,255
Elvaton Town - stream restoration	394,000
Grays Luck - stormwater pond retrofit	201,000
Marley Station Wetlands - stormwater management	167,500
Saw Mill Creek - stream restoration	197,000
West Street Pond - stormwater management	368,750
	1,954,505

Water Supply Assistance Loan

Galloway Road - water main extension	65,000

Fish Passage Program

Deep Run Culvert - install fish ladder	70,000
Dorsey Run Culvert - install fish ladder	165,000
Sawmill Creek Dam - fish ladder & stream restoration	110,000
	345,000

Waterway Improvement

Almshouse Creek - dredging	23,000
Almshouse Creek & Almshouse Cove - channel dredging	45,000
Annapolis - construct moorings	50,000

Annapolis - fire/rescue boat acquisition	50,000
Annapolis - new docks, etc.	50,000
Annapolis - patrol vessel and equipment	35,000
Annapolis Fire Department - new boat	50,000
Annapolis Harbor Master - patrol boat electronics	50,000
Anne Arundel Co. Fire Department - replace motor	50,000
Anne Arundel Co. Fire Department, North - new boat	50,000
Anne Arundel Co., North - fire & rescue boat acquisition	50,000
Anne Arundel Co., South - fire & rescue boat acquisition	50,000
Anne Arundel Fire Department, Sandy Point - new boat	50,000
Bahama Beach Channel - dredging	45,000
Carrs Creek - dredging	5,000
Central/Magothy - fire rescue vessel/equipment	50,000
Cockey Creek - dredging	235,000
Cornfield Creek - dredging	359,000
Cypress Creek - dredge channel	10,000
Forked Creek - dredge channel	10,000
Grays Creek - dredge channel	10,000
Larkington Cove - dredging	26,000
Little Magothy River - dredging	426,425
Little Magothy River - engineering study for dredging	13,575
Little Magothy River Inlet - dredging	47,000
Locust Grove - dredge channel	10,000
Magothy River - dredge channel	10,000
Magothy River - dredging	56,000
Mathias Cove - dredging	160,000
Mill Creek - dredging	261,000
North County - fire rescue vessel/equipment	25,000
Parker Creek - dredge entrance to creek	10,000
Pocohantas Creek - dredging	5,000
Ramsey Bay - dredging	5,000
Rockhold Creek - engineering study for dredging	100,000
Rockhold Creek Channel - dredging/jetty	700,000
Sloop & Eli Coves - dredging	5,000
South County - fire rescue vessel/equipment	25,000

Sullivan Park/Dover Road - boat ramp construction	50,000
Whitehall Canal - dredging	165,000
	3,427,000

Other Projects

Annapolis Maritime Museum	150,000
Annapolis Recreation Center	100,000
Anne Arundel Medical Center	250,000
Arundel Lodge	240,000
Broadneck Recreational Complex	250,000
Brooklyn Park Cultural Arts Center	1,500,000
Carrie Weedon Science Center	100,000
Chesapeake Center for the Creative Arts	1,450,000
Community Center at Woods	500,000
Community Health Center of Parole	250,000
Galesville Heritage Society Museum	175,000
Heritage Harbour Respite Care Home	150,000
Highland Beach Town Hall	150,000
Historic London Town Visitors Center & Museum	200,000
Kunta Kinte-Alex Haley Memorial	300,000
Lula G. Scott Community Center Renovation Project	200,000
Maryland Hall for the Creative Arts	800,000
Maryland Therapy and Education Center	100,000
Owensville Primary Care Center	200,000
Quiet Waters Amphitheater	200,000
Renovation of 251 West Street	200,000
Salvation Army Centennial Wing	75,000
St. John's College	2,900,000
	10,440,000

Capital Projects for State Facilities in the County

General Government

Annapolis - James Senate Office Building - addition	24,946,000
Annapolis - Legislative Facilities	27,450,000
Annapolis - Lowe House Office Building - addition	232,000
Annapolis State Govt. Center - additions/alterations	21,672,000
Annapolis State Govt. Center - House elevator improvements	425,000
Annapolis State Govt. Center - maintenance building	990,000
Annapolis State Govt. Center - security	3,400,000
	79,115,000

Dept. of Housing & Community Development

Banneker-Douglass Museum - expand & upgrade	5,357,000

Department of Natural Resources

Jonas Green State Park - comfort station	170,000
Jonas Green State Park - Day Use Area Phase I	371,000
Magothy River Greenway	975,000
Patuxent River Greenway	1,660,000
Sandy Point Marina - install boat lift rescue vessel	20,000
Sandy Point Marina - renovate service building	50,000
Sandy Point Marina - replace marine decking	50,000
Sandy Point Marina - replace parking lot lighting	150,000
Sandy Point State Park - pave boat ramp parking lot	50,000
	3,496,000

Department of Public Safety & Corrections

Brockbridge Correctional Facility - renovate kitchen/dining/warehouse	481,000
Correctional Institution for Women - kitchen & dining room	7,127,000
Correctional Institution for Women - support/state use bldgs.	1,472,000
Correctional Institution for Women - upgrade site utilities	400,000
Correctional Institution Jessup - perimeter security	5,704,000
	15,184,000

Maryland Environmental Service

Jessup Correctional Complex - central regional sludge facility	500,000
Jessup Correctional Complex - sewer system improvements	865,000
Sandy Point State Park - water system improvements	359,000
	1,724,000

Other

WMPT Transmitter - replacement	2,479,000
WMPT Transmitter - replacement (federal funds)	871,000
	3,350,000

Baltimore City

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	284,567	284,153	282,359	287,163	0.9
Compensatory Education	66,681	59,713	61,322	62,355	(6.5)
School Transportation	10,165	10,130	11,091	11,333	11.5
Special Education	49,738	50,985	54,646	57,064	14.7
Limited English Proficiency Grants	842	895	1,035	1,265	50.2
Targeted Poverty Grants	11,201	11,220	10,879	11,355	1.4
Extended Elementary	4,135	4,135	4,135	4,135	0.0
Baltimore City Partnership	50,000	66,232	70,465	70,465	40.9
Aging Schools	1,635	1,635	1,635	1,635	0.0
Class Size Initiative	0	1,303	1,888	2,723	n.a.
Early Education Initiative	0	0	4,942	5,949	n.a.
Teacher Development/Mentoring	3,685	4,064	3,992	3,993	8.4
Teacher's Salary Grant	0	7,990	18,594	15,128	n.a.
Academic Intervention	0	1,994	3,634	3,331	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	18,685	n.a.
Other Education Aid	11,392	13,691	15,570	16,015	40.6
Primary & Secondary Education	494,041	518,139	546,187	572,593	15.9
Libraries	4,921	5,093	5,174	5,452	10.8
Health Formula Grant	9,332	9,888	10,373	10,990	17.8
Transportation	164,062	173,626	165,885	172,328	5.0
Police and Public Safety	8,391	9,127	9,733	8,622	2.8
Fire and Rescue Aid	1,038	1,028	1,010	1,002	(3.4)
Recreation and Natural Resources	4,198	4,339	4,883	2,373	(43.5)
Disparity Grant	56,517	61,013	64,362	76,036	34.5
Utility Property Tax Grants	0	227	453	453	n.a.
Other Direct Aid	3,752	4,777	4,634	4,416	17.7
Total Direct Aid	**746,251**	**787,257**	**812,696**	**854,265**	**14.5**
Aid Per Capita	1,200	1,222	1,271	1,346	12.2
Property Tax Equivalent ($)	4.07	4.20	4.24	4.35	7.1

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Baltimore City for teachers, librarians, community college faculty, and local officials are estimated to be $172,829,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	13,547	22,491	31,085	38,411
Family Health and Primary Care	2,109	2,623	4,193	861
Geriatric and Children's Services	4,292	5,798	5,043	5,057
Mental Health	71,591	68,837	80,253	82,431
Prevention and Disease Control	743	1,426	1,962	2,526
Developmental Disabilities	25,190	30,049	32,588	36,941
AIDS	152	471	450	443
	117,625	131,696	155,575	166,670
Social Services				
Homeless Services	2,209	2,177	2,180	2,210
Women's Services	1,134	1,233	1,265	1,234
Adult Services	1,077	1,435	1,349	2,216
Child Welfare Services	15,237	27,350	20,454	14,715
	19,657	32,195	25,249	20,375
Senior Citizen Services				
Long-term Care	1,753	1,753	1,853	1,750
Community Services	873	867	867	867
	2,627	2,620	2,720	2,616

Selected State Grants for Capital Projects

Public Schools

A.J. Brown Middle/Southside Academy - wiring	$369,000
Abbottston Elementary/Stadium School #15 - construction	4,050,000
Alexander Hamilton Elementary School #145 - wiring	322,000
Armistead Gardens Elementary School #243 - wiring	324,000
Arundel Elementary School #164 - renovations (boiler)	255,000
B. T. Washington Middle School - renovations (boiler)	450,000
B.C. Carroll Elementary School #34 - wiring	137,000
Baltimore City College #480 - wiring	1,121,000
Baltimore Polytechnic School #403 - renovations (electrical)	435,000
Baltimore Polytechnic School #403 - wiring	203,000
Baltimore School for the Arts #415 - wiring	431,000
Barclay Elementary/Middle School #54 - wiring	485,000
Bay Brook Elementary School #124 - wiring	115,000
Beechfield Elementary School #246 - renovations (boiler)	338,000
Beechfield Elementary School #246 - wiring	517,000
Belmont Elementary School #217 - renovations (boiler)	360,000
Belmont Elementary School #217 - renovations (windows)	366,000
Belmont Elementary School #217 - wiring	370,000
Benjamin Franklin Middle School #239 - wiring	269,000
Bentalou Elementary School #150 - wiring	197,000
Brehms Lane Elementary School #231 - wiring	316,000
C. Carroll of Carrollton Elementary/Middle School #139 - wiring	815,000
Callaway Elementary School #256 - wiring	398,000
Calverton Middle School #75 - wiring	1,273,000
Calvin M. Rodwell Elementary School #256 - wiring	216,000
Canton Middle School #230 - renovations (roof)	275,000
Cecil Elementary School #7 - construction	1,896,000
Chinquapin Middle School #46 - renovations (boiler)	540,000
Chinquapin Middle School #46 - wiring	902,000
City Springs Elementary School #8 - wiring	409,000
Claremont Elementary School #307 - renovations (roof)	108,000

Claremont School #307 - wiring	38,000
Coldstream Park Elementary School #31 - wiring	183,000
Collington Square Elementary School #97 - wiring	171,000
Comm. John Rodgers Elementary School #27 - renovations (chiller)	495,000
Comm. John Rodgers Elementary School #27 - wiring	652,000
Curtis Bay Elementary School #207 - renovations (boilers)	360,000
Dallas Nicholas, Sr. Elementary School #39 - wiring	365,000
Dickey Hill Elementary/Middle School #201 - wiring	235,000
Diggs-Johnson Middle School #162 - wiring	223,000
Dr. B. Harris Elementary School #250 - renovations (chiller)	338,000
Dr. B. Harris Elementary School #250 - wiring	186,000
Dr. L. M. Jackson Elementary School #315 - wiring	101,000
Dr. M. L. King Jr. Elementary School #254 - renovations (chiller)	337,000
Dr. M. L. King Jr. Elementary School #254 - wiring	208,000
Dr. Rayner Browne Elementary School - renovations (roof)	192,000
Dr. Rayner Browne Elementary School #25 - wiring	232,000
Edgecombe Circle Elementary School #62 - wiring	401,000
Edmondson High School #400A - wiring	891,000
Elmer Henderson Elementary School - renovations (ATC/windows)	902,000
Elmer Henderson Elementary School #101 - wiring	175,000
Eutaw-Marshburn Elementary School #11 - wiring	620,000
Fairmount-Harford School #456 - wiring	639,000
Fallstaff Middle School #241 - renovations (electrical)	145,000
Fallstaff Middle School #241 - wiring	48,000
Federal Hill Elementary School #45 - wiring	172,000
Forest Park High School #406 - science facilities	691,000
Francis M. Wood High School #178 - renovations (roof)	259,000
Francis M. Wood High School #178 - wiring	402,000
Frankford Elementary School #216 - wiring	38,000
Franklin Square Elementary School #95 - wiring	181,000
Frederick Douglass High School #450 - renovations (boiler)	435,000
Frederick Douglass High School #450 - science facilities	694,000
Frederick Douglass High School #450 - wiring	1,218,000
Frederick Elementary School #260 - wiring	130,000
Ft. Worthington Elementary School - renovations (boiler/roof)	790,000

Ft. Worthington Elementary School #85 - renovations (window)	462,000
Ft. Worthington Elementary School #85 - wiring	387,000
Furley Elementary School #206 - renovations (chiller)	360,000
Furley Elementary School #206 - wiring	175,000
Furman Templeton Elementary School #175 - wiring	354,000
Gardenville Elementary School #211 - wiring	230,000
Garrett Heights Elementary School #212 - wiring	312,000
Garrison Middle School #42 - wiring	309,000
General Wolfe Elementary School #23 - renovations (roof)	77,000
General Wolfe Elementary School #23 - wiring	149,000
George Kelson Elementary School #157 - wiring	168,000
George McMechen Special #177 - wiring	549,000
George Washington Elementary School #22 - wiring	126,000
Gilmor Elementary School #107 - renovations (boiler)	262,000
Gilmor Elementary School #107 - wiring	368,000
Govans Elementary School #213 - wiring	142,000
Graceland Park/O'Donnell Heights Elementary - wiring	174,000
Greenspring Middle School #82 - wiring	647,000
Grove Park Elementary School #224 - renovations (boiler)	300,000
Grove Park Elementary School #224 - wiring	311,000
Guilford Elementary/Middle School #214 - wiring	217,000
Gwynns Falls Elementary School #60 - renovations (boiler)	270,000
Gwynns Falls Elementary School #60 - wiring	372,000
Hampden Elementary School #55 - wiring	339,000
Harbor View Elementary School - renovations (roof)	176,000
Harbor View School #304 - renovations (HVAC)	210,000
Harbor View Special School #304 - wiring	98,000
Harford Heights Elementary School #36 - renovations (chiller)	558,000
Harford Heights Elementary School #36/37 - wiring	1,105,000
Harlem Park Elementary School #35 - wiring	359,000
Harlem Park Middle School #78 - wiring	1,644,000
Harriett Tubman Elementary School #138 - wiring	137,000
Hazelwood Elem/Middle School - renovations (boiler)	360,000
Hazelwood Elementary School #210 - wiring	355,000
Highlandtown Elementary School #215 - wiring	385,000

Highlandtown Elementary School #237 - construction	3,861,000
Highlandtown/Hampstead Hill Middle School #43 - wiring	1,241,000
Hilton Elementary School #21 - renovations (roof)	396,000
Hilton Elementary School #21 - wiring	390,000
Holabird Elementary School #229 - renovations (boiler)	255,000
J. E. Howard Elementary School #61 - wiring	197,000
James McHenry Elementary School #10 - wiring	554,000
James Mosher Elementary School #144 - renovations (boiler)	255,000
James Mosher Elementary School #144 - construction	6,657,000
John Ruhrah Elementary School #228 - wiring	42,000
Johnston Square Elementary School - wiring	518,000
Joseph Briscoe High School #451 - science facilities	119,000
Joseph Briscoe High School #451 - wiring	437,000
Lakeland Elementary/Middle School #12 - construction	4,119,000
Lakewood Elementary School #86 - renovations (electrical/boiler)	225,000
Lakewood Elementary School #86 - wiring	105,000
Langston Hughes Elementary School #5 - renovation (roof)	146,000
Langston Hughes Elementary School #5 - wiring	126,000
Laurence G. Paquin School #457 - construction	1,575,000
Laurence G. Paquin School #457 - wiring	301,000
Leith Walk Elementary School #245 - renovations (boiler)	255,000
Leith Walk Elementary School #245 - wiring	447,000
Liberty Elementary School #64 - renovations (roof)	256,000
Liberty Elementary School #64 - wiring	437,000
Lockerman-Bundy Elementary School #261 - wiring	137,000
Lois T. Murray School #313 - wiring	38,000
Lombard Middle School #57 - renovations (ATC)	495,000
Lombard Middle School #57 - wiring	961,000
Luther Mitchell P. #135 - wiring	100,000
Lyndhurst Elementary School #88 - wiring	311,000
M. G. Farring Elementary School #203 - wiring	302,000
Margaret Brent Elementary #53 - renovations (roof)	153,000
Margaret Brent Elementary School #53 - wiring	262,000
Mary E. Rodman Elementary School #204 - wiring	427,000
Mathew A. Henson Elementary School #29 - wiring	415,000

Medfield Heights Elementary School #249 - renovation (boiler)	255,000
Medfield Heights Elementary School #249 - wiring	388,000
Mergenthaler Voc-Tech High School #410 - construction	16,724,000
Montebello Elementary School #44 - wiring	429,000
Mt. Royal Elem/Middle School #66 - renovations (electrical)	203,000
Mt. Royal Elementary School - renovations (boiler)	300,000
Mt. Royal Elementary/Middle School #66 - wiring	75,000
Mt. Washington Elementary School #221 - renovations (electrical/roof)	218,000
Mt. Washington Elementary School #221 - wiring	327,000
North Bend Elementary School #81 - renovations (roof)	416,000
North Bend Elementary School #81 - wiring	395,000
Northeast Middle School #49 - wiring	610,000
Northern High School #402 - science facilities	774,000
Northwestern High School #401 - wiring	1,248,000
Northwood Elementary School #242 - wiring	425,000
Park Heights Elementary School #104 - wiring	126,000
Patapsco Elementary School #163 - renovations (boiler)	255,000
Patterson High School #405 - wiring	1,234,000
Paul Dunbar Middle School #133 - renovations (roof)	157,000
Paul Dunbar Middle School #133 - wiring	256,000
Paul L. Dunbar High School #414 - renovations (chiller)	488,000
Paul L. Dunbar High School #414 - wiring	1,226,000
Pimlico Elementary School #223 - wiring	868,000
Pimlico Middle School #222 - wiring	1,124,000
Robert Poole Middle School #56 - wiring	318,000
Robert W. Coleman Elementary School - wiring	254,000
Rodwell Elementary School #256 - renovations (roof)	103,000
Rognel Heights Elementary/Middle School #89 - renovations (electrical)	117,000
Rognel Heights Elementary/Middle School #89 - renovations (chiller)	378,000
Rognel Heights Elementary/Middle School #89 - wiring	58,000
Roland Park Elementary/Middle School #233 - renovations (electrical)	287,000
Roland Park Elementary/Middle School #233 - wiring	121,000
Rosemont Elementary School #63 - wiring	178,000
S. Coleridge-Taylor Elementary School #122 - wiring	221,000
Samuel F. B. Morse Elementary School #98 - wiring	332,000

Sarah M. Roach Elementary School #73 - renovations (mechanical)	315,000
Sarah M. Roach Elementary School #73 - renovations (roof)	193,000
Sarah M. Roach Elementary School #73 - wiring	250,000
Sharp-Leadenhall Elementary School #314 - renovations (roof)	248,000
Sharp-Leadenhall Elementary School #314 - wiring	101,000
Sinclair Lane Elementary School #248 - renovations (boiler)	255,000
Sinclair Lane Elementary School #248 - wiring	381,000
Southeast Middle School #255 - wiring	263,000
Southern High School #70 - construction	9,500,000
Southwestern High School #412 - renovations (chiller)	855,000
Southwestern High School #412 - wiring	1,345,000
Steuart Hill Elementary School #4 - wiring	202,000
T. Marshall Middle/Woodburne Center #372 - wiring	529,000
Tench Tilghman Elementary School #13 - wiring	371,000
Thomas Johnson Elementary School #84 - wiring	46,000
Thos. G. Hayes Elementary School #102 - wiring	447,000
Venable High School #115 - wiring	129,000
Violetville Elementary/Middle School #226 - wiring	287,000
W. Baltimore Middle School #80 - wiring	490,000
W. Pinderhughes Elementary School #28 - renovations (HVAC)	338,000
W. Pinderhughes Elementary School #28 - wiring	118,000
W. P. Carter Elementary School #134	456,000
W. S. Baer Special School #302 - wiring	187,000
Walbrook High School #411 - renovations (chiller)	487,000
Walbrook High School #411 - science facilities	972,000
Walbrook High School #411 - wiring	1,398,000
Waverly Elementary School #51 - wiring	275,000
Western High School #407 - science facilities	670,000
Western High School #407 - wiring	1,205,000
Westport Elementary/Middle School #225 - wiring	267,000
Westside Elementary School #24 - wiring	171,000
William Lemmel Middle School #79 - wiring	437,000
William Paca Elementary School #83 - wiring	170,000
Windsor Hills Elementary School #87 - wiring	153,000
Winston Middle School #209 - renovations (electrical/boiler)	360,000

Winston Middle School #209 - wiring	645,000
Winston Middle School #239 - renovations (windows)	487,000
Yorkwood Elementary School #219 - renovations (boiler)	450,000
Yorkwood Elementary School #219 - wiring	371,000
	127,083,000

Juvenile Justice Bond Program

Chesapeake Center - construct classrooms and library	180,000
Chesapeake Center - renovate multi-purpose building	72,000
Woodbourne Center - renovate Conrad and Tivoli buildings	855,000
Woodbourne Center - renovate Tivoli Building	48,000
	1,155,000

Community Mental Health/Addictions/Dev. Disabilities

Bright Hope House, Inc.	534,000
Chimes, Inc.	87,000
East Balt. Comm. Corp. Reflective Treatment Center	122,000
Health Care for the Homeless - renovate facility	311,000
Institutes for Behavioral Resources, Inc.	1,751,000
Park Heights Community Alliance - construct facility	1,600,000
People Encouraging People, Inc.	184,000
Sinai Hospital - Park Heights Health Center	425,000
Sinai Hospital Addictions Recovery Program	1,196,000
Treatment Resources for Youth, Inc.	141,000
	6,351,000

Adult Day Care Centers

Beth Jacob Congregation	318,000
Levindale Hebrew Geriatric Center & Hospital, Inc.	405,000
	723,000

Senior Citizen Activity Centers

Coel-Grant-Higgs Senior Center	425,000

Shelter & Transitional Facilities

Dayspring House	68,835
Pratt Street Transitional Housing	300,000
Project PLASE	250,000
	618,835

Partnership Rental Housing Program

Baltimore City Highrise - Offsite	2,153,068
Broadway Homes	296,932
Flag House Courts	9,507,000
Flag House II	3,000,000
Hollander Ridge	8,841,000
	23,798,000

Chesapeake Bay Water Quality Loan

Patapsco WWTP - nutrient removal	3,440,000

Comprehensive Flood Management Program

Lower Gwynns Falls - levee	677,250
Maisel Street - acquisition	10,176
	687,426

Waterway Improvement

Baltimore Marine Unit - Boston Whaler & motors	50,000
City Fire Department - boat equipment	36,000
City Fire Department - fire boat station/equipment	50,000
City Police Department - Sea Ark boat	50,000
Citywide - boating facility maintenance	15,000
Citywide - recreational boater study	20,000
Fort Armistead Park - repair boat ramp	15,000
Fort McHenry - complete Finger Pier	15,000
Inner Harbor Marina - electrical system & pier cables	150,000
Inner Harbor Marina - upgrade piers and utilities	150,000
Liberty Reservoir - upgrade boat ramp	25,000

Living Classroom Center Dock - ADA access	35,000
Living Classrooms - Marina Railway at Maritime Park	275,000
Museum of Industry - transient boat access pier	150,000
	1,036,000

Other Projects

"Main Street" Redevelopment Projects	500,000
American Visionary Art Museum	650,000
Aunt Hattie's Place	500,000
Baltimore American Indian Center	300,000
Baltimore Children's Museum - Port Discovery	2,450,000
Baltimore City Circuit Court	2,300,000
Baltimore City Demolition Projects	2,000,000
Baltimore City Fraternal Order of Police - Memorial	50,000
Baltimore City Recreational Facilities	200,000
Baltimore City Revitalization Projects	12,000,000
Baltimore City School Playgrounds	867,000
Baltimore Clayworks, Inc.	500,000
Baltimore Conservatory in Druid Hill Park	500,000
Baltimore Healthy Neighborhoods Pilot Program	1,000,000
Baltimore Museum of Art - Lucas art collection	2,550,000
Baltimore Museum of Industry	500,000
Baltimore Museum Service Center	200,000
Baltimore Symphony Orchestra	1,000,000
Baltimore Zoo - redevelopment projects	12,500,000
Bon Secours Hospital	970,000
BSO - Joseph Meyerhoff Symphony Hall	500,000
Center Stage	250,000
Centro de la Comunidad, Inc.	100,000
College of Notre Dame - Fourier & LeClerc Hall	850,000
College of Notre Dame - renovations and upgrades	2,000,000
Community Initiatives Academy	200,000
Concord Apartments	750,000
Deaton Specialty Hospital and Home	130,000
Delta Center	225,000

Druid Heights Daycare/Community Center	200,000
East Baltimore Community Recreation & Learning Center	500,000
Eleanor E. Hooper Adult Day Care Center	200,000
Eubie Blake National Jazz Institute & Cultural Center	575,000
Family Tree	400,000
Federation of Hispanic Orgs. of Balt. Metro Area, Inc.	100,000
Forest Park Clubhouse	500,000
Frederick Douglass-Isaac Myers Maritime Park	2,750,000
G.R.O.U.P. Ministries, Inc.	125,000
Good Samaritan Hospital	800,000
Goodwill Industries	450,000
Grace Outreach Center	150,000
Great Blacks in Wax Museum	1,500,000
Greektown Plateia	400,000
Hearing and Speech Agency	200,000
Hippodrome Performing Arts Center	24,800,000
Hiram Grand Foundation Community Center	250,000
Ivy Family Support Center	225,000
Johns Hopkins Bayview Medical Center	500,000
Johns Hopkins Cancer Research Building	10,000,000
Johns Hopkins School of Hygiene and Public Health	6,200,000
Johns Hopkins School of Medicine - research building	18,800,000
Johns Hopkins University - Biomed Engineering Inst.	3,000,000
Johns Hopkins University - chemistry building	425,000
Johns Hopkins University - Peabody Institute	3,000,000
Kennedy Krieger Inst. - Career & Technology High School	6,000,000
Kennedy Krieger Inst. - National Behavior Center	1,000,000
Kennedy-Kreiger Children's Hospital	1,250,000
Lead paint abatement	3,500,000
Loyola College - Maryland Hall renovation	3,000,000
Lyric Opera	500,000
Marvelous Works Outreach Center	300,000
Maryland Community Resource Center, Inc.	500,000
Maryland Historical Society	750,000
Maryland Institute, College of Art	2,900,000

Maryland School for the Blind	200,000
Maryland Science Center	9,500,000
Memorial Stadium - redevelopment	6,200,000
Mercy Medical Center	1,000,000
Morgan Center	400,000
National Aquarium in Baltimore	7,500,000
National Research and Training Institute for the Blind	3,000,000
New Shiloh Multipurpose Center	1,000,000
New Song Community Center	600,000
Outward Bound - Leakin Park	1,000,000
Park Heights Community Men's Health Center	350,000
Park Heights Golf Range & Family Sports Complex	750,000
Patterson Cultural Center	300,000
Patterson Park Community Development Corporation	400,000
Pimlico Road Arts and Community Center	750,000
Playing Safe	200,000
Police Athletic League Center	400,000
R. A. Carr Education, Training & Empowerment Center	175,000
Royal Theater Marquee Monument Project	100,000
Saratoga Center	100,000
Sinai Hospital	500,000
Sojourner Douglass College	2,000,000
South Baltimore Learning Center	550,000
Southeast Properties - Phase II	1,000,000
St. Frances Academy	700,000
Star Spangled Banner Flag House and 1812 Museum	800,000
Strathdale Manor - demolition	1,000,000
The League for People with Disabilities	400,000
Theodore Roosevelt Recreation Center	200,000
U.S.S. Constellation	1,125,000
Union Baptist Church Head Start	150,000
USA Educational/Cultural Foundation	50,000
W. Arlington Planetarium & Multipurpose Center	100,000

W. W. Payne Education and Community Center	200,000
Wagner's Point - relocation assistance	500,000
Walters Art Gallery	885,000
	186,377,000

Capital Projects for State Facilities in the City

General Government

200 W. Baltimore Street - fire protection sprinkler system	2,500,000
301 W. Preston Street - perimeter piping replacement	185,000
South Baltimore District Court	2,500,000
	5,185,000

Baltimore City Community College

Liberty Campus - renovate main building	18,288,000

Dept. of Housing & Community Development

African American Museum	25,805,000

Department of Health & Mental Hygiene

O'Conor Building Laboratory Tower - ductwork	1,000,000

Department of Juvenile Justice

Baltimore City Juvenile Justice Center - construction	7,237,000

Maryland State Police

Crime Lab - construction	667,000

Department of Public Safety & Corrections

Baltimore City Detention Center - renovate utilities	2,000,000
Maryland Correction Adjustment Center - renovate	800,000
	2,800,000

Department of Education

State Library Resource Center - construct addition	10,726,000

Morgan State University

Campuswide - site improvements	3,720,000
Central Heating Plant - replace steam boilers	4,110,000
Communications Center & Pedestrian Bridge - construction	20,178,000
Fine Arts Center - construction	6,100,000
Hughes Stadium - renovations	41,000
Library - construction	1,962,000
Montebello Campus - site improvements	2,052,000
Northwood Property - acquisition	300,000
Science Research Building with Greenhouse - construction	22,764,000
	61,227,000

University System of Maryland

Biotechnology Inst. - Christopher Columbus Center Bldg.	850,000
Coppin State - Lutheran Hospital acquisition/demolition	800,000
Coppin State - dining facilities	5,000,000
Coppin State - Health and Human Services Building	1,100,000
Coppin State - Miles Connor Building renovation	1,500,000
Coppin State - telecommunications upgrade	6,000,000
UMD at Baltimore - Dental School Building construction	36,000,000
UMD at Baltimore - Health Sciences Research Facility II	64,374,000
UMD at Baltimore - Law School and Marshall Law Library	36,746,000
UMD at Baltimore - renovate Howard Hall	2,355,000
Univ. Baltimore - 1300 N. Charles Street renovation	215,000
Univ. Baltimore - Charles Hall/Annex renovation	4,325,000
Univ. Baltimore - Ctr. for Families, Children & Courts	500,000
	159,765,000

Other

East Baltimore Technology Park - acquisition	2,000,000
UMD Medical System - diagnostic & treatment facilities	41,000,000
	43,000,000

Baltimore County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	169,343	175,779	181,405	193,266	14.1
Compensatory Education	7,102	6,534	6,695	9,779	37.7
School Transportation	13,498	14,105	15,279	15,810	17.1
Special Education	14,601	15,808	16,995	18,244	25.0
Limited English Proficiency Grants	1,808	2,092	2,310	2,540	40.5
Targeted Poverty Grants	4,944	4,998	5,020	5,120	3.6
Extended Elementary	1,190	1,190	1,190	1,190	0.0
Aging Schools	2,940	2,940	2,940	2,940	0.0
Class Size Initiative	0	1,219	1,665	2,598	n.a.
Early Education Initiative	0	0	1,671	2,021	n.a.
Teacher Development/Mentoring	8,718	9,694	9,581	9,527	9.3
Teacher's Salary Grant	0	3,243	8,559	7,185	n.a.
Academic Intervention	0	1,236	1,992	1,967	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	3,088	n.a.
Other Education Aid	6,057	7,859	9,382	9,798	61.8
Primary & Secondary Education	230,201	246,697	264,683	285,071	23.8
Libraries	3,200	3,236	3,508	3,857	20.5
Community Colleges	25,834	30,249	33,022	35,274	36.5
Health Formula Grant	6,234	6,512	6,809	7,025	12.7
Transportation	34,460	35,890	34,507	35,342	2.6
Police and Public Safety	9,761	9,816	9,262	9,749	(0.1)
Fire and Rescue Aid	1,222	1,219	1,207	1,203	(1.5)
Recreation and Natural Resources	4,604	4,844	5,768	2,347	(49.0)
Utility Property Tax Grants	0	897	1,795	1,795	n.a.
Other Direct Aid	50	50	50	50	0.0
Total Direct Aid	**315,567**	**339,411**	**360,610**	**381,713**	**21.0**
Aid Per Capita	434	444	466	488	12.3
Property Tax Equivalent ($)	0.75	0.79	0.81	0.83	9.6

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Baltimore County for teachers, librarians, community college faculty, and local officials are estimated to be $200,217,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	2,299	4,110	4,904	5,036
Family Health and Primary Care	154	182	244	800
Geriatric and Children's Services	1,102	1,356	1,346	1,350
Mental Health	26,632	26,068	30,855	30,558
Prevention and Disease Control	353	3,780	4,341	5,833
Developmental Disabilities	30,167	34,808	37,750	42,792
AIDS	52	54	36	0
	60,760	70,358	79,476	86,369
Social Services				
Homeless Services	225	231	234	236
Women's Services	585	645	657	630
Adult Services	288	420	335	439
Child Welfare Services	2,292	3,954	3,038	2,676
	3,390	5,251	4,264	3,981
Senior Citizen Services				
Long-term Care	1,103	1,385	1,459	1,620
Community Services	340	322	322	322
	1,443	1,708	1,782	1,943

Selected State Grants for Capital Projects

Public Schools

Arbutus Elementary School - renovations (mechanical)	$179,000
Arbutus Middle School - renovations (roof)	383,000
Arbutus Middle School - wiring	62,000
Baltimore Highlands Elementary School - wiring	88,000
Battle Grove Elementary School - wiring	94,000
Battle Monument School - renovations (plumbing)	469,000
Battle Monument School - wiring	74,000
Bear Creek Elementary School - renovations (MSR)	869,000
Bear Creek Elementary School - wiring	90,000
Bedford Elementary School - wiring	74,000
Berkshire Elementary School - renovations (MSR)	836,000
Berkshire Elementary School - wiring	84,000
Campfield Early Learning Center - wiring	78,000
Campfield Elementary School - renovations (MSR)	658,000
Carney Elementary School - renovations (MSR)	908,000
Carney Elementary School - wiring	92,000
Carroll Manor Elementary School - renovations (MSR)	878,000
Carroll Manor Elementary School - wiring	80,000
Carver Center - science facilities	310,000
Catonsville Alternative School - wiring	221,000
Catonsville Elementary School - renovations (mechanical)	643,000
Catonsville Middle School - renovations (roof)	315,000
Catonsville Middle School - wiring	35,000
Cedarmere Elementary School - renovations (HVAC)	522,000
Cedarmere Elementary School - wiring	80,000
Chadwick Elementary School - renovations (MSR)	636,000
Chapel Hill Elementary School - wiring	82,000
Charlesmont Elementary School - renovations (MSR)	567,000
Charlesmont Elementary School - wiring	83,000
Chase Elementary School - renovations (MSR)	590,000
Chatsworth Elementary School - renovations (roof)	181,000

Chatsworth Elementary School - wiring	99,000
Chesapeake High School - science facilities	480,000
Chesapeake Terrace Elementary School - renovations (MSR)	712,000
Chesapeake Terrace Elementary School - wiring	76,000
Church Lane Elementary School - renovations (MSR)	948,000
Cockeysville Middle School - wiring	75,000
Colgate Elementary School - wiring	75,000
Cromwell Valley Elementary School - renovations (MSR)	607,000
Deep Creek Elementary School - renovations (MSR)	763,000
Deep Creek Elementary School - wiring	75,000
Deep Creek Middle School - wiring	266,000
Deer Park Elementary School - renovations (MSR)	249,000
Dulaney High School - renovations (boiler)	225,000
Dulaney High School - science facilities	550,000
Dumbarton Middle School - wiring	344,000
Dundalk Elementary School - renovations (mechanical)	400,000
Dundalk Middle School - renovations (multi-systemic)	2,134,000
Eastern Technical School - science facilities	375,000
Eastwood Center - wiring	69,000
Eastwood Primary Center - renovations (MSR)	647,000
Edmondson Heights Elementary School - renovations (MSR)	1,430,000
Edmondson Heights Elementary School - renovations (roof)	190,000
Elmwood Elementary School - wiring	82,000
Featherbed Lane Elementary School - renovations (MSR)	928,000
Featherbed Lane Elementary School - renovations (roof)	255,000
Featherbed Lane Primary School - wiring	95,000
Fifth District Elementary School - renovations (MSR)	801,000
Fifth District Elementary School - renovations (roof)	137,000
Fort Garrison Elementary School - wiring	84,000
Franklin Elementary School - renovations (MSR)	997,000
Franklin Elementary School - renovations (roof)	234,000
Franklin High School - science facilities	810,000
Franklin Middle School - renovations (multi-systemic)	1,801,000
General John Stricker Middle School - renovations (roof)	753,000
General Stricker Middle School - wiring	76,000

Glenmar Elementary School - wiring	82,000
Glyndon Elementary School - renovations (roof)	201,000
Glyndon Elementary School - wiring	89,000
Golden Ring Middle School - renovations (multi-systemic)	1,314,000
Golden Ring Middle School - renovations (roof)	170,000
Golden Ring Middle School - wiring	54,000
Gunpowder Elementary School - renovations (MSR)	1,064,000
Gunpowder Elementary School - wiring	81,000
Halethorpe Elementary School - renovations (MSR)	203,000
Halethorpe Elementary School - wiring	77,000
Halstead Academy - renovations (MSR)	1,312,000
Hampton Elementary School - wiring	77,000
Harford Hills Elementary School - renovations (MSR)	980,000
Hawthorne Elementary School - renovations (MSR)	531,000
Hebbville Elementary School - wiring	82,000
Hereford High School - wiring	161,000
Hereford Middle School - renovations (roof)	483,000
Hernwood Elementary School - renovations (MSR)	853,000
Hernwood Elementary School - wiring	83,000
Hillcrest Elementary School - renovations (MSR)	729,000
Hillcrest Elementary School - wiring	84,000
Holabird Middle School - wiring	56,000
Johnnycake Elementary School - wiring	80,000
Kenwood High School - renovations (roof)	496,000
Kingsville Elementary School - renovations (MSR)	193,000
Lansdowne Elementary School - renovations (MSR)	804,000
Lansdowne Elementary School - wiring	77,000
Lansdowne High School - renovations (boiler)	225,000
Lansdowne High School - renovations (roof)	472,000
Lansdowne High School - science facilities	775,000
Lansdowne Middle School - renovations (roof)	577,000
Lansdowne Middle School - wiring	54,000
Loch Raven Academy - wiring	262,000
Logan Elementary School - renovations (MSR)	802,000
Maiden Choice School - wiring	79,000

Mars Estates Elementary School - renovations (MSR)	170,000
McCormick Elementary School - renovations (MSR)	920,000
Middle River Elementary School - wiring	327,000
Middleborough Elementary School - wiring	76,000
Middlesex Elementary School - renovations (MSR)	960,000
Milford Mill Academy - wiring	205,000
Millbrook Elementary School - renovations (MSR)	856,000
Millbrook Elementary School - wiring	73,000
New Town High School - construction	7,886,000
Norwood Elementary School - renovations (MSR)	1,146,000
Norwood Elementary School - wiring	81,000
Oakleigh Elementary School - renovations (MSR)	240,000
Old Court Middle School - wiring	67,000
Oliver Beach Elementary School - wiring	77,000
Orems Elementary School - wiring	78,000
Overlea High School - renovations (roof)	535,000
Overlea High School - science facilities	775,000
Owings Mills Elementary School - wiring	94,000
Owings Mills Elementary School - renovations (MSR)	1,114,000
Owings Mills High School - science facilities	420,000
Padonia Elementary School - renovations (MSR)	562,000
Padonia Elementary School - renovations (roof)	198,000
Parkville Middle School - renovations (multi-systemic)	2,449,000
Patapsco High School - renovations (boiler)	225,000
Patapsco High School - renovations (roof)	938,000
Patapsco High School - science facilities	953,000
Perry Hall Elementary School - renovations (MSR)	978,000
Perry Hall High School - renovations (roof)	615,000
Perry Hall Middle School - renovations (boiler)	225,000
Pikesville Middle School - wiring	61,000
Pine Grove Elementary School - renovations (MSR)	747,000
Pine Grove Elementary School - renovations (roof)	254,000
Pine Grove Elementary School - wiring	90,000
Pine Grove Middle School - wiring	346,000
Pinewood Elementary School - renovations (MSR)	656,000

Pinewood Elementary School - wiring	75,000
Pleasant Plains Elementary School - renovations (roof)	221,000
Pot Spring Elementary School - renovations (MSR)	1,144,000
Pot Spring Elementary School - wiring	80,000
Powhatan Elementary School - renovations (MSR)	980,000
Powhatan Elementary School - wiring	74,000
Prettyboy Elementary School - renovations (MSR)	748,000
Prettyboy Elementary School - wiring	82,000
Randallstown Elementary School - construction	1,600,000
Randallstown High School - renovations (boiler)	225,000
Red House Run Elementary School - renovations (MSR)	840,000
Reisterstown Elementary School - renovations (MSR)	966,000
Reisterstown Elementary School - wiring	76,000
Relay Elementary School - renovations (MSR)	706,000
Relay Elementary School - renovations (roof)	165,000
Relay Elementary School - wiring	75,000
Riderwood Elementary School - renovations (MSR)	709,000
Riderwood Elementary School - wiring	77,000
Ridgely Middle School - wiring	42,000
Riverview Elementary School - renovations (MSR)	1,211,000
Rodgers Forge Elementary School - renovations (MSR)	1,049,000
Rodgers Forge Elementary School - wiring	90,000
Rosedale School - wiring	247,000
Ruxton Center - renovations (windows)	110,000
Ruxton Center - wiring	76,000
Sandalwood Elementary School - renovations (roof)	299,000
Sandalwood Elementary School - wiring	82,000
Sandy Plains Elementary School - renovations (MSR)	1,205,000
Sandy Plains Elementary School - wiring	108,000
Scotts Branch Elementary School - wiring	82,000
Seneca Elementary School - renovations (MSR)	823,000
Seneca Elementary School - renovations (roof)	205,000
Seneca Elementary School - wiring	77,000
Seventh District Elementary School - wiring	75,000
Shady Spring Elementary School - renovations (roof)	227,000

Shady Spring Elementary School - wiring	80,000
Southeast Technical School - science facilities	145,000
Southwest Academy - renovations (boiler)	225,000
Sparrows Point High School - science facilities	420,000
Stemmers Run Middle School - renovations (multi-systemic)	466,000
Stemmers Run Middle School - renovations (roof)	306,000
Stemmers Run Middle School - wiring	72,000
Stoneleigh Elementary School - construction	441,000
Stoneleigh Elementary School - renovations (MSR)	219,000
Summit Park Elementary School - renovations (MSR)	730,000
Summit Park Elementary School - wiring	75,000
Sussex Elementary School - renovations (MSR)	472,000
Sussex Elementary School - wiring	80,000
Timber Grove Elementary School - renovations (MSR)	705,000
Timber Grove Elementary School - wiring	96,000
Timonium Elementary School - wiring	86,000
Victory Villa Elementary School - renovations (MSR)	441,000
Villa Cresta Elementary School - renovations (MSR)	1,329,000
Warren Elementary School - wiring	80,000
Wellwood International School - wiring	78,000
Wellwood Int'l. Elementary School - renovations (MSR)	1,030,000
Westowne Elementary School - renovations (MSR)	1,084,000
Westowne Elementary School - wiring	83,000
White Oak School - renovations (heating)	521,000
White Oak School - wiring	98,000
Winand Elementary School - renovations (MSR)	811,000
Winfield Elementary School - renovations (MSR)	514,000
Woodbridge Elementary School - wiring	79,000
Woodlawn High School - construction	3,457,000
Woodlawn High School - renovations (boiler)	225,000
Woodlawn High School - science facilities	560,000
Woodmoor Elementary School - renovations (MSR)	464,000
Woodmoor Elementary School - wiring	93,000
	97,578,000

Baltimore Community College

Catonsville - Hot/Chilled Water Facility	132,000
Dundalk - renovations	1,110,000
Essex - Humanities and Arts Building	95,000
Systemwide - ADA alterations, Phase II	269,000
Systemwide - reroofing projects	56,500
Systemwide - telecommunications infrastructure	2,390,000
	4,052,500

Local Jail Loan

County Detention Center - expansion	5,000,000

Juvenile Justice Bond Program

Good Shepherd Center	400,000

Community Mental Health/Addictions/Dev. Disabilities

Baltimore Association for Retarded Citizens	948,000
Chimes, Inc.	92,000
	1,040,000

Adult Day Care Centers

Baltimore Association for Retarded Citizens	698,000
ReVisions Behavioral Health Systems, Inc.	412,000
	1,110,000

Chesapeake Bay Water Quality Loan

Gwynns Falls Watershed - stormwater retrofit	300,000
Hampton Branch - stream restoration	118,471
Herring Run - stream restoration	50,000
Jones Falls Watershed - stormwater retrofit	300,000
Loch Raven - stream restoration - Eastern Beaverdam Run	150,000
Loch Raven Watershed - stormwater retrofit	150,000
Patapsco River Watershed - stormwater retrofit	300,000

Redhouse Run - stream restoration	49,400
Revere Park - retrofit and restoration	240,000
Shetland Hills - stream restoration	40,000
	1,697,871

Fish Passage Program

White Marsh Run - stream relocation	100,000

Waterway Improvement

Bird River/Railroad Creek - channel dredging	490,000
Bowleys Quarters - purchase fire/rescue vessel	20,000
Brown Cove - channel dredging	215,000
Chesapeake Village Park - boat ramp & boardwalk	125,000
Chesterwood - design for boat ramp and pier	75,000
Countywide - survey and study of subaquatic vegetation	10,000
Gunpowder Dundee Creek Marina - dredging	150,000
Gunpowder Dundee Creek Marina - pave boat storage area	25,000
Middle River Vol. Ambulances - dive team equipment	50,000
Rocky Point, Inverness - ADA access	50,000
Seneca Creek Gooseharbor - channel dredging	300,000
Shallow Creek - Spur channel dredging	25,000
Southwest Area Park - boat ramp/parking/restrooms, etc.	150,000
Strawberry Point - inflatable Zodiac acquisition	4,000
Strawberry Point - outboard motors acquisition	11,000
Strawberry Point - patrol boat acquisition	35,000
Turner Station Park - restroom facilities construction	25,000
	1,760,000

Hazardous Substance Cleanup Program

Sauer Dump	1,200,000

Other Projects

Bloomsbury Community Center	1,500,000
Boys & Girls Clubs of Central Maryland	250,000
Chesapeake Village Park	250,000
Dundalk Revitalization	1,750,000
Essex-Middle River Waterfront Revitalization	3,000,000
Franklin Square Hospital Center	500,000
GBMC Healthcare, Inc.	527,000
Hannah More School	550,000
Holt Park	500,000
Mars Estates Elem. Police Athletic League/Recreation Center	575,000
MD School for the Blind Emergency Panic Alarm System	75,000
North Point Indoor Soccer Facility	900,000
North Point Recreation Center	1,000,000
PACT: Helping Children With Special Needs	350,000
Perry Hall Mansion	400,000
Randallstown-Liberty Road Revitalization	1,750,000
Reisterstown Elem. Police Athletic League/Recreation Center	575,000
Scotts Branch Elem. Police Athletic League/Recreation Center	525,000
Southwest Park	250,000
Sudbrook Park	250,000
The Arrow Project	250,000
The Community Learning Center	250,000
The Wellness Community-Baltimore	500,000
Todd's Inheritance	250,000
Village of Tall Trees	1,000,000
Westchester Community Center	120,000
Winfield Elem. Police Athletic League/Recreation Center	525,000
Woodlawn Community Center	300,000
	18,672,000

Capital Projects for State Facilities in the County

Maryland State Police

Crime Lab - construction	3,306,000

Department of Natural Resources

Gunpowder Dundee Creek Marina - pave boat storage area	45,000
Gunpowder Falls State Park - Bunker Hill day use area	610,000
Gunpowder Falls State Park - Dundee Creek Marina	131,000
Gunpowder Falls State Park - Hammerman Beach Svc. Bldg.	265,000
Gunpowder Falls State Park - land acquisition	3,511,000
Gunpowder Falls State Park - river debris removal	125,000
North Point State Park - phase II	1,980,000
Northern Central Rail Trail - repair bridges	157,000
Patapsco Valley State Park - Bell Grove Area boat ramp	25,000
Patapsco Valley State Park - construct greenway trail	1,249,000
Patapsco Valley State Park - greenway land acquisition	985,000
Patapsco Valley State Park - small boat launches	30,000
Patapsco Valley State Park - Woodstock Area boat ramp	50,000
Police Central Regional Headquarters - construction	941,000
	10,104,000

Maryland Environmental Service

Rosewood Hospital Center - water/sewer improvements	2,633,000

Maryland Veterans Administration

Garrison Forest Veterans Cemetery - maintenance building	509,000

University System of Maryland

Baltimore County - Biological Sciences Building	500,000
Baltimore County - Central Power Plant	160,000
Baltimore County - Chemistry/Physics Building	31,546,000

Baltimore County - Information Tech/Engineering Building	40,571,000
Baltimore County - Public Policy Institute Building	16,553,000
Towson University - 7720 York Road	1,550,000
Towson University - 7800 York Road	13,716,000
Towson University - Fine Arts Building addition/renovate	26,403,000
Towson University - improve campus utilities	5,300,000
Towson University - Regional Sports Complex construction	18,750,000
Towson University - Sports Complex	3,000,000
	158,049,000

Other

WMPB Transmitter - replacement	3,489,000
WMPB Transmitter - replacement (federal funds)	1,225,900
	4,714,900

Calvert County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	29,901	32,370	35,316	39,173	31.0
Compensatory Education	687	802	876	1,459	112.4
School Transportation	2,029	2,159	2,380	2,533	24.9
Special Education	1,080	1,463	1,546	1,655	53.3
Limited English Proficiency Grants	26	39	28	42	63.2
Targeted Poverty Grants	394	399	405	409	3.8
Extended Elementary	454	454	454	454	0.0
Aging Schools	65	65	65	65	0.0
Class Size Initiative	0	178	248	409	n.a.
Early Education Initiative	0	0	354	478	n.a.
Teacher Development/Mentoring	13	124	125	125	837.7
Teacher's Salary Grant	0	0	630	531	n.a.
Academic Intervention	0	239	321	330	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	794	n.a.
Other Education Aid	452	865	895	860	90.5
Primary & Secondary Education	35,101	39,157	43,643	49,317	40.5
Libraries	247	282	294	301	21.5
Community Colleges	837	858	964	1,042	24.6
Health Formula Grant	359	442	518	636	77.2
** Transportation	4,693	4,943	4,954	5,200	10.8
** Police and Public Safety	661	681	698	708	7.2
** Fire and Rescue Aid	164	201	200	200	22.3
Recreation and Natural Resources	408	430	513	209	(48.7)
Utility Property Tax Grants	0	3,048	6,097	6,097	n.a.
** Other Direct Aid	8	0	0	0	(100.0)
Total Direct Aid	**42,477**	**50,044**	**57,880**	**63,710**	**50.0**
Aid Per Capita	558	647	728	779	39.5
Property Tax Equivalent ($)	0.73	0.85	0.97	1.02	39.7

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Calvert County for teachers, librarians, community college faculty, and local officials are estimated to be $26,305,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	490	372	570	593
Family Health and Primary Care	132	157	156	38
Geriatric and Children's Services	261	273	283	289
Mental Health	2,784	2,655	2,965	3,004
Prevention and Disease Control	65	326	432	560
Developmental Disabilities	3,546	3,441	3,732	4,230
	7,278	7,224	8,136	8,714
Social Services				
Homeless Services	32	33	33	33
Women's Services	170	188	191	185
Adult Services	39	61	40	70
Child Welfare Services	310	448	427	345
	551	729	691	633
Senior Citizen Services				
Long-term Care	105	105	105	105
Community Services	25	26	26	26
	129	131	131	131

Selected State Grants for Capital Projects

Public Schools

Appeal Elementary School - wiring	$45,000
Beach Elementary School - renovations (mechanical)	299,000
Calvert Career Center - construction	2,391,000
Calvert County School - wiring	28,000
Calvert High School - renovations (fire alarm)	192,000
Calvert High School - renovations (roof)	229,000
Calvert Middle School - renovations (roof)	102,000
Huntingtown Elementary School - renovations (mechanical)	470,000
Huntingtown Elementary School - wiring	45,000
Huntingtown High School - construction	8,500,000
Mill Creek Middle School - construction	5,995,000
Mt. Harmony Elementary School - wiring	28,000
Northern High School - renovations (roof)	647,000
Northern Middle School - renovations (boiler)	53,000
Northern Middle School - wiring	67,000
Patuxent Elementary School - wiring	28,000
Patuxent High School - relocatable classrooms	28,000
Plum Point Middle School - wiring	50,000
	19,197,000

College of Southern Maryland

Calvert - Academic Complex	1,547,000
La Plata - Academic Complex	1,065,000
La Plata - Administration Bldg. & Cooling Plant	1,837,000
La Plata - fuel storage tank replacement	210,000
La Plata - Industrial Training Center	689,000
La Plata - Physical Education Building	1,917,000
La Plata - WWTP replacement	31,000
Leonardtown - equip	850,000
Prince Frederick - Academic Complex	8,586,000
	16,732,000

Local Jail Loan

County Detention Center - replace master control panel	175,000

Adult Day Care Centers

Tri-County Community Action Committee, Inc.	370,000

Senior Citizen Activity Centers

North Beach Senior Center	600,000

Chesapeake Bay Water Quality Loan

Dares Beach - sewerage project	400,000
North Beach - sewerage project	88,000
	488,000

Comprehensive Flood Management Program

Hollowing Point Mobile Home Park	37,500

Waterway Improvement

Breezy Point - jetty/groin replacement	90,000
Breezy Point Marina - jetty repairs	50,000
Chesapeake Beach - boat ramp lease	60,000
Chesapeake Beach - fish cleaning station	50,000
Chesapeake Beach - parking lot improvements	150,000
Cove Point Lighthouse - seawall repairs	50,000
Lore Oyster House - bulkhead repairs	50,000
North Beach - comfort station	50,000
North Beach - pier and 15 slips	50,000
North Beach - pier landing and slips	25,000
North Beach - pier rehabilitation	50,000
North Beach - redeck town pier	100,000
Solomon's - expand parking lot	50,000

Solomon's - pier and slip construction	50,000
Solomon's - replace and repair piers	100,000
	975,000

Other Projects

Battle Creek Nature Ed. Society Environmental Ed. Ctr.	100,000
Boys & Girls Clubs of Calvert County	100,000
Calvert Animal Shelter and Education Center	75,000
Calvert Memorial Hospital	100,000
Chesapeake Beach Railway Trail	250,000
Community Learning Center	400,000
Kellam Recreational Complex	250,000
North Beach Erosion Control & Beach Replenishment	400,000
Old Wallville School	30,000
The Boys and Girls Clubs of Southern MD	100,000
Twin Beach Community Health Center	150,000
William B. Tennison Boat Restoration	50,000
	2,005,000

Capital Projects for State Facilities in the County

Dept. of Housing & Community Development

Jefferson Patterson Park & Museum - road construction	467,000
Jefferson Patterson Park & Museum - visitor's center	1,900,000
	2,367,000

Department of Natural Resources

Calvert Cliffs State Park - roads and parking	62,000
North Beach - land acquisition	200,000
Parkers Creek - land acquisition	905,000
Patuxent River Greenway - land acquisition	1,660,000
	2,827,000

Caroline County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	15,139	15,140	15,272	16,120	6.5
Compensatory Education	1,002	1,055	1,065	1,642	63.8
School Transportation	1,307	1,345	1,463	1,520	16.3
Special Education	506	541	542	572	13.1
Limited English Proficiency Grants	93	88	121	151	62.4
Targeted Poverty Grants	617	624	604	618	0.2
Extended Elementary	351	351	351	351	0.0
Aging Schools	85	85	85	85	0.0
Class Size Initiative	0	61	76	127	n.a.
Early Education Initiative	0	0	201	356	n.a.
Teacher Development/Mentoring	76	530	541	541	608.6
Teacher's Salary Grant	0	189	713	622	n.a.
Academic Intervention	0	134	167	167	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	929	n.a.
Other Education Aid	1,045	1,351	1,346	1,327	27.0
Primary & Secondary Education	20,222	21,493	22,548	25,130	24.3
Libraries	202	210	220	218	8.2
Community Colleges	664	784	905	964	45.1
Health Formula Grant	568	652	776	919	61.6
** Transportation	3,974	4,220	4,075	4,216	6.1
** Police and Public Safety	316	315	319	318	0.7
** Fire and Rescue Aid	201	200	200	200	(0.3)
Recreation and Natural Resources	178	187	223	91	(49.0)
Disparity Grant	1,835	2,171	2,316	2,456	33.9
** Other Direct Aid	28	0	0	0	(100.0)
Total Direct Aid	**28,187**	**30,233**	**31,582**	**34,510**	**22.4**
Aid Per Capita	940	1,004	1,039	1,124	19.6
Property Tax Equivalent ($)	2.36	2.39	2.39	2.52	7.0

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Caroline County for teachers, librarians, community college faculty, and local officials are estimated to be $9,159,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	290	337	398	403
Family Health and Primary Care	179	201	175	182
Geriatric and Children's Services	284	303	311	340
Mental Health	1,767	1,640	1,867	1,853
Prevention and Disease Control	72	218	287	286
Developmental Disabilities	1,272	1,374	1,490	1,689
AIDS	7	21	43	57
	3,871	4,095	4,571	4,810
Social Services				
Homeless Services	52	59	59	59
Women's Services	309	350	357	337
Adult Services	30	46	35	55
Child Welfare Services	182	500	346	284
	573	955	797	736
Senior Citizen Services				
Long-term Care	158	158	548	569
Community Services	84	96	96	96
	242	253	643	664

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

Selected State Grants for Capital Projects

Public Schools

Colonel Richardson High School - renovations (chiller)	$172,000
Denton Elementary School - renovations (chiller)	102,000
Federalsburg Elementary School - construction	107,000
Federalsburg Judy Hoyer Center - construction	324,000
Greensboro Elementary School - renovations (chiller)	240,000
Greensboro Elementary School - renovations (roof)	731,000
Greensboro Elementary Wellness Center - construction	132,000
Lockerman Middle School - renovations (chiller)	195,000
Lockerman Middle School - renovations (roof)	386,000
North Caroline High School - construction	11,883,000
	14,272,000

Chesapeake College

Administration Building - renovation	208,000
Caroline College Center - renovation	366,000
Dorchester Administration Bldg. - renovations & addition	2,884,000
Learning Resource Center - construction	7,365,000
Learning Resource Center - equipment	970,000
	11,793,000

Community Mental Health/Addictions/Dev. Disabilities

Mid-Shore Partnership for Independent Living	459,000

Chesapeake Bay Water Quality Loan

Caroline/Denton - stormwater management	117,000
Denton Camp Road - sewerage project	150,000
Federalsburg WWTP - nutrient removal	250,000
Goldsboro Wastewater Facilities	175,000
North Main Street - inflow/infiltration project	100,000
South Main Street - shoreline rehabilitation	50,000
	842,000

Water Supply Assistance Loan

Greensboro - water storage tank	375,000

Comprehensive Flood Management Program

Federalsburg - acquisition	5,095

Waterway Improvement

Choptank - county-wide DMP site acquisition	50,000
Choptank Marina - additional boat slips	25,000
Choptank Marina - bulkhead replacement	12,500
Choptank Marina - dredging	80,000
Denton - Crouse Park boat ramp expansion	50,000
Denton - Crouse Park boat ramp parking	35,000
Denton - Crouse Park boat ramp replacement	50,000
Denton - Crouse Park bulkhead & traffic control	60,000
Denton - Joppa Wharf pier access	40,000
Federalsburg Marina - improvements	16,600
Federalsburg Marina - resurface boat ramp parking lot	25,000
Greensboro - boat ramp & bulkhead	100,000
Greensboro - boat ramp replacement	40,000
Hillsboro - boat ramp ADA access/bulkhead repair	25,000
	609,100

Other Projects

Adkins Arboretum	500,000
Denton Armory Building	250,000
The Benedictine School	375,000
	1,125,000

Capital Projects for State Facilities in the County

Department of Natural Resources

Tuckahoe State Park - resurface boat ramp parking lot	75,000

Carroll County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	60,485	62,768	63,603	67,785	12.1
Compensatory Education	1,116	1,203	1,217	1,989	78.3
School Transportation	4,286	4,476	4,818	5,077	18.4
Special Education	3,490	4,042	4,215	4,473	28.2
Limited English Proficiency Grants	133	142	116	142	7.1
Targeted Poverty Grants	484	487	472	474	(2.1)
Extended Elementary	172	172	172	172	0.0
Aging Schools	385	385	385	385	0.0
Class Size Initiative	0	311	416	680	n.a.
Early Education Initiative	0	0	665	713	n.a.
Teacher Development/Mentoring	49	451	197	197	303.4
Teacher's Salary Grant	0	895	2,038	1,876	n.a.
Academic Intervention	0	309	527	541	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	937	n.a.
Other Education Aid	730	982	1,013	902	23.6
Primary & Secondary Education	71,328	76,623	79,855	86,342	21.0
Libraries	725	768	804	743	2.5
Community Colleges	3,705	4,264	4,765	5,319	43.6
Health Formula Grant	1,470	1,588	1,789	2,034	38.4
** Transportation	10,791	11,309	10,936	11,328	5.0
** Police and Public Safety	1,477	1,505	1,522	1,507	2.0
** Fire and Rescue Aid	256	257	259	260	1.4
Recreation and Natural Resources	918	966	1,154	470	(48.8)
** Other Direct Aid	47	0	100	0	(100.0)
Total Direct Aid	**90,718**	**97,280**	**101,184**	**108,003**	**19.1**
Aid Per Capita	583	633	649	682	16.9
Property Tax Equivalent ($)	1.04	1.06	1.05	1.07	2.9

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Carroll County for teachers, librarians, community college faculty, and local officials are estimated to be $43,537,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	1,772	1,399	2,607	2,670
Family Health and Primary Care	208	245	174	235
Geriatric and Children's Services	327	345	353	367
Mental Health	4,824	4,659	5,345	5,386
Prevention and Disease Control	119	569	857	1,080
Developmental Disabilities	6,826	6,963	7,552	8,561
AIDS	0	19	43	57
	14,075	14,201	16,930	18,356
Social Services				
Homeless Services	69	91	91	92
Women's Services	209	232	234	234
Adult Services	40	33	44	69
Child Welfare Services	496	945	828	641
	815	1,301	1,197	1,036
Senior Citizen Services				
Long-term Care	239	239	280	298
Community Services	48	48	48	48
	287	287	328	346

Selected State Grants for Capital Projects

Public Schools

Carroll Springs Elementary School - wiring	$13,000
Century High School - construction	5,862,000
Charles Carroll Elementary School - renovations (multi-systemic)	472,000
Cranberry Station Elementary School - construction	1,438,000
Eldersburg Elementary School - renovations (roof)	179,000
Elmer Wolfe Elementary School - wiring	18,000
Gateway School - construction	2,581,000
Liberty High School - renovations (roof)	485,000
Liberty High School - wiring	91,000
Mechanicsville Elementary School - wiring	27,000
New Westminster Area High School - construction	5,000,000
New Windsor Middle School - wiring	16,000
North Carroll Middle School - construction	2,500,000
Northwest Middle School - renovations (roof)	527,000
Northwest Middle School - wiring	33,000
Oklahoma Road Middle School - wiring	21,000
Runnymeade Elementary School - wiring	26,000
Sandymount Elementary School - wiring	22,000
South Carroll High School - science facilities	260,000
Southeast County High School - construction	6,782,000
Spring Garden Elementary School - construction	557,000
Spring Garden Elementary School - wiring	20,000
Sykesville Middle School - construction	592,000
Taneytown Elementary School - wiring	18,000
Westminster Elementary School - renovations (HVAC)	624,000
Westminster Elementary School - wiring	20,000
Westminster High School - wiring	91,000
Winfield Elementary School - wiring	32,000
Winters Mill High School - construction	3,500,000
	31,807,000

Carroll Community College

Classroom Building #3	6,125,000
Nursing and Allied Health Facility	2,700,000
	8,825,000

Juvenile Justice Bond Program

Bowling Brook - construct dormitories	590,000
Bowling Brook - gym conversion	525,000
	1,115,000

Senior Citizen Activity Centers

North Carroll Senior Center	196,000
South Carroll Senior Center	174,625
	370,625

Partnership Rental Housing Program

Schriner Court	1,300,000

Chesapeake Bay Water Quality Loan

Union Bridge - sewerage project	145,000
Westminster WWTP - nutrient removal	525,790
	670,790

Water Supply Assistance Loan

Union Bridge - water system	222,375

Waterway Improvement

Piney Run Park - ADA pier railing	7,000

Other Projects

Arts Council Theater Rehabilitation	200,000
Carroll County Agricultural Center	600,000
Carroll County General Hospital, Inc.	640,000
Historical Society of Carroll County	200,000
	1,640,000

Capital Projects for State Facilities in the County

General Government

New District Court - Westminster	8,041,000

Department of Health & Mental Hygiene

Springfield Hospital Center - electrical dist. system	7,200,000
Springfield Hospital Center - food service center	4,514,000
	11,714,000

Department of Natural Resources

Patapsco State Park Greenway - land acquisition	985,000

Department of Public Safety & Corrections

Central Laundry Facility - construct steam plant	3,695,000
Central Laundry Facility - renovate kitchen/dining hall	5,180,000
Public Safety Training Center - construct/renovate	23,135,000
	32,010,000

Maryland Environmental Service

Springfield Hospital Center - water/sewer/wastewater	2,950,000

Cecil County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	35,864	37,252	38,890	41,218	14.9
Compensatory Education	1,594	1,745	1,791	2,571	61.3
School Transportation	2,406	2,511	2,759	2,853	18.6
Special Education	1,665	1,994	2,069	2,186	31.3
Limited English Proficiency Grants	65	86	94	132	104.5
Targeted Poverty Grants	693	722	719	723	4.2
Extended Elementary	810	810	810	810	0.0
Aging Schools	355	355	355	355	0.0
Class Size Initiative	0	182	249	385	n.a.
Early Education Initiative	0	0	490	514	n.a.
Teacher Development/Mentoring	103	228	228	221	113.8
Teacher's Salary Grant	0	1,067	2,443	2,276	n.a.
Academic Intervention	0	241	342	362	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	900	n.a.
Other Education Aid	665	506	846	833	25.1
Primary & Secondary Education	44,220	47,698	52,084	56,337	27.4
Libraries	426	439	503	518	21.6
Community Colleges	2,839	3,054	3,318	3,472	22.3
Health Formula Grant	896	1,008	1,197	1,369	52.8
** Transportation	6,116	6,433	6,246	6,473	5.9
** Police and Public Safety	825	843	855	886	7.3
** Fire and Rescue Aid	206	206	204	200	(3.0)
Recreation and Natural Resources	472	497	592	240	(49.0)
** Other Direct Aid	28	0	0	0	(100.0)
Total Direct Aid	**56,027**	**60,178**	**64,999**	**69,494**	**24.0**
Aid Per Capita	653	684	725	760	16.3
Property Tax Equivalent ($)	1.25	1.29	1.32	1.35	8.3

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Cecil County for teachers, librarians, community college faculty and local officials are estimated to be $25,886,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	661	653	978	1,019
Family Health and Primary Care	265	319	176	47
Geriatric and Children's Services	290	318	346	352
Mental Health	4,057	3,970	4,588	4,653
Prevention and Disease Control	99	477	576	706
Developmental Disabilities	3,695	3,966	4,302	4,876
AIDS	4	21	43	57
	9,070	9,725	11,008	11,710
Social Services				
Homeless Services	39	40	40	41
Women's Services	62	60	81	80
Adult Services	48	86	55	77
Child Welfare Services	771	1,245	1,007	874
	920	1,432	1,185	1,073
Senior Citizen Services				
Long-term Care	125	125	125	125
Community Services	41	44	44	44
	166	169	169	169

Selected State Grants for Capital Projects

Public Schools

Bainbridge Elementary School - construction	$2,769,000
Bay View Elementary School - construction	3,709,000
Bohemia Manor Middle/High School - wiring	141,000
Cecil Manor Elementary School - wiring	77,000
Charlestown Elementary School - construction	3,143,000
Chesapeake City Elementary School - renovations (roof)	131,000
Conowingo Elementary School - wiring	35,000
Elk Neck Elementary School - wiring	84,000
North East Elementary School - construction	2,857,000
North East High School - renovations (HVAC)	1,070,000
North East High School - renovations (roof)	495,000
Perryville Middle School - wiring	107,000
Providence School - wiring	52,000
Rising Sun Elementary School - wiring	106,000
Rising Sun High School - wiring	181,000
	14,957,000

Cecil Community College

Athletic fields - renovation	183,000
Elkton Center	503,000
	686,000

Community Mental Health/Addictions/Dev. Disabilities

Upper Bay Counseling and Support Services, Inc.	120,000

Chesapeake Bay Water Quality Loan

Carpenter's Point Sewer	300,000
Elkton WWTP - nutrient removal	1,668,000
Northeast WWTP - nutrient removal	600,000
Rising Sun - sewer main replacement	100,000
	2,668,000

Water Supply Assistance Loan

North East - water pump station	500,000

Comprehensive Flood Management Program

Elkton - feasability study	102,428
Elkton - flood protection construction	89,000
Farr Creek - acquisition	37,500
	228,928

Fish Passage Program

Octoraro Creek - fishway	65,600

Waterway Improvement

Charlestown - boat ramp wave screen	50,000
Charlestown - dredging	30,000
Charlestown - floating pier installation	24,000
Chesapeake City - boat ramp & parking area	80,000
Chesapeake City - Boating Pier ADA access improvements	10,000
Chesapeake City - floating dock construction	8,000
Chesapeake City - North Side boat access pier	50,000
Chesapeake City - pier construction	8,000
Elk River - dredging	760,000
North East - transient boat pier construction	50,000
North East - transient dock with bulkhead	150,000
Perryville - boat ramp parking lot paving	20,000
Perryville - transient boat access pier	50,000
Port Deposit - boating access pier, Phase II	25,000
Port Deposit - construct transient pier	47,000
Port Deposit - design jetty/pier	80,000
Port Deposit - Marine Park boat ramp repair	25,000
Port Deposit - Marine Park jetty repair	25,000
River Point Landing - boat ramp & bulkhead upgrade	40,000

River Point Landing - boat ramp and bulkhead, Phase II	25,000
River Point Landing - boat ramp and parking	50,000
Town of North East - boating pier improvements	25,000
	1,632,000

Hazardous Substance Cleanup Program

Elkton - Dwyer Site	750,000

Other Projects

Cecil County Family Support and Education Center	250,000
Hollingsworth House	200,000
Rising Sun Museum & Visitors Center	100,000
The Boys & Girls Clubs of Cecil County	100,000
Town of Elkton	650,000
Union Hospital	445,000
	1,745,000

Capital Projects for State Facilities in the County

Maryland State Police

North East Barrack - construction	5,264,000

Department of Natural Resources

Elk Neck State Park - construct small boat launch	15,000
Elk Neck State Park - dam rehabilitation	171,000
Elk Neck State Park - renov. Bowers Ctr. & Carriage Hse.	105,000
Elk Neck State Park - renovate marina restrooms	19,000
Elk Neck State Park Marina - install walk/guard rails	16,000
Fair Hill NRMA - construct hay barns	767,000
Fair Hill NRMA - maintenance facility	83,000
Fair Hill NRMA - water supply system	150,000
	1,326,000

Maryland Environmental Service

Elk Neck State Park - improve water distribution system	772,000

Charles County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	48,117	50,648	54,969	58,069	20.7
Compensatory Education	1,631	1,784	1,903	2,924	79.2
School Transportation	4,531	4,727	5,216	5,455	20.4
Special Education	3,420	3,318	3,364	3,493	2.1
Limited English Proficiency Grants	135	151	158	136	1.0
Targeted Poverty Grants	971	997	1,020	1,048	8.0
Extended Elementary	1,070	1,070	1,070	1,070	0.0
Aging Schools	65	65	65	65	0.0
Class Size Initiative	0	246	362	575	n.a.
Early Education Initiative	0	0	521	487	n.a.
Teacher Development/Mentoring	224	458	300	293	30.5
Teacher's Salary Grant	0	749	1,893	1,728	n.a.
Academic Intervention	0	346	486	483	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	1,279	n.a.
Other Education Aid	985	1,453	1,317	1,279	29.8
Primary & Secondary Education	61,150	66,013	72,645	78,384	28.2
Libraries	536	595	647	631	17.8
Community Colleges	4,146	4,770	5,357	5,792	39.7
Health Formula Grant	1,122	1,258	1,440	1,636	45.9
** Transportation	7,319	7,697	7,706	8,079	10.4
** Police and Public Safety	1,183	1,194	1,126	1,125	(4.9)
** Fire and Rescue Aid	222	226	224	225	1.6
Recreation and Natural Resources	830	874	1,044	424	(48.9)
Utility Property Tax Grants	0	1,261	2,523	2,523	n.a.
** Other Direct Aid	10	0	0	0	(100.0)
Total Direct Aid	**76,517**	**83,889**	**92,712**	**98,819**	**29.1**
Aid Per Capita	621	682	742	778	25.4
Property Tax Equivalent ($)	1.04	1.11	1.13	1.14	9.6

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Charles County for teachers, librarians, community college faculty, and local officials are estimated to be $38,490,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	701	927	1,389	1,394
Family Health and Primary Care	174	187	164	627
Geriatric and Children's Services	289	292	324	335
Mental Health	4,063	3,800	4,410	4,394
Prevention and Disease Control	105	525	672	855
Developmental Disabilities	5,583	5,563	6,033	6,839
AIDS	136	138	125	142
	11,050	11,433	13,117	14,585
Social Services				
Homeless Services	77	80	80	81
Women's Services	127	148	151	143
Adult Services	54	2	56	117
Child Welfare Services	886	1,422	1,150	1,000
	1,145	1,652	1,436	1,341
Senior Citizen Services				
Long-term Care	147	147	172	183
Community Services	42	42	42	42
	189	189	214	225

Selected State Grants for Capital Projects

Public Schools

Barnhart Elementary School - wiring	$56,000
Comprehensive High School - construction	10,500,000
F.B. Gwynn Center - wiring	41,000
Henson Middle School - relocatable classrooms	33,000
Indian Head Elementary School - renovations (mechanical)	325,000
J. C. Parks Elementary School - relocatable classrooms	16,000
J. P. Ryon Elementary School - construction	3,478,000
Jenifer Elementary School - wiring	33,000
La Plata High School - relocatable classrooms	65,000
Lackey High School - construction	4,308,000
Lackey High School - renovations (pool enclosure)	231,000
LaPlata High School - relocatable classrooms	16,000
LaPlata High School - renovations (roof)	572,000
Mattawoman Middle School - wiring	102,000
Matthew Henson Middle School - relocatable classrooms	65,000
Matula Elementary School - wiring	33,000
McDonough High School - relocatable classrooms	117,000
McDonough High School - renovations (roof)	676,000
Milton Somers Middle School - relocatable classrooms	33,000
Mt. Hope/Nanjemoy Elementary School - renovations (roof)	196,000
Piccowaxen Middle School - renovations (sewer)	325,000
Radio Station Road Academy - wiring	27,000
Somers Middle School - relocatable classrooms	65,000
Thomas Stone High School - relocatable classrooms	65,000
Wade Elementary School - construction	910,000
Wade Elementary School - wiring	33,000
Westlake High School - relocatable classrooms	130,000
Westlake High School - wiring	109,000
	22,560,000

College of Southern Maryland

Calvert - Academic Complex	1,547,000
La Plata - Academic Complex	1,065,000
La Plata - Administration Bldg. & Cooling Plant	1,837,000
La Plata - fuel storage tank replacement	210,000
La Plata - Industrial Training Center	689,000
La Plata - Physical Education Building	1,917,000
La Plata - WWTP replacement	31,000
Leonardtown - equip	850,000
Prince Frederick - Academic Complex	8,586,000
	16,732,000

Community Mental Health/Addictions/Dev. Disabilities

Melwood Horticultural Training Center, Inc.	237,000
Spring Dell Center, Inc.	1,389,000
	1,626,000

Adult Day Care Centers

Senior Network, Inc.	981,000

Chesapeake Bay Water Quality Loan

Clifton - sewer	250,000
Indian Head WWTP - nutrient removal	318,000
Jude House - pumping station/sewer main	200,000
Mattawoman WWTP - nutrient removal	2,767,000
	3,535,000

Water Supply Assistance Loan

Bryans Road Well - water supply system	500,000
Quiet Acres - water supply system	180,000
	680,000

Waterway Improvement

Cobb Island VFD & EMS - water rescue boat	50,000
Cobb Island/Neale Sound - jetty project construction	12,000

Cuckhold Creek and Piney Branch - dredging	60,000
Hatton Creek - boat launch ramp & boating pier const.	50,000
Hatton Creek - boat ramp	50,000
Indian Head - concession and comfort station	50,000
Indian Head - Mattingly Park boat launch facility	100,000
Indian Head - Mattingly Park pier and ramp replacement	25,000
Indian Head - new ramp and parking	50,000
Mallow Bay/Wilson Farm - ramp	50,000
Mallow Bay/Wilson Farm - road and parking	25,000
Marbury VFD - additional equipment and motors	50,000
Marbury VFD - fire boat upgrade	18,000
Marshall Hall - boat ramp jetty construction	25,000
Mattingly Park - pier/boat ramp replacement	50,000
Nanjemoy Creek - dredging	25,000
Potomac River - fire/rescue boat acquisition	50,000
Potomac River - hydrilla management	40,000
Waldorf Fire Dept. - dive/rescue watercraft acquisition	17,500
	797,500

Other Projects

Boys and Girls Clubs	50,000
Henry E. Lackey High School Swimming Pool Complex	900,000
Lions Camp Merrick	700,000
Old Waldorf School Community Center & Head Start	200,000
Port Tobacco Players Theater	400,000
Western Charles County Business/Industrial Park	150,000
	2,400,000

Capital Projects for State Facilities in the County

Maryland State Police

Waldorf Barrack - construction	582,000

Department of Natural Resources

Chapman's Landing - land acquisition	10,510,213
Mattawoman River Greenway - land acquisition	300,000
Myrtle Grove WMA - regional service building	594,000
Potomac/Mattawoman Greenway - land acquisition	2,300,000
Smallwood State Park - replace electrical system & water lines	150,000
Smallwood State Park - replace floating pier	750,000
	14,604,213

University System of Maryland

College Park - MFRI Southern MD Regional Training Center	4,944,000

Dorchester County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	11,708	12,066	11,713	11,931	1.9
Compensatory Education	1,121	1,106	1,096	1,355	20.8
School Transportation	1,291	1,333	1,438	1,483	14.9
Special Education	491	456	450	486	(1.0)
Limited English Proficiency Grants	58	72	60	78	34.8
Targeted Poverty Grants	565	561	558	549	(2.7)
Extended Elementary	412	412	412	412	0.0
Aging Schools	65	65	65	65	0.0
Class Size Initiative	0	54	68	95	n.a.
Early Education Initiative	0	0	125	159	n.a.
Teacher Development/Mentoring	77	296	188	196	153.7
Teacher's Salary Grant	0	340	789	173	n.a.
Academic Intervention	0	133	181	184	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	409	n.a.
Other Education Aid	522	882	816	805	54.3
Primary & Secondary Education	16,310	17,777	17,957	18,380	12.7
Libraries	176	183	197	207	17.6
Community Colleges	604	800	924	984	63.1
Health Formula Grant	493	560	644	723	46.7
** Transportation	4,632	4,819	4,640	4,779	3.2
** Police and Public Safety	360	374	361	365	1.2
** Fire and Rescue Aid	226	216	236	236	4.3
Recreation and Natural Resources	152	160	192	78	(48.7)
Disparity Grant	1,462	1,669	1,928	1,855	26.9
Utility Property Tax Grants	0	94	187	187	n.a.
** Other Direct Aid	19	0	0	0	(100.0)
Total Direct Aid	**24,433**	**26,651**	**27,267**	**27,794**	**13.8**
Aid Per Capita	823	863	877	888	7.9
Property Tax Equivalent ($)	1.65	1.76	1.75	1.68	1.8

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Dorchester County for teachers, librarians, community college faculty, and local officials are estimated to be $8,866,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	551	742	925	955
Family Health and Primary Care	227	272	259	54
Geriatric and Children's Services	284	306	345	352
Mental Health	1,771	1,640	1,867	1,853
Prevention and Disease Control	121	371	321	370
Developmental Disabilities	1,210	1,416	1,535	1,740
AIDS	233	262	188	198
	4,398	5,008	5,441	5,520
Social Services				
Homeless Services	38	39	39	40
Women's Services	309	350	357	337
Adult Services	51	81	60	85
Child Welfare Services	371	686	487	409
	770	1,156	943	872
Senior Citizen Services				
Long-term Care	206	288	680	727
Community Services	235	235	235	235
	441	523	915	962

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

Selected State Grants for Capital Projects

Public Schools

Cambridge/S. Dorchester High School - renovations (HVAC)	$1,527,000
Mace's Lane Middle School - construction	9,268,000
Maple Elementary School - renovations (chiller)	157,000
North Dorchester High School - renovations (windows)	345,000
North Dorchester High School - renovations (roof)	139,000
North Dorchester High School - science facilities	637,000
Sandy Hill Elementary School - renovations (mechanical)	178,000
South Dorchester K-8 School - wiring	35,000
Vienna Elementary School - wiring	35,000
	12,321,000

Chesapeake College

Administration Building - renovation	208,000
Caroline College Center - renovation	366,000
Dorchester Administration Bldg. - renovations & addition	2,884,000
Learning Resource Center - construction	7,365,000
Learning Resource Center - equipment	970,000
	11,793,000

Community Mental Health/Addictions/Dev. Disabilities

Mid-Shore Partnership for Independent Living	459,000

Chesapeake Bay Water Quality Loan

Cambridge Combined Sewer - overflow improvements	500,000
Cambridge Phase II - combined sewer separation	400,000
Cambridge WWTP - nutrient removal	1,113,000
Hurlock WWTP - nutrient removal	2,050,000
Secretary - sewer improvements	200,000
	4,263,000

Water Supply Assistance Loan

Hurlock - water system	310,291
Lodgecliff - water distribution system	84,000
	394,291

Waterway Improvement

Bestpitch - boat ramp overlay	30,000
Cambridge City Yacht Basin - fire pump and equipment	15,000
Cambridge City Yacht Basin - marina upgrade	500,000
Cambridge City Yacht Basin - upgrade	500,000
Cambridge Fire Department - rescue boat equipment	15,000
Cambridge Franklin St. - ADA compliance at restrooms	7,500
Cambridge Franklin St. - complete boat ramp	60,000
Cambridge Franklin St. - replace boat ramp sheeting	50,000
Cambridge Sailwinds Park - boat access pier	40,000
County Office Building - construct transient slips	49,600
Elliotts Island - timber jetty replacement	70,000
Elliotts Island - jetty rip-rap protection	75,000
Golden Hill - boat ramp overlay	32,000
Hurst Creek - dredging	78,900
Kirwans Wharf - ramp bulkhead	40,000
Secretary - boat ramp replacement	90,000
Secretary - Warwick River dredging	80,000
Shorters Wharf - boat ramp	150,000
Smithville - boat ramp overlay	20,000
Taylors Island Dock - replace bulkhead overlay	100,000
Tedious Creek - jetty construction	75,000
Transquaking - boat ramp overlay	30,000
Tylers Cove - parking lot improvements	15,000
Vienna - waterfront park improvements	190,000
Wallace Creek - dredging	100,000
	2,413,000

Other Projects

Dorchester General Hospital	500,000
Harriet Tubman Center	50,000
Meredith House	100,000
	650,000

Capital Projects for State Facilities in the County

Department of Natural Resources

Cambridge Marine Terminal - railway repairs	50,000
Fishing Bay WMA - ramp, parking, & bulkhead	49,100
	99,100

University System of Maryland

Center for Environmental Science - Aquaculture Ecology Lab	24,480,000

Frederick County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	74,947	78,412	81,931	88,198	17.7
Compensatory Education	1,796	1,964	2,016	2,865	59.5
School Transportation	4,319	4,557	5,044	5,384	24.7
Special Education	3,148	2,878	2,927	3,193	1.4
Limited English Proficiency Grants	212	283	409	672	217.4
Targeted Poverty Grants	986	984	974	989	0.3
Extended Elementary	812	812	812	812	0.0
Aging Schools	85	85	85	85	0.0
Class Size Initiative	0	413	575	929	n.a.
Early Education Initiative	0	0	755	820	n.a.
Teacher Development/Mentoring	104	352	355	363	248.5
Teacher's Salary Grant	0	1,200	2,600	2,466	n.a.
Academic Intervention	0	433	689	686	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	1,913	n.a.
Other Education Aid	835	1,430	1,375	1,279	53.1
Primary & Secondary Education	87,245	93,804	100,548	110,655	26.8
Libraries	747	829	831	854	14.3
Community Colleges	4,339	5,220	6,009	6,115	40.9
Health Formula Grant	1,772	1,924	2,155	2,497	41.0
** Transportation	14,302	15,041	14,617	15,334	7.2
** Police and Public Safety	1,976	3,442	2,007	2,057	4.1
** Fire and Rescue Aid	341	348	349	354	3.7
Recreation and Natural Resources	966	1,023	1,215	495	(48.8)
** Other Direct Aid	20	0	0	0	(100.0)
Total Direct Aid	**111,707**	**121,630**	**127,729**	**138,361**	**23.9**
Aid Per Capita	575	607	624	662	15.2
Property Tax Equivalent ($)	0.93	0.98	0.97	1.00	7.4

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Frederick County for teachers, librarians, community college faculty, and local officials are estimated to be $61,182,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	987	1,138	1,753	1,813
Family Health and Primary Care	229	244	186	301
Geriatric and Children's Services	297	325	334	347
Mental Health	7,595	6,877	7,978	8,029
Prevention and Disease Control	144	801	995	1,319
Developmental Disabilities	8,872	9,011	9,773	11,078
AIDS	22	22	41	43
	18,145	18,417	21,060	22,930
Social Services				
Homeless Services	200	215	215	216
Women's Services	54	72	73	71
Adult Services	77	103	86	126
Child Welfare Services	666	1,369	1,019	889
	997	1,759	1,394	1,303
Senior Citizen Services				
Long-term Care	172	172	234	259
Community Services	67	69	69	69
	238	241	303	329

Selected State Grants for Capital Projects

Public Schools

Brunswick High School - renovations (boiler)	$275,000
Brunswick High School - renovations (roof)	195,000
Brunswick High School - wiring	303,000
Career and Technology Center - renovations (electric)	122,000
Carroll Manor Elementary School - wiring	52,000
Catoctin High School - construction	6,666,000
Central County High School - construction	7,388,000
Crestwood Middle School - construction	4,000,000
Emmitsburg Elementary School - renovations (chiller)	76,000
Frederick High School - renovations (HVAC)	110,000
Frederick High School - science facilities	1,211,000
Governor Thomas Johnson High School - construction	12,500,000
Green Valley Elementary School - renovations (roof)	240,000
Heather Ridge School - wiring	51,000
Hillcrest Elementary School - wiring	68,000
Kemptown Elementary School - wiring	33,000
Lewistown Elementary School - renovations (roof)	248,000
Lewistown Elementary School - wiring	31,000
Linganore High School - renovations (roof)	565,000
Linganore High School - renovations (roof/boiler)	527,000
Middletown High School - construction	437,000
Middletown Middle School - wiring	67,000
Monocacy Elementary School - wiring	33,000
Monocacy Middle School - renovations (roof)	248,000
Monocacy Middle School - wiring	138,000
Myersville Elementary School - wiring	33,000
New Market Elementary School - renovations (electric)	73,000
New Midway Elementary School - renovations (electric)	61,000
North Frederick Elementary School - renovations (roof)	178,000
Oakdale Elementary School - construction	3,496,000
Oakdale Middle School - construction	6,212,000
Parkway Elementary School - renovations (roof)	107,000

Parkway Elementary School - wiring	69,000
Rock Creek School - renovations (chiller)	77,000
Rock Creek School - wiring	33,000
Sabinasville Elementary School - wiring	33,000
South Frederick "A" Elementary School - wiring	51,000
South Frederick Elementary School - wiring	33,000
Spring Ridge Elementary School - renovations (electrical)	48,000
Thomas Johnson High School - construction	3,075,000
Thomas Johnson Middle School - construction	5,944,000
Thurmont Elementary School - renovations (electrical)	73,000
Thurmont Middle School - construction	2,860,000
Thurmont Primary School - construction	1,886,000
Twin Ridge Elementary School - renovations (electrical)	48,000
Urbana Elementary School - wiring	38,000
Valley Elementary School - wiring	33,000
Walkersville "B" High School - renovations (electrical)	96,000
Walkersville Elementary School - wiring	51,000
Walkersville High School - construction	436,000
Walkersville High School - renovations (roof)	808,000
West Frederick Middle School - renovations (roof)	146,000
West Frederick Middle School - wiring	84,000
Windsor Knolls Middle School - construction	1,247,000
Wolfesville Elementary School - construction	1,000,000
Wolfsville Elementary School - construction	629,000
Woodsboro Elementary School - renovations (electrical)	61,000
Woodsboro Elementary School - renovations (HVAC)	97,000
Yellow Springs Elementary School - renovations (HVAC)	165,000
Yellow Springs Elementary School - wiring	51,000
	64,916,000

Frederick Community College

Academic/Science & Technology Halls - renovations	670,000
Arts & Student Center - renovation, Phase I	185,000

Campus roads/parking/walkways & athletic fields	1,853,000
Gymnasium - renovation & addition	1,665,000
	4,373,000

Local Jail Loan

128-Bed Work Release/Substance Abuse Facility	2,394,000

Community Mental Health/Addictions/Dev. Disabilities

Alliance, Inc.	260,000
Goodwill Industries of Monocacy Valley, Inc.	480,000
Jeanne Bussard Center, Inc.	78,000
Potomac Healthcare Foundation, Ltd.	1,600,000
Way Station, Inc.	196,000
	2,614,000

Adult Day Care Centers

Daybreak Adult Day Care Center, Inc.	604,000

Chesapeake Bay Water Quality Loan

Brunswick WWTP - nutrient removal	150,000

Water Supply Assistance Loan

Woodsboro - water system improvements	150,000

Waterway Improvement

C&O Canal National Park - construct new boat ramp	25,000

Other Projects

American Red Cross	550,000
Carl & Norma Miller Children's Center	767,000
Delaplaine Visual Arts Education Center	75,000

Frederick Arts Council	100,000
Frederick County Girl Scout Day Camp	100,000
Frederick Memorial Health Care System	250,000
Greater Brunswick Comm. Action School Serv. Bldg.	80,000
Hood College	3,000,000
House Hospice	200,000
Lamar Sanitarium - Historic Museum	100,000
Mount St. Mary's College	1,200,000
National Civil War Museum	750,000
Weinberg Center for the Arts	300,000
	7,472,000

Capital Projects for State Facilities in the County

Maryland State Police

Multi-Agency Law Enforcement Center - construction	3,139,000

Department of Natural Resources

Cunningham Falls State Park - restroom construction	25,000
Frank Bentz Pond - dam rehabilitation	254,000
Natl. Park Service - Brunswick boat ramp & access road	100,000
Natl. Park Service - Nolands Ferry boat ramp facilities	40,000
Natl. Park Service - parkwide ADA access replace toilets	25,000
South Mountain - land acquisition	730,000
	1,174,000

Maryland Environmental Service

Cunningham Falls State Park - water & wastewater systems	787,000

Other

WFPT Transmitter - replacement	3,406,000
WFPT Transmitter - replacement (federal funds)	881,000
	4,287,000

Garrett County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	11,966	11,782	11,995	12,157	1.6
Compensatory Education	1,126	1,182	1,202	1,437	27.6
School Transportation	1,658	1,710	1,844	1,900	14.6
Special Education	538	561	563	581	8.1
Targeted Poverty Grants	534	533	534	525	(1.7)
Extended Elementary	311	311	311	311	0.0
Aging Schools	85	85	85	85	0.0
Class Size Initiative	0	60	81	112	n.a.
Early Education Initiative	0	0	140	184	n.a.
Teacher Development/Mentoring	109	188	162	162	49.0
Teacher's Salary Grant	0	164	424	345	n.a.
Academic Intervention	0	126	154	168	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	312	n.a.
Other Education Aid	439	504	837	777	77.0
Primary & Secondary Education	16,767	17,207	18,332	19,058	13.7
Libraries	150	165	166	170	14.0
Community Colleges	2,308	2,305	2,309	2,702	17.1
Health Formula Grant	444	483	576	766	72.5
** Transportation	5,217	5,447	5,255	5,413	3.8
** Police and Public Safety	253	234	244	249	(1.7)
** Fire and Rescue Aid	201	201	200	200	(0.5)
Recreation and Natural Resources	189	199	239	97	(48.5)
Disparity Grant	2,326	2,585	3,000	3,010	29.4
Utility Property Tax Grants	0	6	12	12	n.a.
Total Direct Aid	**27,855**	**28,832**	**30,333**	**31,678**	**13.7**
Aid Per Capita	947	961	1,011	1,052	11.1
Property Tax Equivalent ($)	1.57	1.53	1.53	1.51	(3.6)

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Garrett County for teachers, librarians, community college faculty, and local officials are estimated to be $9,064,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	462	657	591	610
Family Health and Primary Care	234	267	246	159
Geriatric and Children's Services	343	379	394	401
Mental Health	2,184	2,209	2,723	2,555
Prevention and Disease Control	114	241	297	346
Developmental Disabilities	1,233	1,377	1,494	1,693
AIDS	2	2	0	0
	4,573	5,133	5,744	5,765
Social Services				
Homeless Services	60	79	79	79
Women's Services	42	51	126	121
Adult Services	12	28	19	27
Child Welfare Services	301	523	402	370
	416	681	625	597
Senior Citizen Services				
Long-term Care	114	114	135	145
Community Services	60	60	60	60
	174	174	196	205

Selected State Grants for Capital Projects

Public Schools

Bloomington School - wiring	$21,000
Dennett Road Elementary School - renovations (boiler)	179,000
Dennett Road Elementary School - wiring	28,000
Friendsville Elementary School - renovations (roof)	213,000
Friendsville Elementary School - wiring	28,000
Grantsville Elementary School - wiring	21,000
Hickory Environmental Center - science facilities	595,000
Kitzmiller Elementary School - wiring	21,000
Northern High School - construction	257,000
Route 40 Elementary School - construction	1,800,000
Southern High School - construction	250,000
Swan Meadow School - renovations (mechanical)	57,000
	3,470,000

Garrett Community College

Campus accessibility and HVAC improvements	600,000
Continuing Education Building - roof replacement	140,000
Underground storage tank replacement	93,000
	833,000

Community Mental Health/Addictions/Dev. Disabilities

Garrett County Health Department	867,000

Chesapeake Bay Water Quality Loan

Accident - sewer improvements	150,000
Grantsville - sewer	100,000
Grantsville - stormwater management	150,000
Keysers Ridge - sewer	200,000
Meadow Mountain - sewerage project	500,000
Mountain Lake Park - improvements	100,000
	1,200,000

Water Supply Assistance Loan

Crellin - water system upgrade	60,000
Keysers Ridge - water project	209,590
Oakland - water system	300,000
	569,590

Waterway Improvement

Friendsville - boat ramp changing facility restroom	25,000
Friendsville - boat ramp, pavillions, & pave parking lot	28,500
Garrett Community College - small boat access	25,000
Oakland - restrooms construction	50,000
	128,500

Other Projects

Garrett County Courthouse	300,000
Garrett County Memorial Hospital	1,600,000
Garrett Information Enterprise Center	500,000
Town of Oakland - B&O Railroad Station	75,000
	2,475,000

Capital Projects for State Facilities in the County

Department of Natural Resources

Dan's Mountain WMA - construct road and building	78,000
Deep Creek Lake State Park - floating docks installation	45,000
Garrett County Amphitheater - design and construction	750,000
Herrington Manor State Park - docks replacement	30,000
New Germany State Park - construct dock and misc.	55,000
New Germany State Park - dam rehabilitation	300,000
Savage River State Park - replace Big Run boat ramp	20,950
Swallow Falls State Park - construct canyon trail	60,000
Western Maryland Forest and Parks - land acquisition	360,000
Youghiogheny Wild and Scenic River - land acquisition	753,000
	2,451,950

Other

WGPT Transmitter - replacement	1,365,000
WGPT Transmitter - replacement (federal funds)	510,000
	1,875,000

Harford County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	85,015	87,624	90,095	94,622	11.3
Compensatory Education	2,512	2,655	2,723	3,866	53.9
School Transportation	5,603	5,829	6,335	6,606	17.9
Special Education	4,616	4,964	5,157	5,569	20.6
Limited English Proficiency Grants	285	147	427	358	25.6
Targeted Poverty Grants	1,344	1,319	1,293	1,319	(1.8)
Extended Elementary	850	850	850	850	0.0
Aging Schools	400	400	400	400	0.0
Class Size Initiative	0	448	616	979	n.a.
Early Education Initiative	0	0	1,027	997	n.a.
Teacher Development/Mentoring	124	402	441	434	250.4
Teacher's Salary Grant	0	1,279	2,965	2,695	n.a.
Academic Intervention	0	431	702	721	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	1,811	n.a.
Other Education Aid	1,221	1,274	1,440	1,405	15.1
Primary & Secondary Education	101,970	107,624	114,472	122,633	20.3
Libraries	1,055	1,114	1,178	1,143	8.4
Community Colleges	5,902	7,186	7,871	8,020	35.9
Health Formula Grant	2,250	2,449	2,660	2,853	26.8
** Transportation	12,558	13,177	12,734	13,169	4.9
** Police and Public Safety	2,174	2,192	2,151	2,171	(0.2)
** Fire and Rescue Aid	357	360	359	364	2.0
Recreation and Natural Resources	1,357	1,428	1,704	695	(48.8)
Utility Property Tax Grants	0	430	861	861	n.a.
** Other Direct Aid	20	0	0	0	(100.0)
Total Direct Aid	**127,643**	**135,961**	**143,990**	**151,908**	**19.0**
Aid Per Capita	578	612	640	667	15.5
Property Tax Equivalent ($)	1.09	1.11	1.12	1.12	2.8

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Harford County for teachers, librarians, community college faculty, and local officials are estimated to be $63,504,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	770	1,069	1,409	1,449
Family Health and Primary Care	341	402	459	102
Geriatric and Children's Services	430	502	538	540
Mental Health	6,024	5,744	6,526	6,601
Prevention and Disease Control	166	997	1,209	1,615
Developmental Disabilities	9,730	10,087	10,940	12,401
AIDS	48	50	0	44
	17,509	18,852	21,081	22,752
Social Services				
Homeless Services	39	102	103	104
Women's Services	299	332	337	324
Adult Services	61	86	72	94
Child Welfare Services	972	1,637	1,326	1,134
	1,372	2,156	1,839	1,656
Senior Citizen Services				
Long-term Care	321	321	321	320
Community Services	67	67	67	67
	387	387	387	387

Selected State Grants for Capital Projects

Public Schools

Aberdeen High School - construction	$14,260,000
Aberdeen Middle School - renovations (HVAC)	361,000
Abingdon Elementary School - construction	1,068,000
Abington Elementary School - wiring	36,000
Bakersfield Elementary School - construction	702,000
Bel Air High School - wiring	298,000
Bel Air Middle School - renovations (boiler)	148,000
C. Milton Wright High School - renovations (chiller)	213,000
Church Creek Elementary School - construction	1,588,000
Church Creek Elementary School - wiring	143,000
Deerfield Elementary School - renovations (HVAC)	93,000
Edgewood Elementary School - construction	1,236,000
Edgewood High School - renovations (roof)	224,000
Edgewood High School - wiring	384,000
Edgewood Middle School - renovations (HVAC)	104,000
Emmorton Elementary School - wiring	148,000
Fallston Middle School - wiring	68,000
Forest Hill Elementary School - construction	2,114,000
Forest Lakes Elementary School - relocatable classrooms	33,000
Fountain Green Elementary School - wiring	146,000
Harford Technical High School - construction	1,827,000
Harford Technical High School - renovations (boiler)	155,000
Harford Technical High School - wiring	215,000
Havre de Grace Elementary School - wiring	149,000
Havre de Grace High School - renovations (roof)	66,000
Homestead Elementary School - wiring	186,000
Joppatowne High School - wiring	107,000
Magnolia Elementary School - renovations (roof)	339,000
Magnolia Middle School - renovations (roof)	538,000
Magnolia Middle School - wiring	87,000
Meadowvale Elementary School - construction	3,813,000
North Bend Elementary School - wiring	35,000

North Harford High School - renovations (roof)	118,000
Paca/Old Post Rd. Elementary School - renovations (roof)	147,000
Paca/Old Post Rd. Elementary School - wiring	133,000
Ring Factory Elementary School - wiring	33,000
Roye Williams Elementary School - renovations (HVAC)	93,000
Southampton Middle School - wiring	108,000
Youth's Benefit Elementary School - renovations (roof)	282,000
	31,798,000

Harford Community College

Chesapeake Center Office Wing	610,000
Harford Student Center	2,780,000
Joppa Hall - renovation & additions (Phase I)	1,875,000
Maintenance Building	991,000
Maryland Hall Nursing Wing & Science Annex	808,000
Regional Research Library	90,000
William H. Amoss Performing Arts Center	595,000
	7,749,000

Local Jail Loan

Harford County Detention Center - unit addition	57,000

Community Mental Health/Addictions/Dev. Disabilities

Alliance, Inc.	226,000
ARC of Northern Chesapeake Region, Inc.	1,473,000
	1,699,000

Senior Citizen Activity Centers

Bel Air Senior Center	300,000

Chesapeake Bay Water Quality Loan

Box Hill - South Tributary - stormwater retrofit	132,000
Harford Center - bioretention facility	198,000
Havre de Grace WWTP - nutrient removal	2,843,365
Moose Lodge - stream restoration	112,000

Old Joppa Road Sewer	300,000
Route 40 - stormwater management	123,750
Underwood - sewerage project	55,000
	3,764,115

Water Supply Assistance Loan

Darlington - water supply system	450,000

Comprehensive Flood Management Program

Wilson's Mill - relocation	20,000

Waterway Improvement

Bush River - dredging feasibility study	50,000
Countywide SAV Study	25,000
Flying Point Park - boat ramp expansion & dredging	225,000
Flying Point Park - bulkhead	200,000
Foster Branch - maintenance dredging	1,000
Havre de Grace City Marina - replace piers	150,000
Havre de Grace City Yacht Basin - pier replacement	235,000
Joppatowne - Rumsey Island maintenance dredging	35,000
Mariner Point Park - DMP site restoration	254,575
Otter Point Creek - renovate boat ramp	75,000
Rumsey Island - maintenance dredging	20,000
Swan Harbor - transient boat access pier	5,000
Tyding Island - shoreline protection	25,000
Willoughby Beach - renovate launching ramp	65,000
	1,365,575

Other Projects

Bel Air Community Center	100,000
Harford Memorial Hospital	296,000
Havre de Grace Maritime Museum	50,000

Hosanna School	186,000
Ripken Stadium and Youth Baseball Academy	7,500,000
	8,132,000

Capital Projects for State Facilities in the County

Department of Natural Resources

Friends Park - dam rehabilitation	90,000
Gunpowder Falls State Park - Hammerman Beach Service Bldg.	265,000
Gunpowder Falls State Park - land acquisition	3,511,000
Rocks/Susquehanna State Park - land acquisition	770,000
Susquehanna State Park - construct small boat launch	3,000
Susquehanna State Park - dam rehabilitation	217,000
Susquehanna State Park - Lapidum parking lot expansion	50,000
	4,906,000

Howard County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	65,261	69,815	73,843	76,546	17.3
Compensatory Education	1,033	1,184	1,207	1,928	86.7
School Transportation	5,388	5,774	6,457	6,946	28.9
Special Education	4,897	5,391	5,340	5,776	18.0
Limited English Proficiency Grants	1,273	1,435	1,608	1,938	52.3
Targeted Poverty Grants	689	700	702	709	2.9
Extended Elementary	255	255	255	255	0.0
Aging Schools	65	65	65	65	0.0
Class Size Initiative	0	508	748	1,206	n.a.
Early Education Initiative	0	0	552	586	n.a.
Teacher Development/Mentoring	306	441	439	448	46.3
Teacher's Salary Grant	0	1,486	3,505	3,334	n.a.
Academic Intervention	0	420	696	704	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	1,850	n.a.
Other Education Aid	1,243	1,531	2,279	2,342	88.4
Primary & Secondary Education	80,410	89,005	97,695	104,633	30.1
Libraries	525	594	632	613	16.7
Community Colleges	6,467	7,678	8,727	9,433	45.9
Health Formula Grant	1,552	1,696	1,847	2,009	29.5
Transportation	12,703	13,372	12,996	13,435	5.8
Police and Public Safety	2,845	2,929	2,860	2,936	3.2
Fire and Rescue Aid	328	316	375	377	14.8
Recreation and Natural Resources	2,415	2,545	3,032	1,231	(49.0)
Other Direct Aid	105	107	105	105	0.0
Total Direct Aid	**107,350**	**118,242**	**128,269**	**134,772**	**25.5**
Aid Per Capita	432	463	491	504	16.8
Property Tax Equivalent ($)	0.57	0.59	0.59	0.60	5.5

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Howard County for teachers, librarians, community college faculty, and local officials are estimated to be $89,083,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	710	826	1,102	1,146
Family Health and Primary Care	126	166	105	221
Geriatric and Children's Services	228	271	328	333
Mental Health	5,280	4,806	5,581	5,616
Prevention and Disease Control	84	701	981	1,238
Developmental Disabilities	11,438	11,437	12,404	14,060
AIDS	44	47	0	44
	17,911	18,253	20,501	22,659
Social Services				
Homeless Services	98	116	116	118
Women's Services	211	242	246	231
Adult Services	24	44	33	43
Child Welfare Services	591	1,137	1,031	868
	923	1,539	1,427	1,260
Senior Citizen Services				
Long-term Care	301	301	301	301
Community Services	45	45	45	45
	346	346	346	346

Selected State Grants for Capital Projects

Public Schools

Atholton Elementary School - construction	$2,107,000
Atholton High School - construction	2,815,000
Atholton High School - wiring	91,000
Bollman Bridge Elementary School - construction	414,000
Bollman Bridge Elementary School - wiring	66,000
Bonnie Branch Middle School - construction	3,307,000
Bryant Woods Elementary School - wiring	51,000
Burleigh Manor Middle School - wiring	116,000
Cedar Lane Special School - renovations (roof)	254,000
Centennial High School - construction	2,999,000
Centennial High School - wiring	77,000
Centennial Lane Elementary School - wiring	53,000
Clarksville Elementary School - construction	1,665,000
Clarksville Elementary School - wiring	40,000
Clarksville Middle School - wiring	62,000
Clemens Crossing Elementary School - construction	269,000
Clemens Crossing Elementary School - wiring	77,000
D. Geen/O. Bown Middle School - construction	1,072,000
Deep Run Elementary School - construction	382,000
Deep Run Elementary School - wiring	87,000
Eastern High School - construction	2,050,000
Elkridge Elementary School - wiring	77,000
Elkridge Landing Middle School - wiring	143,000
Ellicott Mills Middle School - construction	4,656,000
Forest Ridge Elementary School - wiring	69,000
Fulton Elementary School - construction	1,164,000
Gateway Alternative School - construction	1,872,000
Gateway Learning Center - construction	2,050,000
Glenelg High School - construction	2,275,000
Glenelg High School - wiring	70,000
Glenwood Middle School - construction	1,530,000
Gorman Crossing Elementary School - wiring	81,000

Guilford Elementary School - wiring	45,000
Hammond Elementary School - wiring	50,000
Hammond High School - wiring	170,000
Hammond Middle School - wiring	76,000
Harper's Choice Middle School - construction	1,593,000
Hollifield Elementary School - wiring	83,000
Hollifield Station Elementary School - construction	681,000
Howard High School - construction	1,900,000
Howard High School - wiring	83,000
Howard Middle School - construction	2,517,000
Ilchester Elementary School - construction	416,000
Ilchester Elementary School - wiring	80,000
Laurel Woods Elementary School - construction	273,000
Lime Kiln Middle School - construction	3,181,000
Lisbon Elementary School - wiring	257,000
Longfellow Elementary School - wiring	45,000
Mayfield Woods Middle School - wiring	102,000
Mount View Middle School - wiring	102,000
Mt. Hebron High School - construction	1,860,000
Northeast Elementary School - construction	3,180,000
Northfield Elementary School - wiring	56,000
Oakland Mills High School - construction	4,153,000
Oakland Mills Middle School - wiring	155,000
Patapsco Middle School - construction	1,737,000
Patapsco Middle School - wiring	123,000
Patuxent Valley Middle School - wiring	161,000
Phelps Luck Elementary School - construction	354,000
Pointer's Run Elementary School - construction	921,000
Pointer's Run Elementary School - wiring	39,000
Reservoir High School (Eastern High #2) - construction	5,868,000
Rockburn Elementary School - wiring	72,000
St. John's Lane Elementary School - construction	1,293,000
Stevens Forest Elementary School - construction	585,000
Swansfield Elementary School - construction	71,000
Talbot Springs Elementary School - construction	1,542,000

Thunder Hill Elementary School - renovations	473,000
Thunder Hill Elementary School - wiring	38,000
Tridelphia Ridge Elementary School - construction	2,530,000
Tridelphia Ridge Elementary School - wiring	81,000
W. Friendship Elementary School - wiring	52,000
Waterloo Elementary School - wiring	88,000
Waverly Elementary School - wiring	88,000
Western Middle School - construction	4,368,000
Wilde Lake Middle School - wiring	63,000
Worthington Elementary School - construction	277,000
Worthington Elementary School - wiring	61,000
	73,984,000

Howard Community College

Arts & Humanities Instructional Building & Parking Lot	693,129
Athletic Fields and Nature Trail	350,000
Electrical Service - cable replacement	375,000
Hickory Ridge Building - roof replacement	173,000
Instructional Building - construction	12,601,000
Physical Education Bldg. - renovate & construct addition	668,000
	14,860,129

Adult Day Care Centers

St. Stephens Economic Development Corporation	487,000

Senior Citizen Activity Centers

Ellicott City Senior Center	339,000

Partnership Rental Housing Program

Tiber Hudson	545,000

Chesapeake Bay Water Quality Loan

Settler's Landing - stormwater management pond retrofit	90,000
The Bowl Pond - reconstruction	450,000
Wilde Lake - stream restoration	370,000
	910,000

Comprehensive Flood Management Program

Brookmede - acquisition	25,000
Elkridge - acquisition	34,750
	59,750

Fish Passage Program

Union Dam Beach	95,000

Waterway Improvement

Centennial Lake - dredging design	20,000
Centennial Lake - replace bulkhead	5,000
	25,000

Other Projects

Florence Bain Senior Center	500,000
Howard County Conservancy	150,000
Howard County Head Start Center	500,000
Howard County Technology Business Incubator	487,000
Norbel School	352,500
	1,989,500

Capital Projects for State Facilities in the County

General Government

Ellicott City District Court - construction	1,483,000

Department of Health & Mental Hygiene

Perkins Hospital - Rehabilitation Services Wing	3,969,000

Department of Natural Resources

Patapsco Valley State Park - construct greenway trail	1,249,000
Patapsco Valley State Park - greenway land acquisition	985,000
	2,234,000

Department of Public Safety & Corrections

Patuxent Institution - fire safety improvements	7,103,000
Patuxent Institution - install sprinkler system	305,000
Patuxent Institution - kitchen & dining facilities	7,428,000
Patuxent Institution - registration center/perimeter security	6,190,000
Patuxent Institution - security & gatehouse	3,300,000
	24,326,000

Kent County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	4,698	4,748	4,683	4,597	(2.1)
Compensatory Education	235	228	231	343	45.8
School Transportation	866	894	966	1,000	15.4
Special Education	353	353	351	356	0.7
Limited English Proficiency Grants	37	35	48	48	29.0
Targeted Poverty Grants	193	191	190	192	(0.6)
Extended Elementary	280	280	280	280	0.0
Aging Schools	65	65	65	65	0.0
Class Size Initiative	0	31	40	62	n.a.
Early Education Initiative	0	0	44	156	n.a.
Teacher Development/Mentoring	61	120	120	120	95.7
Teacher's Salary Grant	0	78	280	252	n.a.
Academic Intervention	0	98	109	111	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	120	n.a.
Other Education Aid	304	671	565	535	76.1
Primary & Secondary Education	7,093	7,790	7,973	8,237	16.1
Libraries	77	79	85	83	7.8
Community Colleges	322	402	464	495	53.4
Health Formula Grant	423	413	484	628	48.6
** Transportation	2,530	2,470	2,397	2,476	(2.2)
** Police and Public Safety	199	198	198	199	(0.2)
** Fire and Rescue Aid	213	207	207	207	(2.9)
Recreation and Natural Resources	115	121	144	59	(49.1)
Total Direct Aid	**10,972**	**11,681**	**11,951**	**12,382**	**12.8**
Aid Per Capita	571	605	616	632	10.5
Property Tax Equivalent ($)	0.84	0.88	0.86	0.85	1.9

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Kent County for teachers, librarians, community college faculty and local officials are estimated to be $5,234,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	1,088	1,177	1,595	1,630
Family Health and Primary Care	140	166	120	72
Geriatric and Children's Services	234	257	273	301
Mental Health	1,138	1,640	1,867	1,853
Prevention and Disease Control	87	187	232	244
Developmental Disabilities	809	886	961	1,089
AIDS	8	21	43	57
	3,504	4,334	5,091	5,246
Social Services				
Homeless Services	2	2	2	2
Women's Services	309	350	357	337
Adult Services	13	30	16	28
Child Welfare Services	151	294	253	205
	475	676	627	572
Senior Citizen Services				
Long-term Care	128	128	548	569
Community Services	84	96	96	96
	212	223	643	664

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

Selected State Grants for Capital Projects

Public Schools

Chestertown Middle School - renovations (windows)	$225,000
Garnett Elementary School - construction	192,000
Garnett Elementary School - renovations (boilers)	325,000
Kent County High School - science facilities	36,000
Rock Hall Elementary School - renovations (roof)	300,000
Rock Hall Middle School - renovations (HVAC)	450,000
	1,528,000

Chesapeake College

Administration Building - renovation	208,000
Caroline College Center - renovation	366,000
Dorchester Administration Bldg. - renovations & addition	2,884,000
Learning Resource Center - construction	7,365,000
Learning Resource Center - equipment	970,000
	11,793,000

Community Mental Health/Addictions/Dev. Disabilities

Kent Center, Inc. - construct facility	169,000
Mid-Shore Partnership for Independent Living	459,000
	628,000

Senior Citizen Activity Centers

Kent Senior Center	417,000

Chesapeake Bay Water Quality Loan

Chestertown WWTP - nutrient removal	650,000
West Millington Sewer - extension	150,000
	800,000

Water Supply Assistance Loan

Millington - water system	150,000

Fish Passage Program

Andover Dam - fishway	45,000
Herring Run Dam - install fish ladder	250,000
	295,000

Waterway Improvement

Cannon Street - bulkhead	50,000
Cannon Street - dredging	150,000
Morgnec Boat Ramp - shoreline construction at ramp	12,500
Pelonus Marina - widen boat ramp	100,000
Quaker Neck - dredging	82,000
Rock Hall - Pelorus Marina	450,000
Rock Hall - Sharps St. Landing - pier/bulkhead repairs	50,000
Shipyard Creek Boat Ramp - complete sheeting repair	20,000
Shipyard Public Landing - bulkhead & ramp wingwall repl.	50,000
Turners Creek - breakwater study	25,000
	989,500

Other Projects

Echo Hill Outdoor School, Inc.	300,000
Kent Family Center	600,000
Schooner Sultana Project	200,000
Washington College - Dunning-Decker Science Building	2,575,000
	3,675,000

Capital Projects for State Facilities in the County

Department of Natural Resources

Sassafras NRMA - construct day use area	585,000

Montgomery County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	101,271	108,597	121,264	129,061	27.4
Compensatory Education	4,317	4,298	4,533	6,346	47.0
School Transportation	13,663	14,733	16,522	17,469	27.9
Special Education	14,862	15,867	16,449	17,216	15.8
Limited English Proficiency Grants	11,911	11,178	13,687	15,021	26.1
Targeted Poverty Grants	4,486	4,578	4,649	4,699	4.7
Extended Elementary	1,266	1,266	1,266	1,266	0.0
Aging Schools	1,170	1,170	1,170	1,170	0.0
Class Size Initiative	1,367	2,941	3,537	5,051	269.5
Early Education Initiative	0	0	1,538	1,822	n.a.
Teacher Development/Mentoring	654	1,494	1,466	1,516	131.9
Teacher's Salary Grant	0	5,265	13,208	11,826	n.a.
Academic Intervention	0	1,248	2,156	2,303	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	7,586	n.a.
Other Education Aid	5,555	8,068	7,173	7,618	37.1
Primary & Secondary Education	160,523	180,703	208,617	229,969	43.3
Libraries	1,835	1,951	2,066	2,132	16.2
Community Colleges	21,185	25,797	29,693	31,570	49.0
Health Formula Grant	4,087	4,257	4,646	5,040	23.3
** Transportation	36,224	36,963	35,726	36,758	1.5
** Police and Public Safety	13,956	14,188	13,985	14,430	3.4
** Fire and Rescue Aid	1,314	1,313	1,302	1,307	(0.5)
Recreation and Natural Resources	6,147	6,461	7,711	3,131	(49.1)
Utility Property Tax Grants	0	1,383	2,766	2,766	n.a.
** Other Direct Aid	35	0	0	0	(100.0)
Total Direct Aid	**245,307**	**273,014**	**306,511**	**327,102**	**33.3**
Aid Per Capita	285	307	340	358	25.6
Property Tax Equivalent ($)	0.32	0.35	0.37	0.37	15.8

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Montgomery County for teachers, librarians, community college faculty, and local officials are estimated to be $305,051,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	2,298	2,750	3,704	3,715
Family Health and Primary Care	89	96	173	65
Geriatric and Children's Services	1,047	1,397	1,565	1,563
Mental Health	19,940	20,332	22,340	22,919
Prevention and Disease Control	310	2,284	3,381	4,419
Developmental Disabilities	37,274	40,302	43,708	49,546
AIDS	197	197	202	198
	61,156	67,359	75,072	82,426
Social Services				
Homeless Services	395	379	386	391
Women's Services	256	302	308	304
Adult Services	313	364	303	406
Child Welfare Services	1,819	4,475	3,277	2,553
	2,783	5,520	4,275	3,654
Senior Citizen Services				
Long-term Care	808	808	1,006	1,096
Community Services	192	192	192	192
	1,000	1,000	1,198	1,288

Selected State Grants for Capital Projects

Public Schools

Argyle Middle School - renovations (roof)	$150,000
Ashburton Elementary School - wiring	77,000
Bannaker Middle School - relocatable classrooms	50,000
Bannockburn Elementary School - wiring	85,000
Bells Mill Elementary School - wiring	25,000
Belmont Elementary School - wiring	85,000
Bethesda Elementary School - construction	491,000
Bethesda-Chevy Chase High School - construction	11,804,000
Beverly Farms Elementary School - renovations (mechanical)	125,000
Beverly Farms Elementary School - wiring	95,000
Bradley Hills Elementary School - renovations (roof)	136,000
Bradley Hills Elementary School - wiring	85,000
Broad Acres Elementary School - wiring	29,000
Brooke Grove Elementary School - wiring	92,000
Brown Station Elementary School - renovations (boiler)	100,000
Brown Station Elementary School - renovations (roof)	214,000
Brown Station Elementary School - wiring	67,000
Burning Tree Elementary School - wiring	85,000
Burnt Hills Elementary School - renovations (boiler)	125,000
Burtonsville Elementary School - wiring	84,000
Cabin John Middle School - construction	185,000
Candlewood Elementary School - renovations (roof)	79,000
Candlewood Elementary School - wiring	106,000
Cannon Road Elementary School - wiring	25,000
Captain J. Daly Elementary School - wiring	67,000
Cedar Grove Elementary School - wiring	85,000
Chevy Chase Elementary School - construction	1,657,000
Chevy-Chase Elementary School - construction	258,000
Clarksburg Area Middle School - construction	9,456,000
Clarksburg Elementary School - construction	497,000
Clarksburg Elementary School - wiring	58,000
Clearspring Elementary School - wiring	67,000

Clemente Middle School - wiring	189,000
Clopper Mill Elementary School - wiring	67,000
Cloverly Elementary School - wiring	85,000
Col. E. Brooks Lee Middle School - renovations (boiler)	125,000
Cold Spring Elementary School - wiring	85,000
Colonel Z. Magruder High School - construction	1,767,000
Colonel Z. Magruder High School - renovations (roof)	491,000
Cresthaven Elementary School - relocatable classrooms	100,000
Damascus High School - relocatable classrooms	126,000
Damascus High School - renovations (boiler)	50,000
Damascus High School - renovations (roof)	370,000
Darnestown Elementary School - renovations (HVAC)	200,000
Darnestown Elementary School - renovations (roof/boiler)	230,000
Darnestown Elementary School - wiring	78,000
Diamond Elementary School - renovations (mechanical)	125,000
Diamond Elementary School - wiring	85,000
Dr. Chas. R. Drew Elementary School - wiring	58,000
Dufief Elementary School - wiring	85,000
E. B. Lee Middle School - renovations (piping/vent)	250,000
Earle B. Wood Middle School - construction	4,764,000
East Silver Spring Elementary School - wiring	84,000
Eastern Middle School - construction	2,109,000
Einstein High School - relocatable classrooms	25,000
Einstein Middle School #2 - construction	4,502,000
Fairland Elementary School - wiring	58,000
Fallsmead Elementary School - wiring	127,000
Farmland Elementary School - wiring	95,000
Farquhar Middle School - renovations (mechanical)	325,000
Fields Road Elementary School - renovations (boiler)	100,000
Fields Road Elementary School - wiring	84,000
Flower Hill Elementary School - wiring	67,000
Forest Knolls Elementary School - construction	2,271,000
Forest Knolls Elementary School - wiring	58,000
Forest Oak Middle School - construction	5,793,000
Fox Chapel Elementary School - renovations (boiler)	100,000

Fox Chapel Elementary School - wiring	67,000
Gaithersburg Elementary School - construction	708,000
Gaithersburg Elementary School - relocatable classrooms	7,000
Gaithersburg Elementary School - wiring	27,000
Gaithersburg High School - relocatable classrooms	38,000
Garrett Park Elementary School - construction	141,000
Garrett Park Elementary School - renovation (mechanical)	125,000
Garrett Park Elementary School - wiring	67,000
Glen Haven Elementary School - construction	4,430,000
Glenallen Elementary School - wiring	84,000
Goshen Elementary School - wiring	92,000
Greencastle Elementary School - wiring	67,000
Greenwood Elementary School - construction	1,037,000
Greenwood Elementary School - wiring	85,000
Grosvenor Center - renovations (roof)	100,000
Herbert Hoover Middle School - construction	1,566,000
Highland Elementary School - wiring	38,000
Highland View Elementary School - wiring	58,000
J. T. Baker Middle School - construction	2,460,000
James H. Blake High School - construction	2,438,000
John F. Kennedy High School - construction	2,195,000
Jones Lane Elementary School - wiring	85,000
Judith Resnick Elementary School - wiring	58,000
Kingsview Middle School - construction	1,008,000
Kingsview Middle School - relocatable classrooms	48,000
L. Rockwell Elementary School - wiring	92,000
Lake Seneca Elementary School - renovations (boiler)	100,000
Lake Seneca Elementary School - wiring	67,000
Lakewood Elementary School - construction	4,197,000
Laytonsville Elementary School - wiring	85,000
Longview Special Education School - renovations (HVAC)	100,000
Luxmanor Elementary School - wiring	85,000
Mark Twain Special Education School - renovations (roof)	302,000
Martin L. King Middle School - relocatable classrooms	50,000
Maryvale Elementary School - renovations (boiler)	125,000

Maryvale Elementary School - wiring	67,000
Meadow Hall Elementary School - construction	1,415,000
Meadow Hall Elementary School - wiring	58,000
Mill Creek Towne Elementary School - construction	1,634,000
Monocacy Elementary School - wiring	85,000
Montgomery Blair Elementary/Middle School - construction	2,038,000
Montgomery Knolls Elementary School - wiring	25,000
Montgomery Village Middle School - construction	9,306,000
New Hampshire Estates Elementary School - wiring	32,000
Northwest Elementary School - construction	6,025,000
Northwest High School - construction	1,778,000
Northwest High School - relocatable classrooms	50,000
Oakland Terrace Elementary School - construction	1,254,000
Oakland Terrace Elementary School - wiring	58,000
Olney Elementary School - renovations (roof)	68,000
Olney Elementary School - wiring	85,000
Piney Branch Elementary School - renovations (roof)	181,000
Piney Branch Elementary School - wiring	67,000
Poolesville Elementary School - renovations (mechanical)	200,000
Poolesville Elementary School - wiring	85,000
Potomac Elementary School - wiring	85,000
Pyle Middle School - wiring	61,000
R. McNair Elementary School - wiring	67,000
Rachel Carson Elementary School - wiring	67,000
Robert Frost Middle School - construction	1,920,000
Rock Creek Elementary School - wiring	67,000
Rock Creek Valley Elementary School - construction	3,342,000
Rockville High School - construction	13,057,000
Rocky Hill Middle School - relocatable classrooms	13,000
Rolling Terrace Elementary School - wiring	40,000
Rosa Parks Middle School - wiring	59,000
Rosemary Hills Elementary School - wiring	92,000
S. C. McAuliffe Elementary School - wiring	67,000
Sally Ride Elementary School - relocatable classrooms	24,000
Sally Ride Elementary School - wiring	58,000

Sequoyah Elementary School - wiring	67,000
Seven Locks Elementary School - renovations (roof)	122,000
Seven Locks Elementary School - wiring	25,000
Sherwood Elementary School - wiring	85,000
Sherwood High School - renovations (roof)	113,000
Sligo Middle School - relocatable classrooms	72,000
Sligo Middle School - renovations (roof)	86,000
Stedwick Elementary School - wiring	67,000
Stephen Knolls School - renovations (mechanical)	150,000
Stone Mill Elementary School - wiring	92,000
Stonegate Elementary School - renovations (mechanical)	125,000
Stonegate Elementary School - renovations (roof)	80,000
Stonegate Elementary School - wiring	85,000
Strathmore Elementary School - wiring	84,000
Strawberry Knolls Elementary School - wiring	67,000
Summit Hall Elementary School - wiring	29,000
T. S. Wootten High School - construction	8,419,000
T. S. Wootten High School - renovations (roof)	84,000
Takoma Park Elementary School - wiring	67,000
Takoma Park Middle School - construction	1,220,000
Thurgood Marshall Elementary School - wiring	84,000
Tilden Center - renovations (piping/vent)	175,000
Tilden Middle School - renovations (piping/vent)	200,000
Travilah Elementary School - wiring	77,000
Twinbrook Elementary School - renovations (roof)	307,000
Twinbrook Elementary School - wiring	36,000
Viers Mill Elementary School - construction	912,000
W. T. Page Elementary School - construction	2,690,000
Walt Whitman High School - construction	1,743,000
Walter Johnson High School - construction	7,569,000
Walter Johnson Middle School #2 - construction	596,000
Washington Grove Elementary School - wiring	25,000
Water's Landing Elementary School - wiring	67,000
Watkins Mill Elementary School - wiring	67,000
Watkins Mill High School #1 - construction	1,078,000

Watkins Mill High School #2 - construction	103,000
Wayside Elementary School - renovations (boiler)	100,000
Wayside Elementary School - wiring	85,000
Weller Road Elementary School - renovations (HVAC)	100,000
Weller Road Elementary School - wiring	25,000
Westbrook Elementary School - renovations (roof)	140,000
Wheaton High School - construction	4,141,000
Wheaton Woods Elementary School - wiring	30,000
Whetstone Elementary School - wiring	84,000
White Oak Middle School - wiring	63,000
William Farquhar Middle School - renovations (mechanical)	125,000
Winston Churchill High School - construction	9,497,000
Winston Churchill High School - relocatable classrooms	96,000
Wood Acres Elementary School - construction	3,488,000
Woodfield Elementary School - renovations (roof)	137,000
Woodfield Elementary School - wiring	85,000
Woodlin Elementary School - wiring	67,000
	162,565,000

Montgomery College

Germantown - Humanities & Social Sciences Buildings	153,000
Germantown - Physical Education Building	130,000
Rockville - Music Building	980,000
Rockville - Performing Arts Center	101,000
Takoma Park - campus expansion	11,544,000
Takoma Park - Central Plant	397,000
Takoma Park - Health Sciences Building	12,848,000
	26,153,000

Local Jail Loan

Montgomery County Detention Center	16,658,000

Juvenile Justice Bond Program

Baptist Home for Children and Families - renovation	853,234

Community Mental Health/Addictions/Dev. Disabilities

ARC of Montgomery County	62,000
CHI Centers, Inc.	1,561,000
Community Services for Autistic Adults & Children, Inc.	1,559,000
Community Support Services, Inc.	503,000
Housing Unlimited, Inc.	720,000
Jewish Foundation for Group Homes, Inc.	750,000
Jubilee Association of Maryland, Inc.	132,000
Supported Employment Enterprise Corp.	1,100,000
	6,387,000

Adult Day Care Centers

Easter Seal Society for Disabled Children & Adults, Inc.	1,000,000
Support Center, Inc.	734,000
	1,734,000

Senior Citizen Activity Centers

Holiday Park Senior Center	395,000
Rockville Senior Center	99,375
Silver Spring Senior Source	518,000
	1,012,375

Chesapeake Bay Water Quality Loan

Alta Vista - stream restoration	133,520
Blue Plains WWTP - nutrient removal	9,900,000
Durmont Oaks - stormwater management	262,500
Little Falls II - stream restoration	70,000
Northwest Branch II - stream restoration	175,000
Poolesville WWTP - nutrient removal	450,000

Seneca WWTP - nutrient removal	13,000,000
Victory Farms - stormwater management facility	372,000
	24,363,020

Waterway Improvement

Seneca Creek - boat access pier	35,000
Seneca Creek - boat ramp ADA access improvements	20,000
Seneca Creek - boat ramp shore stabilization	70,000
	125,000

Other Projects

Alpha Phi Alpha Smithville School Museum	250,000
Baltimore and Ohio Train Station in Silver Spring	200,000
Bethesda Academy of Performing Arts	2,400,000
BlackRock Center for the Arts	350,000
Boys & Girls Clubs of Greater Washington	600,000
Brookeville Academy	50,000
CASA of Maryland Employment & Training Center	100,000
Chelsea School	550,000
Chesapeake Wildlife Sanctuary Educational Facility	100,000
Darnestown Youth Facility	500,000
Gaithersburg Town Center - redevelopment	3,500,000
Gaithersburg Youth Center	250,000
Garrett Park - Penn Place	500,000
George Meany Center - Kirkland Center	2,000,000
George Meany Center - Technology for Learning	500,000
Germantown Boys & Girls Club	500,000
Germantown Cultural Arts Center	700,000
Glen Echo Park - restoration	6,000,000
Hebrew Home of Greater Washington	650,000
Hillandale Center	100,000
Holy Cross Hospital	345,000
Hospice Caring	50,000

Ivymount School	1,000,000
Jubilee Association	250,000
Kensington Community Center	125,000
Liz Lerman Dance Exchange	550,000
Lone Oak Center	500,000
Long Branch Community Center	100,000
Mental Health Association of Montgomery County	100,000
Montgomery & Prince George's Cos. Boys & Girls Homes	100,000
Montgomery County Equestrian Center	600,000
Montgomery County Family Services	250,000
Montgomery County Historical Society	125,000
National Capital Trolley Museum	200,000
Olney Boys and Girls Club Community Park	975,000
Olney Theatre	2,250,000
Our House Youth Home	450,000
Penn Place	100,000
Pyramid Atlantic - Electronic Media, Art & Technology	800,000
R. S. Lourie Center for Infants & Young Children	250,000
Rehabilitation Opportunities	750,000
Rockville Town Center - Parking Garage	1,000,000
Round House Theater	800,000
Sandy Spring Slave Museum & African Art Gallery	125,000
Shady Grove Adventist HealthCare	612,000
Silver Spring - redevelopment	10,000,000
Silver Spring Innovation Center	500,000
Strathmore Hall Performing Arts Center	35,582,000
Suburban Hospital Healthcare System	1,000,000
Takoma Park Community Learning Center	1,000,000
Takoma Park Cooperative School	100,000
Takoma Park Youth & Senior Technology Center	500,000
The Link - Ages Place	100,000
Wheaton Multi-Service Youth Facility	675,000
	81,664,000

Capital Projects for State Facilities in the County

General Government

New District Court - Rockville	5,000,000
New District Court - Silver Spring	27,359,000
	32,359,000

Department of Natural Resources

Natl. Park Service - parkwide ADA access replace toilets	25,000
Patuxent River NRMA/Greenway - land acquisition	1,660,000
Seneca Creek State Park - boathouse repairs	140,000
Seneca Creek State Park - dam rehabilitation	151,000
Seneca Creek State Park - land acquisition	169,000
Seneca Creek State Park - replace floating dock	30,000
	2,175,000

University System of Maryland

Biotechnology Institute - Center for Advanced Research	3,255,000
Shady Grove Educational Center	3,225,000
	6,480,000

Prince George's County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	287,421	302,602	321,635	342,500	19.2
Compensatory Education	12,244	11,960	12,633	19,759	61.4
School Transportation	19,261	19,934	21,207	21,995	14.2
Special Education	33,146	33,439	35,000	36,838	11.1
Limited English Proficiency Grants	6,859	7,292	7,946	9,297	35.5
Targeted Poverty Grants	11,877	11,991	12,481	13,020	9.6
Magnet/Effective Schools	16,100	16,100	16,100	16,100	0.0
Extended Elementary	1,732	1,732	1,732	1,732	0.0
Aging Schools	970	970	970	970	0.0
Class Size Initiative	0	1,565	2,244	3,427	n.a.
Early Education Initiative	0	0	2,619	3,121	n.a.
Teacher Development/Mentoring	5,708	6,532	6,462	6,502	13.9
Teacher's Salary Grant	0	4,322	10,725	9,114	n.a.
Academic Intervention	0	1,845	3,374	3,477	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	12,527	n.a.
Prince George's Restructuring Grant	0	0	0	10,000	n.a.
Other Education Aid	8,890	12,829	9,681	11,873	33.6
Primary & Secondary Education	404,208	433,112	464,809	522,253	29.2
Libraries	4,237	4,672	4,917	5,229	23.4
Community Colleges	14,589	17,371	19,095	19,437	33.2
Health Formula Grant	7,155	7,598	7,918	8,146	13.9
** Transportation	31,053	31,994	31,360	32,357	4.2
** Police and Public Safety	17,626	17,541	17,234	17,629	0.0
** Fire and Rescue Aid	1,136	1,138	1,124	1,120	(1.5)
Recreation and Natural Resources	5,188	5,462	6,508	2,649	(48.9)
Disparity Grant	0	4,776	6,879	14,753	n.a.
Utility Property Tax Grants	0	3,872	7,745	7,745	n.a.
** Other Direct Aid	225	233	181	181	(19.5)
Total Direct Aid	**485,417**	**527,768**	**567,770**	**631,499**	**30.1**
Aid Per Capita	616	649	690	759	23.2
Property Tax Equivalent ($)	1.22	1.30	1.36	1.45	19.7

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Prince George's County for teachers, librarians, community college faculty, and local officials are estimated to be $211,276,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	4,247	5,189	8,729	8,754
Family Health and Primary Care	1,120	1,289	3,612	3,067
Geriatric and Children's Services	1,625	1,999	1,910	1,913
Mental Health	24,287	23,072	26,816	27,083
Prevention and Disease Control	206	1,912	3,106	4,312
Developmental Disabilities	33,771	36,987	40,113	45,471
AIDS	321	322	290	286
	65,578	70,770	84,578	90,885
Social Services				
Homeless Services	468	540	570	576
Women's Services	354	378	382	380
Adult Services	280	375	321	443
Child Welfare Services	2,995	5,028	3,878	1,669
	4,098	6,321	5,150	3,067
Senior Citizen Services				
Long-term Care	667	756	818	886
Community Services	197	197	197	197
	864	953	1,015	1,083

Selected State Grants for Capital Projects

Public Schools

Adelphi Area Elementary School - construction	$3,631,000
Allenwood Elementary School - wiring	28,000
Annapolis Roads Middle School - wiring	70,000
Apple Grove Elementary School - wiring	66,000
Ardmore Area High School - construction	7,896,000
Ardmore Elementary School - renovations (roof)	448,000
Ardmore Elementary School - wiring	53,000
Arrowhead Elementary School - wiring	76,000
B. D. Foulois Academy - wiring	105,000
Baden Elementary School - renovations (roof)	330,000
Barnaby Manor Elementary School - wiring	80,000
Beacon Heights Elementary School - wiring	24,000
Beltsville Elementary School - renovations (boiler)	233,000
Beltsville Elementary School - wiring	140,000
Benjamin Foulois Elementary School - renovations (chiller)	182,000
Berkshire Elementary School - wiring	67,000
Berwyn Heights Elementary School - construction	4,247,000
Bladensburg High School - construction	12,900,000
Bond Mill Elementary School - wiring	69,000
Bowie High School - science facilities	221,000
Brandywine Elementary School - wiring	53,000
C. E. Rieg Special Education Center - wiring	57,000
Calverton Elementary School - renovations (structure)	267,000
Capitol Heights Elementary School - wiring	57,000
Carmody Hills Elementary School - construction	3,756,000
Catherine T. Reed Elementary School - renovations (roof)	270,000
Catherine T. Reed Elementary School - wiring	38,000
Central High School - wiring	214,000
Chapel Forge Early Childhood Center - renovations (roof)	263,000
Cheltenham Forest Elementary School - construction	5,109,000
Cherokee Lane Elementary School - wiring	56,000
Clinton Grove Elementary School - wiring	96,000

Colmar Manor Elementary School - construction	2,353,000
Concord Elementary School - wiring	56,000
Cooper Lane Elementary School - wiring	60,000
Croom Vocational School - construction	1,500,000
Crossland High School - science facilities	921,000
Deerfield Run Elementary School - wiring	66,000
District Heights Elementary School - wiring	69,000
Dodge Park Elementary School #1 - construction	2,670,000
Doswell E. Brooks Elementary School - wiring	50,000
Duval High School - wiring	255,000
East Central Middle School - construction	10,750,000
Edgar Allen Poe Elementary School - construction	883,000
Edgar Allen Poe Elementary School - renovations (boiler)	179,000
Edgar Allen Poe Elementary School - wiring	41,000
Eleanor Roosevelt High School - renovations (boiler)	248,000
Eleanor Roosevelt High School - renovations (structural)	288,000
Eleanor Roosevelt High School - science facilities	392,000
Eleanor Roosevelt High School - wiring	417,000
Elementary School #2 Subregion III - construction	2,564,000
Eugene Burroughs Middle School - renovations (boiler)	222,000
Eugene Burroughs Middle School - wiring	161,000
Fairmount Heights/Chapel Oaks Elementary - construction	6,469,000
Forest Heights Elementary School - wiring	48,000
Forestville High School - wiring	246,000
Fort Foote Elementary School - renovations (boiler)	176,000
Fort Foote Elementary School - wiring	59,000
Frances Fuchs Special School - renovations (roof)	284,000
Frances Fuchs Special School - wiring	79,000
Francis T. Evans Elementary School - wiring	74,000
Frederick Douglass High School - science facilities	1,203,000
Frederick Douglass High School - wiring	217,000
Friendly High School - wiring	160,000
Ft. Washington Forest Elementary School - wiring	38,000
G. Gardner Shugart Middle School - wiring	68,000
Gaywood Elementary School - renovations (roof)	270,000

Gaywood Elementary School - wiring	57,000
Gladys N. Spellman Elementary School - wiring	30,000
Glassmanor Elementary School - wiring	45,000
Glenarden Woods Elementary School - wiring	66,000
Glenn Dale Elementary School - renovations (roof)	136,000
Greater Capitol Heights Elementary School - construction	4,931,000
Gwynn Park High School - renovations (roof)	183,000
Gwynn Park High School - wiring	248,000
Gwynn Park Middle School - wiring	87,000
H. Winship Wheatley Special Education Center - wiring	145,000
Henry Ferguson Elementary School - wiring	62,000
High Bridge Elementary School - wiring	38,000
High Point High School - science facilities	261,000
High Point High School - wiring	436,000
Hill Road Middle/Benjamin Davis Elementary School - construction	15,307,000
Hil-Mar Elementary School - construction	3,715,000
Hollywood Elementary School - wiring	44,000
Homer Avenue Elementary School - construction	2,473,000
Hyattsville Elementary School - wiring	76,000
Indian Queen Elementary School - wiring	66,000
J. Duckworth Regional - wiring	38,000
J. Frank Dent Elementary School - wiring	50,000
J. R. Randall Elementary School - renovations (boiler)	121,000
J. R. Randall Elementary School - wiring	65,000
James Harrison Elementary School - wiring	67,000
James McHenry Elementary School - wiring	77,000
John Carroll Elementary School - wiring	56,000
John E. Howard Elementary School - renovations (roof)	541,000
John E. Howard Elementary School - wiring	102,000
John Hanson School - wiring	114,000
Judith Hoyer ECC - wiring	70,000
Kenmoor Elementary School - wiring	61,000
Kenmoor Middle School - renovations (boiler)	233,000
Kenmoor Middle School - wiring	87,000
Kettering Elementary School - renovations (roof)	440,000

Kettering Elementary School - wiring	62,000
Kettering Middle School - renovations (roof)	584,000
Kettering Middle School - wiring	89,000
Lamont Elementary School - renovations (roof)	480,000
Lamont Elementary School - wiring	69,000
Langley Park/McCormick Elementary School - renovations (roof)	381,000
Laurel Elementary School - wiring	54,000
Laurel High School - renovations (roof)	1,254,000
Lewisdale Elementary School - wiring	69,000
Lord Baltimore Middle School - renovations (roof)	461,000
Lord Baltimore Middle School - wiring	233,000
Magnolia Elementary School - wiring	59,000
Margaret Brent Special Education Center - renovations (roof)	434,000
Margaret Brent Special Education Center - wiring	61,000
Marlton Elementary School - renovations (roof)	321,000
Marlton Elementary School - wiring	77,000
Martin Luther King, Jr. Middle School - wiring	86,000
Matthew Henson Elementary School - wiring	74,000
Middleton Valley Elementary School - wiring	57,000
Montpelier Elementary School - construction	853,000
Montpelier Elementary School - wiring	74,000
Morningside Elementary School - wiring	51,000
Nicholas Orem Middle School - renovations (boiler)	222,000
North Forestville Elementary School - wiring	74,000
Northwest High School - construction	2,501,000
Northwestern High School - construction	9,237,000
Oakcrest Elementary School - wiring	28,000
Overlook Elementary School - wiring	81,000
Owens Road Elementary School - wiring	40,000
Oxon Hill Area (Green Valley) Elementary School - construction	3,465,000
Oxon Hill High School - construction	1,000,000
Oxon Hill High School - renovations (roof)	1,335,000
Oxon Hill High School - wiring	297,000
Oxon Hill Middle School - wiring	97,000
Paint Branch Elementary School - wiring	64,000

Parkdale High School - renovations (roof)	909,000
Parkdale High School - wiring	335,000
Patuxent Elementary School - construction	1,198,000
Patuxent Elementary School - wiring	36,000
Perrywood Elementary School - construction	5,813,000
Phyllis E. Williams Elementary School - renovations (roof)	322,000
Potomac High School - renovations (roof)	588,000
Potomac High School - wiring	329,000
Potomac Landing Elementary School - wiring	77,000
Princeton Elementary School - wiring	21,000
Ridgecrest Elementary School - construction	1,295,000
Ridgecrest Elementary School - wiring	65,000
Riverdale Elementary School - renovations (roof)	227,000
Riverdale Elementary School - wiring	83,000
Robert Frost Elementary School - renovations (roof)	233,000
Robert Frost Elementary School - wiring	62,000
Rockledge Elementary School - wiring	72,000
Rose Valley Elementary School - wiring	72,000
Samuel Chase Elementary School - wiring	30,000
Samuel Ogle Elementary School - wiring	227,000
School for Disruptive Youth - construction	126,000
Seabrook Elementary School - wiring	61,000
Seat Pleasant Elementary School - wiring	55,000
Shadyside Elementary School - wiring	31,000
Skyline Elementary School - wiring	48,000
Springhill Lake Elementary School - renovations (boiler)	206,000
Springhill Lake Elementary School - wiring	90,000
Surrattsville High School - construction	762,000
Tall Oaks Vocational High School - renovations (boiler)	238,000
Tall Oaks Vocational High School - wiring	50,000
Thomas Claggett Elementary School - wiring	78,000
Thomas Johnson Middle School - renovations (roof)	549,000
Thomas Johnson Middle School - wiring	158,000
Thomas Pullen Elementary School - renovations (roof)	426,000
Thomas Pullen Middle School	60,000

Thomas Stone Elementary School - wiring	82,000
Tulip Grove Elementary School - wiring	72,000
University Park Elementary School - renovations (roof)	338,000
Valley View Elementary School - wiring	89,000
Waldon Woods Elementary School - construction	1,059,000
Waldon Woods Elementary School - renovations (roof)	271,000
Woodridge Elementary School - wiring	40,000
Yorktown Elementary School - renovations (roof)	432,000
Yorktown Elementary School - wiring	61,000
	146,866,000

Prince George's Community College

Accokeek Hall - renovate	160,000
Bladen & Lanham Halls - renovation	849,000
Bladen Hall - renovate student services wing	3,759,000
Central Plant - replace heat/cooling distribution system	25,000
Kent Hall - remove asbestos	275,000
Major systems replacement	941,186
Marlboro Hall - replace AHU's	230,000
Physical Plant Building - replace major systems	345,000
Student Center & Bladen/Lanham Halls - replace systems	709,000
Technology Building - construction	788,305
	8,081,491

Local Jail Loan

County Detention Center - 192-bed unit & central booking	1,152,000
County Detention Center - new administrative building	2,583,000
	3,735,000

Community Mental Health/Addictions/Dev. Disabilities

CALMRA, Inc.	48,000
Melwood Horticultural Center, Inc.	456,000
	504,000

Adult Day Care Centers

Reid Adult Day Care Center	193,000
St. Paul Community Development Corporation	1,030,000
	1,223,000

Senior Citizen Activity Centers

Bowie Senior Center	543,000

Chesapeake Bay Water Quality Loan

Anacostia - stream restoration	135,000
Anacostia River Basin - wetland improvements	132,500
Bladensburg - environmental restoration	352,150
Blue Plains WWTP - nutrient removal	9,900,000
Capitol Heights - stream stabilization	47,000
Oxon Run Drive - stormwater pollution control	120,000
Redwood Court - stream stabilization	50,000
Western Branch - watershed evaluation	81,450
	10,818,100

Comprehensive Flood Management Program

Anacostia Levee	338,000
Anacostia River - flood warning system	105,000
Oxon Run - levee enhancement	295,000
	738,000

Fish Passage Program

Piscataway Creek Gauging Station - install notch	12,000

Waterway Improvement

Bladensburg Waterfront Park - dredging	200,000
Bladensburg Waterfront Park - parking	10,000
Fort Washington Marina - general repairs	50,000
Magruders Landing - boat ramp repairs	50,000

Potomac River - hydrilla management	40,000
Prince George's Police Department - fire/rescue vessel	50,000
	400,000

Other Projects

Bethel Recreation Center	500,000
Bladensburg Waterfront Park	850,000
Bowie Civic Auditorium	3,000,000
Bowie Regional Arts Vision Associates	1,500,000
Brentwood Veterans Memorial Park	60,000
Capitol College - McGowan Academic Center	3,000,000
Cheverly Health Center	5,500,000
Children's Guild, Inc.	200,000
Colmar Community Center	100,000
Cottage City - Town Hall	60,000
District Heights - infrastructure improvements	200,000
Doctors Community Hospital	1,000,000
Ebenezer Community Life Center	100,000
Edgemeade - MD Center for Youth & Family Development	500,000
Fort Washington and Fort Foote Parks	100,000
Foundation School	500,000
Gateway Arts District	650,000
Glenarden Municipal Center Complex	250,000
Hard Bargain Farm	300,000
Hyattsville Municipal Annex	400,000
Jordan Baptist Church - House of Healing	150,000
Kairos Senior Citizens' Home	150,000
Kettering Largo Boys & Girls Club Storage Facility	150,000
Lake Arbor Community Youth Center	400,000
Lake Arbor Recreation Center	100,000
Laurel Regional Hospital	895,000
Melwood Horticultural Training Center Facility	575,000
Minority Access Community Center	625,000
Montgomery & Prince George's Cos. Boys & Girls Homes	100,000

Mt. Rainier Revitalization Project	60,000
Multiplex Recreational & Community Development Center	140,000
National Philippine Cultural Center	350,000
New Chapel Baptist Church Community Center	600,000
Norbrooke Knolls Center	250,000
Pallotti Day Care Center	300,000
Palmer Park Boys and Girls Club	200,000
Potomac Curling Club of the National Capital Area	250,000
Prince George's Hospital Center, Inc.	1,000,000
Pullen Performing Arts Center	500,000
Riversdale Mansion	300,000
Southern Area Technology Center	250,000
Southern Maryland Youth Camp	100,000
Spirit of Faith Christian Center	400,000
Springhill Lake Recreation Center	325,000
St. Paul Community Centre	400,000
Suitland Business Incubator	240,000
Suitland Citizens Association	200,000
Suitland Manor Revitalization	3,000,000
Suitland Revitalization Project	3,000,000
Technology Training Center	300,000
Top Banana Home Delivered Groceries, Inc.	120,000
	34,200,000

Capital Projects for State Facilities in the County

Department of Juvenile Justice

Cheltenham Youth Facility - demolition (Phase I)	165,000

Department of Natural Resources

Fort Washington Marina - replace "A" pier	100,000
Mattawoman River Greenway - land acquisition	300,000
Merkle WMA - maintenance facility	127,000
Patuxent River NRMA/Greenway - land acquisition	1,660,000
Potomac/Mattawoman Greenway - land acquisition	2,300,000
	4,487,000

Department of Agriculture

Mosquito Laboratory	150,000

University System of Maryland

Bowie State - campuswide site improvements	7,600,000
Bowie State - Center for Business and Graduate Studies	550,000
Bowie State - Center for Learning & Technology	1,332,000
Bowie State - construct new science building	11,130,000
College Park - Biological Sciences Research Building	1,900,000
College Park - Business School addition	6,000,000
College Park - Chemical & Nuclear Engineering Building	4,134,000
College Park - Chemistry Teaching Building	28,446,000
College Park - construct new arena	54,945,000
College Park - Engineering & Applied Sciences Building	42,393,000
College Park - Gossett Football Team House	1,000,000
College Park - Hornbake & McKeldin Libraries	4,700,000
College Park - Key & Taliaferro Halls	4,550,000
College Park - MD Fire & Rescue Institute Headquarters	5,228,000
College Park - Research Greenhouse Complex	1,337,000
	175,245,000

Queen Anne's County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	11,912	12,406	13,129	13,760	15.5
Compensatory Education	418	475	492	656	56.8
School Transportation	1,491	1,557	1,700	1,763	18.3
Special Education	556	558	575	604	8.6
Limited English Proficiency Grants	29	31	37	36	23.0
Targeted Poverty Grants	227	228	221	224	(1.2)
Extended Elementary	351	351	351	351	0.0
Aging Schools	85	85	85	85	0.0
Class Size Initiative	0	79	112	181	n.a.
Early Education Initiative	0	0	148	140	n.a.
Teacher Development/Mentoring	196	286	135	127	(35.0)
Teacher's Salary Grant	0	195	477	420	n.a.
Academic Intervention	0	141	196	198	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	106	n.a.
Other Education Aid	366	901	939	607	65.9
Primary & Secondary Education	15,631	17,292	18,598	19,258	23.2
Libraries	136	146	147	132	(3.1)
Community Colleges	977	968	1,118	1,191	21.9
Health Formula Grant	458	524	618	701	53.1
** Transportation	4,466	4,704	4,561	4,737	6.1
** Police and Public Safety	1,265	411	387	386	(69.5)
** Fire and Rescue Aid	201	201	200	200	(0.4)
Recreation and Natural Resources	248	261	313	127	(48.8)
Total Direct Aid	**23,381**	**24,507**	**25,942**	**26,732**	**14.3**
Aid Per Capita	562	591	613	620	10.4
Property Tax Equivalent ($)	0.79	0.79	0.78	0.75	(4.9)

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Queen Anne's County for teachers, librarians, community college faculty, and local officials are estimated to be $11,810,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	411	476	575	592
Family Health and Primary Care	181	223	199	212
Geriatric and Children's Services	351	382	394	421
Mental Health	2,376	1,640	1,867	1,853
Prevention and Disease Control	210	342	442	492
Developmental Disabilities	1,833	1,872	2,030	2,301
AIDS	2	2	0	0
	5,363	4,935	5,508	5,871
Social Services				
Homeless Services	14	14	14	14
Women's Services	309	350	357	337
Adult Services	13	21	14	22
Child Welfare Services	230	414	338	314
	566	800	723	687
Senior Citizen Services				
Long-term Care	108	108	115	118
Community Services	33	34	34	34
	141	142	149	153

Note: Women's services funding supports services in Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties.

Selected State Grants for Capital Projects

Public Schools

Bayside Elementary School - relocatable classrooms	$26,000
Centreville Elementary School - construction	2,000,000
Judy Hoyer Center - construction	243,000
Kennard Elementary School - construction	1,766,000
Kent Island Area Elementary School - construction	3,000,000
Kent Island Elementary School - renovations (roof)	152,000
Queen Anne's County High School - construction	5,363,000
Stevensville Middle School - renovations (roof)	509,000
	13,059,000

Chesapeake College

Administration Building - renovation	208,000
Caroline College Center - renovation	366,000
Dorchester Administration Bldg. - renovations & addition	2,884,000
Learning Resource Center - construction	7,365,000
Learning Resource Center - equipment	970,000
	11,793,000

Community Mental Health/Addictions/Dev. Disabilities

Mid-Shore Partnership for Independent Living	459,000

Senior Citizen Activity Centers

Grasonville Senior Center	600,000

Partnership Rental Housing Program

Riverside II	1,300,000

Chesapeake Bay Water Quality Loan

Centreville WWTP - nutrient removal	902,482
Kent Island WWTP - nutrient removal	7,028,000
	7,930,482

Comprehensive Flood Management Program

Millington-Leonard - acquisition	8,000

Fish Passage Program

Jones Lake Dam Fishway (federal funds)	300,000

Waterway Improvement

Bryantown Landing - replace bulkhead	85,000
Corsica River - dredging	150,000
Goodhand's Creek	75,000
Kent Narrows - boat ramp	100,000
Kent Narrows - DMP site reclamation	125,000
Little Creek - parking and lighting	20,000
Little Creek Wharf - bulkhead replacement	100,000
Matapeake - dredging design	75,000
Queenstown Docks - pier and slip repairs	10,000
Romancoke Pier - restrooms	30,000
Thompson Creek - parking expansion	20,000
Wells Cove - dredging reclamation	25,000
	815,000

Other Projects

Cray House	100,000
Horsehead Education Center	275,000
Maryland Watermen's Monument	85,000
Ruthsburg Community Club, Inc.	100,000
	560,000

Capital Projects for State Facilities in the County

Maryland State Police

Centreville Helicopter Hangar - install new fuel tank	60,000

Department of Natural Resources

Matapeake State Park Boat Ramp - replace timber pier	40,000

Other

Eastern Shore Higher Education Center	7,770,000

St. Mary's County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	31,959	33,219	34,553	36,821	15.2
Compensatory Education	1,640	1,852	1,918	2,519	53.6
School Transportation	2,946	3,086	3,348	3,483	18.2
Special Education	2,033	2,062	2,099	2,202	8.3
Limited English Proficiency Grants	106	141	153	187	76.5
Targeted Poverty Grants	738	722	723	727	(1.6)
Extended Elementary	873	873	873	873	0.0
Aging Schools	85	85	85	85	0.0
Class Size Initiative	0	167	242	382	n.a.
Early Education Initiative	0	0	370	378	n.a.
Teacher Development/Mentoring	90	186	187	187	107.2
Teacher's Salary Grant	0	510	1,160	1,028	n.a.
Academic Intervention	0	226	335	357	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	497	n.a.
Other Education Aid	441	819	1,006	648	47.0
Primary & Secondary Education	40,911	43,948	47,050	50,374	23.1
Libraries	458	500	528	486	6.0
Community Colleges	1,169	1,310	1,471	1,591	36.1
Health Formula Grant	989	1,087	1,270	1,337	35.1
** Transportation	5,813	6,096	6,001	6,268	7.8
** Police and Public Safety	783	809	816	789	0.8
** Fire and Rescue Aid	202	201	200	200	(0.8)
Recreation and Natural Resources	462	485	577	234	(49.3)
Total Direct Aid	**50,787**	**54,438**	**57,914**	**61,278**	**20.7**
Aid Per Capita	561	622	654	683	21.7
Property Tax Equivalent ($)	1.06	1.09	1.11	1.12	5.8

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for St. Mary's County for teachers, librarians, community college faculty, and local officials are estimated to be $24,097,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	1,179	1,743	1,796	1,815
Family Health and Primary Care	135	155	108	94
Geriatric and Children's Services	298	338	348	349
Mental Health	3,729	3,543	4,017	4,028
Prevention and Disease Control	80	629	460	558
Developmental Disabilities	4,069	3,978	4,315	4,891
AIDS	0	0	0	0
	9,489	10,385	11,044	11,733
Social Services				
Homeless Services	95	69	69	71
Women's Services	120	135	137	136
Adult Services	54	65	66	89
Child Welfare Services	558	889	748	661
	827	1,159	1,020	957
Senior Citizen Services				
Long-term Care	110	110	110	110
Community Services	66	67	67	67
	177	178	178	178

Selected State Grants for Capital Projects

Public Schools

Banneker Elementary School - construction	$4,213,000
Banneker Elementary School - relocatable classrooms	160,000
Chopticon High School - construction	3,865,000
Dr. James A. Forrest Career & Tech. Center - construction	2,303,000
Dynard Elementary School - wiring	10,000
Esperanza Middle School - construction	3,398,000
Green Holly Elementary School - wiring	27,000
Greenview Knolls Elementary School - renovations (roof)	347,000
Greenview Knolls Elementary School - wiring	35,000
Hollywood Elementary School - wiring	23,000
Leonardtown High School - construction	10,065,000
Leonardtown High School - relocatable classrooms	269,000
Leonardtown Middle School - renovations (roof)	670,000
Lettie Dent Elementary School - renovations (roof)	282,000
Lettie Dent Elementary School - wiring	13,000
Lexington Park Elementary School - construction	2,920,000
Margaret Brent Middle School - construction	5,000,000
Margaret Brent Middle School - relocatable classrooms	140,000
Mechanicsville Elementary School - renovations (HVAC)	749,000
Mechanicsville Elementary School - wiring	15,000
Oakville Elementary School - renovations (roof)	274,000
Park Hall Elementary School - wiring	12,000
Ridge Elementary School - renovations (HVAC/electrical)	467,000
Technology Center - construction	7,300,000
Town Creek Elementary School - construction	355,000
White Marsh Elementary School - renovations (HVAC)	597,000
White Marsh Elementary School - renovations (roof)	223,000
	43,732,000

College of Southern Maryland

Calvert - Academic Complex	1,547,000
La Plata - Academic Complex	1,065,000

La Plata - Administration Bldg. & Cooling Plant	1,837,000
La Plata - fuel storage tank replacement	210,000
La Plata - Industrial Training Center	689,000
La Plata - Physical Education Building	1,917,000
La Plata - WWTP replacement	31,000
Leonardtown - equip	850,000
Prince Frederick - Academic Complex	8,586,000
	16,732,000

Community Mental Health/Addictions/Dev. Disabilities

Walden Sierra, Inc.	1,600,000

Senior Citizen Activity Centers

Charlotte Hall Senior Center	600,000

Chesapeake Bay Water Quality Loan

Clark Road - sewerage project	170,000
Leonardtown - nutrient removal	150,000
	320,000

Waterway Improvement

Abell's Wharf - upgrade ramp & new piers	125,000
Leonardtown - engineering	25,000
Piney Point Public Landing - boat ramp repairs	50,000
Potomac River - hydrilla management	40,000
St. Indigoes Landing - design/construct jetty/structure	50,000
St. Indigoes - relocate ramp	50,000
St. Jerome Creek - dredging	25,000
Tanner Creek - dredging	15,000
Wicomico - boat ramp, piers & bulkhead	100,000
Wicomico - ramp & parking	50,000
Wicomico - replace boat ramp and pier	25,000
	555,000

Other Projects

Lexington Park Family Support & Head Start Center	250,000
Patuxent River Naval Air Museum & Visitors Center	500,000
Sotterley Plantation	500,000
St. Clement's Island Lighthouse Memorial	50,000
Summerseat Sanctuary	200,000
Tudor Hall	80,000
	1,580,000

Capital Projects for State Facilities in the County

Department of Natural Resources

Patuxent River NRMA/Greenway - land acquisition	1,660,000
Point Lookout State Park - Admin. Bldg./Visitors Center	30,000
Point Lookout State Park - Ft. Lincoln Comfort Station	30,000
Point Lookout State Park - replace elec. at ramp piers	20,000
Point Lookout State Park - replace existing fixed piers	85,000
Point Lookout State Park - replace floating piers	300,000
Point Lookout State Park - shoreline stabilization	100,000
Point Lookout State Park - stone pavement	62,000
Sotterley - new pier, road, kiosk & shelter	125,000
St. Clement's Island State Park - replace pier decking	25,000
St. Clement's Island State Park - shore erosion control	99,000
St. Mary's River State Park - dam rehabilitation	83,000
St. Mary's River State Park - replace floating pier	50,000
St. Mary's River State Park - replace jetties	100,000
St. Mary's River State Park - replace storm system	30,000
	2,799,000

Historic St. Mary's City Commission

Maryland Heritage Project	225,000
St. John's Archaeological Site	4,267,000
	4,492,000

Department of Environment

St. Mary's College - floodproofing	6,250

Maryland Environmental Service

Point Lookout State Park - improve infrastructure	144,000
Point Lookout State Park - sewerage improvements	556,000
	700,000

Maryland Veterans Administration

Charlotte Hall - demolish old dormitory	310,000

St. Mary's College

Academic Building - construction	2,524,000
Calvert Hall - hazard remediation	980,000
Somerset Hall - addition and renovations	14,254,000
Student Services Building - construction	2,487,000
	20,245,000

Other

Southern Maryland Higher Education Center	6,545,000

Somerset County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	7,760	8,079	8,139	8,543	10.1
Compensatory Education	984	1,030	1,055	1,404	42.7
School Transportation	1,005	1,040	1,134	1,144	13.8
Special Education	362	361	361	371	2.3
Limited English Proficiency Grants	50	53	73	77	54.1
Targeted Poverty Grants	450	457	460	468	4.2
Extended Elementary	310	310	310	310	0.0
Aging Schools	65	65	65	65	0.0
Class Size Initiative	0	37	47	70	n.a.
Early Education Initiative	0	0	99	100	n.a.
Teacher Development/Mentoring	77	131	131	131	69.2
Teacher's Salary Grant	0	216	528	450	n.a.
Academic Intervention	0	116	137	136	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	556	n.a.
Other Education Aid	376	219	201	153	(59.5)
Primary & Secondary Education	11,439	12,112	12,740	13,976	22.2
Libraries	198	207	215	223	12.3
Community Colleges	341	424	479	527	54.7
Health Formula Grant	500	577	656	699	39.7
** Transportation	2,814	2,912	2,824	2,910	3.4
** Police and Public Safety	249	253	220	236	(5.1)
** Fire and Rescue Aid	201	200	200	200	(0.3)
Recreation and Natural Resources	109	115	137	56	(48.9)
Disparity Grant	3,246	3,525	3,755	4,289	32.1
Total Direct Aid	**19,098**	**20,326**	**21,225**	**23,115**	**21.0**
Aid Per Capita	786	813	846	914	16.3
Property Tax Equivalent ($)	2.73	2.84	2.89	3.07	12.7

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Somerset County for teachers, librarians, community college faculty, and local officials are estimated to be $5,585,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	550	625	848	869
Family Health and Primary Care	103	111	108	109
Geriatric and Children's Services	272	292	311	327
Mental Health	1,469	1,343	1,827	5,664
Prevention and Disease Control	124	245	320	306
Developmental Disabilities	1,018	1,142	1,239	1,404
AIDS	10	24	43	69
	3,546	3,781	4,696	8,748
Social Services				
Homeless Services	7	8	8	8
Women's Services	268	307	292	279
Adult Services	24	36	32	40
Child Welfare Services	299	503	468	395
	600	853	801	721
Senior Citizen Services				
Long-term Care	200	282	680	727
Community Services	235	235	235	235
	435	517	915	962

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

Selected State Grants for Capital Projects

Public Schools

Tawes Technology & Career Center - renovations (HVAC)	$456,000
Tawes Technology & Career Center - renovations (roof)	462,000
Whittington Primary School - renovations (wall/windows)	160,000
	1,078,000

Community Mental Health/Addictions/Dev. Disabilities

McCready Health Services Foundation	1,079,000

Chesapeake Bay Water Quality Loan

Crisfield WWTP - nutrient removal	1,316,100
Princess Anne WWTP - nutrient removal	247,935
Smith Island - environmental restoration	330,000
Smith Island WWTP - upgrade	300,000
	2,194,035

Water Supply Assistance Loan

Crisfield - well and water storage system	370,000
Manokin - water supply system	300,000
	670,000

Waterway Improvement

Crisfield City Dock and Depot - repair pier	25,000
Deal Island - replace ramp & bulkhead	110,000
Ewell Boat Ramp - replacement	35,000
Jenkins Creek - dredging & boat ramp	50,000
Rumbly Boat Ramp - replacement	10,000
Sheriff's Department - equip police vessel	15,000
Sheriff's Department - replace patrol/rescue vessel	50,000
Small Boat Harbor - replace boat ramp	150,000
Smith Island - shoreline protection	100,000
Smith Island Restoration Project - navigation improvements	138,000

Somers Cove Marina - bulkhead & marina improvements	250,000
Somers Cove Marina - misc. marina improvements	100,000
Somers Cove Marina - re-deck piers	55,000
Webster's Cove - new boat ramp	150,000
Webster's Cove - replace bulkhead & pier	95,000
Wenona Harbor - pave parking	15,000
	1,348,000

Other Projects

McCready Memorial Hospital	496,000
Old Washington School	400,000
Smith Island Environ. Restoration & Preservation Project	1,270,000
Teackle Mansion and Sarah Martin Done House	235,000
Three Lower Counties Community Service Clinic	300,000
	2,701,000

Capital Projects for State Facilities in the County

Maryland State Police

Princess Anne Barracks - construction	4,871,000

Department of Natural Resources

Janes Island State Park - dredge marina basin	115,000
Janes Island State Park - redeck Flatcap Island pier	25,000
Janes Island State Park - sewer system	718,000
Smith Island - Tylerton/Rhodes stabilization projects	100,000
Smith Island at Rhodes Point - dredging/stone revetment	270,000
Somers Cove Marina - bulkhead/marina improvements	300,000
Somers Cove Marina - pier rehab. & lighting/landscaping	200,000
Somerset Forestry Building - design and construction	182,000
	1,910,000

Maryland Environmental Service

Eastern Correctional Institution Co-Gen Facility - improvements	3,165,000

University System of Maryland

Eastern Shore - Dining Hall/Somerset Hall renovation	7,732,000
Eastern Shore - Food Science & Technology Center	13,450,000
Eastern Shore - physical plant/central receiving bldg.	8,410,000
Eastern Shore - prefabricated buildings	1,000,000
Eastern Shore - social science/education/health bldg.	28,804,000
Eastern Shore - utilities upgrade and site improvements	390,000
Eastern Shore - Waters Dining Hall/Somerset Hall	475,000
	60,261,000

Talbot County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	2,711	2,222	1,325	1,400	(48.4)
Compensatory Education	260	270	262	371	42.9
School Transportation	828	845	917	945	14.2
Special Education	268	265	261	277	3.4
Limited English Proficiency Grants	57	72	85	122	113.7
Targeted Poverty Grants	195	198	199	201	3.2
Extended Elementary	315	315	315	315	0.0
Aging Schools	155	155	155	155	0.0
Class Size Initiative	0	51	71	105	n.a.
Early Education Initiative	0	0	39	40	n.a.
Teacher Development/Mentoring	55	130	138	122	122.8
Teacher's Salary Grant	0	124	1,220	260	n.a.
Academic Intervention	0	126	158	161	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	1,010	n.a.
Other Education Aid	269	214	265	266	(1.2)
Primary & Secondary Education	5,112	4,987	5,410	5,749	12.5
Libraries	73	77	81	82	11.7
Community Colleges	757	931	1,075	1,145	51.2
Health Formula Grant	309	378	455	587	90.2
** Transportation	3,577	3,813	3,723	3,849	7.6
** Police and Public Safety	382	952	394	398	4.2
** Fire and Rescue Aid	218	217	216	216	(1.0)
Recreation and Natural Resources	260	276	332	134	(48.4)
** Other Direct Aid	7	0	0	0	(100.0)
Total Direct Aid	**10,697**	**11,631**	**11,686**	**12,160**	**13.7**
Aid Per Capita	316	340	339	349	10.4
Property Tax Equivalent ($)	0.32	0.33	0.31	0.30	(6.3)

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Talbot County for teachers, librarians, community college faculty, and local officials are estimated to be $8,188,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	410	639	540	556
Family Health and Primary Care	247	298	298	58
Geriatric and Children's Services	187	227	233	234
Mental Health	1,985	1,640	1,867	1,853
Prevention and Disease Control	63	198	307	323
Developmental Disabilities	1,412	1,560	1,692	1,918
AIDS	38	21	43	57
	4,341	4,583	4,981	5,000
Social Services				
Homeless Services	35	36	36	37
Women's Services	309	350	357	337
Adult Services	23	28	29	35
Child Welfare Services	260	489	441	407
	627	903	863	817
Senior Citizen Services				
Long-term Care	300	300	548	569
Community Services	84	96	96	96
	384	396	643	664

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

Selected State Grants for Capital Projects

Public Schools

Chapel District Elementary School - construction	$85,000
Easton Middle School - construction	3,908,000
Tilghman Elementary School - construction	1,198,000
	5,191,000

Chesapeake College

Administration Building - renovation	208,000
Caroline College Center - renovation	366,000
Dorchester Administration Bldg. - renovations & addition	2,884,000
Learning Resource Center - construction	7,365,000
Learning Resource Center - equipment	970,000
	11,793,000

Community Mental Health/Addictions/Dev. Disabilities

Mid-Shore Partnership for Independent Living	459,000
Talbot County Addictions Program	36,000
	495,000

Adult Day Care Centers

Talbot County Adult Day Care Center	41,000

Chesapeake Bay Water Quality Loan

Trappe WWTP - expansion	285,000

Waterway Improvement

Bellevue Landing - bulkhead & slips upgrade	30,000
Claiborne Harbor - dredging	150,000
Claiborne Landing - replace boat ramp	80,000
Dogwood Harbor - boat ramp & parking lot improvements	20,000
Dogwood Harbor - parking lot improvements	20,000
Dogwood Harbor - upgrade bulkhead & slips	75,000

Easton Point - parking lot improvements	40,000
Kingston Landing - boat ramp & parking lot improvements	50,000
Oak Creek Landing - parking lot improvements	35,000
Oak Creek Landing - replace boat ramp	80,000
Oxford Fire Department - fire/rescue vessel/equipment	50,000
St. Michael's - West Chew Avenue pier rehabilitation	30,000
St. Michael's - West Harbor Road bulkhead replacement	150,000
Tilghman Island Fire Dept. - boat trailer and equipment	7,000
Trappe Landing - upgrade parking and boat ramp	50,000
Wye Landing - boat ramp & parking lot improvements	50,000
	917,000

Hazardous Substance Cleanup Program

Easton - gas projects	250,000

Other Projects

Avalon Theater	60,000
Chesapeake Bay Maritime Museum	700,000
Oxford Community Services Building	150,000
	910,000

Capital Projects for State Facilities in the County

Maryland State Police

Easton Barrack - construction	361,000

Washington County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	44,734	44,578	45,742	47,490	6.2
Compensatory Education	2,464	2,632	2,677	3,127	26.9
School Transportation	3,304	3,447	3,695	3,797	14.9
Special Education	2,919	3,007	3,229	3,421	17.2
Limited English Proficiency Grants	169	205	205	203	20.0
Targeted Poverty Grants	1,183	1,157	1,175	1,202	1.6
Extended Elementary	599	599	599	599	0.0
Aging Schools	200	200	200	200	0.0
Class Size Initiative	0	230	307	471	n.a.
Early Education Initiative	0	0	526	571	n.a.
Teacher Development/Mentoring	208	486	352	344	65.3
Teacher's Salary Grant	0	662	1,612	1,383	n.a.
Academic Intervention	0	291	386	402	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	1,181	n.a.
Other Education Aid	983	1,628	1,724	1,359	38.3
Primary & Secondary Education	56,763	59,121	62,428	65,751	15.8
Libraries	761	782	786	830	9.0
Community Colleges	4,218	4,804	5,077	5,350	26.9
Health Formula Grant	1,629	1,783	2,017	2,299	41.1
** Transportation	9,551	9,938	9,670	10,023	5.0
** Police and Public Safety	1,362	1,348	1,349	1,396	2.5
** Fire and Rescue Aid	227	227	225	225	(0.6)
Recreation and Natural Resources	718	754	907	366	(49.0)
Disparity Grant	208	0	676	1,987	856.9
Utility Property Tax Grants	0	179	357	357	n.a.
** Other Direct Aid	9	0	0	0	(100.0)
Total Direct Aid	**75,446**	**78,935**	**83,492**	**88,585**	**17.4**
Aid Per Capita	589	592	622	654	11.1
Property Tax Equivalent ($)	1.22	1.22	1.21	1.25	2.6

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Washington County for teachers, librarians, community college faculty, and local officials are estimated to be $34,445,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	1,755	1,936	2,291	2,357
Family Health and Primary Care	179	217	156	173
Geriatric and Children's Services	548	543	641	652
Mental Health	6,805	7,182	8,223	8,493
Prevention and Disease Control	162	711	902	1,146
Developmental Disabilities	5,403	6,088	6,602	7,484
AIDS	202	194	183	202
	15,054	16,871	18,998	20,507
Social Services				
Homeless Services	201	231	233	235
Women's Services	177	200	210	198
Adult Services	99	152	124	167
Child Welfare Services	957	1,694	1,483	1,288
	1,434	2,277	2,050	1,889
Senior Citizen Services				
Long-term Care	365	365	365	365
Community Services	94	94	94	94
	460	460	460	459

Selected State Grants for Capital Projects

Public Schools

Boonsboro Elementary School - wiring	$86,000
Clear Spring Elementary School - construction	2,295,000
E. Russell Hicks Middle School - renovations (roof)	299,000
Eastern Elementary School - wiring	84,000
Fairview Outdoor School - wiring	30,000
Fountaindale Elementary School - wiring	84,000
Hancock Elementary School - renovations (roof)	127,000
Marshall Street Center - renovations (roof)	179,000
Marshall Street Center - wiring	64,000
Maugansville Elementary School - wiring	51,000
North Hagerstown High School - wiring	99,000
Northern Middle School - wiring	60,000
Pangborn Elementary School - wiring	80,000
Potomac Heights Elementary School - renovations (mechanical)	174,000
South Hagerstown High School - construction	5,543,000
Springfield Middle School - renovations (chiller)	211,000
Springfield Middle School - renovations (roof)	480,000
Washington County Tech. High School - wiring	127,000
Western Heights Middle School - renovations (HVAC)	195,000
Williamsport Elementary School - construction	3,836,000
Winter Street Elementary School - wiring	52,000
	14,156,000

Hagerstown College

Convert Administration Building to Registration Center	1,232,000
Convert Library to Student Center	819,000
	2,051,000

Juvenile Justice Bond Program

San Mar Children's Home - construct new facility	439,641

Community Mental Health/Addictions/Dev. Disabilities

On Our Own of Maryland, Inc.	168,000
The "W" House of Hagerstown, Inc.	743,000
	911,000

Adult Day Care Centers

ARC of Washington County, Inc.	764,000

Chesapeake Bay Water Quality Loan

Conococheague WWTP - nutrient removal	2,036,648
Halfway - sewer improvements	800,000
Kemps Mill - sewage collection system	251,000
Smithburg North Main Street - retrofit	52,500
Winebrenner WWTP - upgrade	300,000
	3,440,148

Water Supply Assistance Loan

Elk Ridge - water storage tower	150,000
Hancock - water system	200,000
Honeyfield Road - water system	156,800
Pen Mar - water system	440,000
Sharpsburg - water treatment plant	200,000
	1,146,800

Comprehensive Flood Management Program

Hancock - phase II acquisition	41,575

Waterway Improvement

Williamsport - Riverbottom Park boat ramp/parking lot	50,000

Other Projects

Agricultural/Education Center	75,000
American Red Cross	300,000
Discovery Station at Hagerstown	25,000
Fairgrounds Park Pavilions	75,000
Hagerstown Arts and Entertainment District	235,000
Hagerstown Police Athletic League	50,000
Hagerstown YMCA	750,000
The Children's Village	75,000
Washington County Health Systems	470,000
Washington County Hospital Association	870,000
	2,925,000

Capital Projects for State Facilities in the County

Department of Health & Mental Hygiene

Western Maryland Center - replace HVAC system	8,243,000

Department of Juvenile Justice

Western Maryland Detention Center	7,766,000

Department of Natural Resources

C&O Canal National Park - repair Dargan Bend ramp	15,000
Greenbriar State Park - dam rehabilitation	98,000
Greenbriar State Park - day use area	611,000
Greenbriar State Park - replace boat rental dock	35,000
Natl. Park Service - parkwide ADA access replace toilets	25,000
South Mountain Battlefield - renovate museum buildings	75,000
South Mountain State Park - land acquisition	730,000
Western Maryland Rail Trail - construct phase I	783,000
Woodmont WMA - dam rehabilitation	1,559,000
	3,931,000

Department of Public Safety & Corrections

Correctional Institution Hagerstown - central kitchen	11,158,000
Correctional Institution Hagerstown - perimeter security	5,996,000
	17,154,000

Maryland Environmental Service

Correctional Institution Hagerstown - wastewater treatment facility	601,000

University System of Maryland

Hagerstown Educational Center	14,111,000

Other

WWPB Transmitter - replacement	1,302,000
WWPB Transmitter - replacement (federal funds)	418,000
	1,720,000

Wicomico County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	33,497	34,854	35,400	36,774	9.8
Compensatory Education	2,487	2,613	2,669	3,532	42.0
School Transportation	2,496	2,578	2,766	2,853	14.3
Special Education	1,048	1,073	1,075	1,166	11.3
Limited English Proficiency Grants	281	277	323	353	25.4
Targeted Poverty Grants	1,053	1,108	1,083	1,101	4.6
Extended Elementary	790	790	790	790	0.0
Aging Schools	355	355	355	355	0.0
Class Size Initiative	0	173	240	334	n.a.
Early Education Initiative	0	0	353	361	n.a.
Teacher Development/Mentoring	127	305	317	325	156.6
Teacher's Salary Grant	0	1,000	2,274	2,095	n.a.
Academic Intervention	0	244	374	374	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	1,411	n.a.
Other Education Aid	543	798	972	939	73.0
Primary & Secondary Education	42,677	46,169	48,992	52,762	23.6
Libraries	495	517	534	607	22.5
Community Colleges	2,316	2,548	2,873	3,165	36.7
Health Formula Grant	1,039	1,145	1,337	1,561	50.2
** Transportation	7,264	7,604	7,358	7,632	5.1
** Police and Public Safety	906	898	906	967	6.7
** Fire and Rescue Aid	234	218	221	221	(5.7)
Recreation and Natural Resources	480	505	603	245	(49.0)
Disparity Grant	578	789	1,108	3,203	454.4
Total Direct Aid	**55,989**	**60,394**	**63,933**	**70,362**	**25.7**
Aid Per Capita	701	701	730	791	12.8
Property Tax Equivalent ($)	1.52	1.56	1.61	1.72	13.0

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Wicomico County for teachers, librarians, community college faculty, and local officials are estimated to be $25,085,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	906	1,040	1,602	1,634
Family Health and Primary Care	300	326	341	426
Geriatric and Children's Services	567	589	632	657
Mental Health	4,953	5,176	5,890	5,993
Prevention and Disease Control	141	603	636	700
Developmental Disabilities	3,450	3,906	4,236	4,802
AIDS	48	88	43	69
	10,366	11,728	13,380	14,281
Social Services				
Homeless Services	32	33	33	33
Women's Services	268	307	312	299
Adult Services	40	56	37	48
Child Welfare Services	458	707	541	483
	798	1,104	923	864
Senior Citizen Services				
Long-term Care	250	332	680	727
Community Services	235	235	235	235
	485	567	915	962

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

Selected State Grants for Capital Projects

Public Schools

Beaver Run Elementary School - renovations (HVAC)	$602,000
Bennett Middle School - renovations (roof)	64,000
Bennett Middle School - renovations (windows)	426,000
Chipman Elementary School - wiring	35,000
Delmar Elementary School - renovations (roof)	345,000
East Salisbury Elementary School - renovations (mechanical)	210,000
East Salisbury Elementary School - wiring	39,000
Fruitland Intermediate School - wiring	35,000
Fruitland Primary School - renovations (HVAC)	602,000
Fruitland Primary School - wiring	35,000
Glen Avenue Elementary School - renovations (mechanical)	91,000
J. M. Bennett High School - renovations (roof)	126,000
J. M. Bennett High School - renovations (windows)	341,000
Mardela Middle/Senior High School - renovations (roof)	180,000
Pemberton Elementary School - construction	4,596,000
Pittsville Elementary/Middle School - construction	892,000
Salisbury Middle School - construction	1,609,000
West Salisbury Elementary School - wiring	35,000
Westside Intermediate School - construction	1,049,000
Westside Primary School - renovations (windows)	105,000
Wicomico Middle School - renovations (roof)	76,000
Willards Elementary School - construction	2,984,000
	14,477,000

Wor-Wic Tech Community College

Allied Health/Math & Science Building - construction	281,000
Eastern Shore Criminal Justice Academy - construction	6,518,000
Eastern Shore Criminal Justice Academy - equipment	225,000
Maintenance Building - construction	40,000
Student Center - addition	186,064
	7,250,064

Community Mental Health/Addictions/Dev. Disabilities

Deaf Independent Living Association, Inc.	1,106,000
Maple Shade Youth & Family Services, Inc.	150,000
	1,256,000

Chesapeake Bay Water Quality Loan

Coty Cox Branch - stream restoration	200,000
Delmar - nutrient removal	100,000
Fruitland WWTP - nutrient removal	2,974,700
Fruitland WWTP - upgrade	500,000
Salisbury WWTP - nutrient removal	3,900,000
Willards WWTP - upgrade	500,000
	8,174,700

Water Supply Assistance Loan

Salisbury - water main extension	500,000

Waterway Improvement

Fruitland Volunteer Fire Dept. - new boat	50,000
Fruitland Volunteer Fire Dept. - rescue vessel motors	5,000
Leonards Mill Pond - boat ramp	50,000
Nanticoke - boat ramp construction	50,000
Nanticoke Harbor - complete ramp/parking/ADA	25,000
Nanticoke Harbor - construct ramp and jetty	75,000
Nanticoke Harbor - DMP site acquisition	150,000
Nanticoke Harbor - parking lot expansion	50,000
Riverside - boat ramp replacement	50,000
Riverside - replace boat ramp launching facility	75,000
Salisbury - riverside boat ramp replacement	30,000
	610,000

Other Projects

Drill Academy for Youth	750,000
Pemberton Hall Foundation	200,000

Peninsula Regional Medical Center	445,000
Salisbury Rotary Scout and Community Center	350,000
Town of Pittsville - infrastructure improvements	450,000
West Salisbury Youth Club	300,000
	2,495,000

Capital Projects for State Facilities in the County

Department of Health & Mental Hygiene

Holly Center - install emergency generators	267,000

Department of Juvenile Justice

Eastern Shore Detention Center	9,563,000

Department of Labor, Licensing & Regulation

Eastern Shore Regional Claims Center - acquisition	1,400,000

Department of Natural Resources

Nanticoke River Greenway - land acquisition	150,000

Military

Salisbury Armory - organizational maintenance shop	3,036,000

University System of Maryland

Salisbury University - new science building	36,182,000

Other

WCPB Transmitter - replacement	1,557,000
WCPB Transmitter - replacement (federal funds)	378,000
	1,935,000

Worcester County

Direct Aid and Retirement Payments

1. Direct Aid/Shared Revenues

	FY 2000	FY 2001	FY 2002	FY 2003	% Diff.
		($ in Thousands)			
Current Expense Aid	3,322	3,203	2,742	2,474	(25.5)
Compensatory Education	429	434	443	630	47.0
School Transportation	1,495	1,541	1,664	1,707	14.2
Special Education	316	268	270	286	(9.5)
Limited English Proficiency Grants	80	82	109	92	15.1
Targeted Poverty Grants	384	387	384	382	(0.5)
Extended Elementary	282	282	282	282	0.0
Aging Schools	65	65	65	65	0.0
Class Size Initiative	0	75	101	151	n.a.
Early Education Initiative	0	0	74	72	n.a.
Teacher Development/Mentoring	85	149	149	149	75.2
Teacher's Salary Grant	0	208	1,005	714	n.a.
Academic Intervention	0	157	185	178	n.a.
Bridge to Excellence (Chapter 288)	0	0	0	1,497	n.a.
Other Education Aid	379	340	688	650	71.3
Primary & Secondary Education	6,838	7,190	8,161	9,331	36.5
Libraries	95	101	107	116	22.0
Community Colleges	931	1,222	1,379	1,518	63.1
Health Formula Grant	273	350	491	711	160.6
** Transportation	5,547	5,783	5,627	5,872	5.9
** Police and Public Safety	647	1,778	635	661	2.0
** Fire and Rescue Aid	241	240	240	242	0.4
Recreation and Natural Resources	465	490	590	240	(48.4)
** Other Direct Aid	5	0	0	0	(100.0)
Total Direct Aid	**15,042**	**17,154**	**17,229**	**18,689**	**24.2**
Aid Per Capita	337	356	348	367	9.1
Property Tax Equivalent ($)	0.25	0.27	0.26	0.26	6.0

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

2. Retirement Payments

County teachers and librarians are members of either the teachers' retirement or pension systems maintained and operated by the State. Community college faculty may also be members of these systems. The State pays the employer share on behalf of the subdivisions for these local employees as well as certain elected local officials such as sheriffs and state's attorneys. Fiscal 2000–2003 State payments for Worcester County for teachers, librarians, community college faculty, and local officials are estimated to be $13,232,000.

Estimated State Spending on Selected Health and Social Services

The Departments of Aging, Human Resources, and Health and Mental Hygiene fund the provision of health and social services in the counties either through the local government, private providers, or State agencies in the counties. Note that the fiscal 2003 county allocation of grants under these programs is based on the county's share of prior year funding (fiscal 2002) and may change.

	FY 2000	FY 2001	FY 2002	FY 2003
		($ in Thousands)		
Health Services				
Alcohol and Drug Abuse	1,114	1,270	1,652	1,700
Family Health and Primary Care	238	288	196	82
Geriatric and Children's Services	338	364	380	385
Mental Health	2,110	2,539	2,634	2,675
Prevention and Disease Control	160	393	476	558
Developmental Disabilities	1,911	2,148	2,329	2,640
AIDS	14	28	43	66
	5,885	7,031	7,710	8,107
Social Services				
Homeless Services	32	33	33	33
Women's Services	293	332	317	304
Adult Services	25	25	23	31
Child Welfare Services	263	621	435	406
	614	1,011	808	774
Senior Citizen Services				
Long-term Care	197	279	680	727
Community Services	235	235	235	235
	432	514	915	962

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

Selected State Grants for Capital Projects

Public Schools

Berlin Intermediate School - renovations (HVAC)	$352,000
Pocomoke Elementary School - renovations (HVAC)	283,000
Pocomoke Elementary School - wiring	25,000
Pocomoke High School - wiring	32,000
Showell Elementary School - renovations (HVAC)	230,000
Showell Elementary School - renovations (roof)	212,000
Showell Elementary School - wiring	25,000
Snow Hill Elementary School - renovations (HVAC)	262,000
Snow Hill Elementary School - renovations (roof)	228,000
Snow Hill High School - wiring	32,000
Stephen Decatur High School - construction	2,873,000
Stephen Decatur Middle School - construction	2,935,000
Worcester C & T Center - wiring	51,000
	7,540,000

Wor-Wic Tech Community College

Allied Health/Math & Science Building - construction	281,000
Eastern Shore Criminal Justice Academy - construction	6,518,000
Eastern Shore Criminal Justice Academy - equipment	225,000
Maintenance Building - construction	40,000
Student Center - addition	186,064
	7,250,064

Chesapeake Bay Water Quality Loan

Ocean Pines Salt Marsh - stream restoration	150,000
Pocomoke City WWTP - nutrient removal	700,000
Snow Hill - sewer improvements	100,000
Snow Hill WWTP - nutrient removal	300,000
	1,250,000

Waterway Improvement

George Island Landing - boat ramp parking lot	50,000
Ocean City - back bays study	140,000
Ocean City Infrastructure Project - navigation improvements	90,000
Pocomoke City - pier and redecking	50,000
Pocomoke Learning Center - repair pier fuel pump	75,000
Public Landing - boat ramp, phase I	50,000
Public Landing - bulkhead/parking lot rehabilitation	100,000
Snow Hill - repair Byrd Park boat ramp/decking	78,000
Snow Hill - replace Byrd Park bulkhead	85,000
West Ocean City - ramp parking expansion	262,500
West Ocean City Inlet - jetty project planning study	25,000
	1,005,500

Other Projects

Atlantic General Hospital	1,500,000
Mar-Va Theater	50,000
Mid-Delmarva Family YMCA	375,000
Ocean City Visitors and Information Center	400,000
Pocomoke City Fair	200,000
St. Martin's Church Foundation	50,000
Worcester County Development Center	300,000
Worcester County Government Office Building	1,500,000
	4,375,000

Capital Projects for State Facilities in the County

Department of Natural Resources

Assateague State Park - dune replenishment	833,000
Asseteague State Park - pave boat ramp parking lot	75,000
Eastern Coastal Bays - land acquisition	1,794,000
Isle of Wight WMA - day use area, phase II	650,000
Ocean City - beach replenishment	8,000,000
Ocean City - Navigation & Dog & Bitch Island improvements	190,000

Pocomoke River State Park - extend boat ramps	15,000
Pocomoke River State Park - improve marina	125,000
Pocomoke River State Park - replace Milburn Landing pier	75,000
Pocomoke River State Park - replace Shad Landing bubbler	30,000
Pocomoke River State Park - Shad Landing area	266,000
Pocomoke River State Park - Shad Landing fields/parking	34,000
Pocomoke River State Park - upgrade septic system	75,000
	12,162,000

University System of Maryland

Assateague Island - construct education & research center	1,500,000

Part B
Taxes

Property Tax

Mandatory Semiannual Payment of Taxes

One of the largest items required to be paid as part of closing costs when property is purchased is property tax. Closing costs in Maryland are among the highest in the country. Numerous proposals over the years attempted to provide for the payment of property taxes on a semiannual basis in order to reduce the amount that has to be reimbursed to the seller or otherwise paid at closing. Chapter 123 of 1995 required counties and municipal corporations to provide an optional semiannual payment schedule to allow owners of owner-occupied residential property to elect to pay property tax on a semiannual basis. The taxing authority was authorized to impose a service charge with the second payment for lost interest and administrative expenses resulting from the semiannual payment election.

Despite this statewide semiannual payment program, only three percent of State residents took advantage of the option. In response to the lack of participation in the program, ***Chapters 305 and 306 of 1999*** made semiannual payment program for owner-occupied residential property mandatory beginning with the 2000–2001 taxable year. ***Chapters 305 and 306*** clarified and limited the service charge that a taxing authority may impose for semiannual payment. The Acts also allow a property owner to avoid the service charge by electing to pay the full year's property tax on or before September 30 of the taxable year.

Truth in Taxation – Real Property Assessments

Chapter 80 of 2000 altered the real property assessment method for property tax purposes from a program of fractional property assessments to a system of full market value assessments for all tax years beginning after June 30, 2001. In Maryland, the State

and local tax rates were applied to real property assessments that were equal to 40 percent of the market value. The tax rates were therefore 2.5 times what they would have been if applied to assessments that equaled the full value of the property. Under ***Chapter 80***, a taxpayer's property tax liability remains the same. However, the assessment method changes make it easier for taxpayers to read and understand property tax bills.

Petition for Review

Property is generally assessed once every three years under the State's triennial assessment process for property taxes. However, in recent years, Montgomery County had routinely filed a petition for appeal of a property tax assessment when property sold for significantly more than the current assessment. Property owners and the Department of Assessments and Taxation objected that these petitions for review, by resulting in assessment increases outside of the three-year cycle for assessments, effectively violated assessment uniformity and resulted in large variances in property assessments within the same neighborhood.

Chapters 455 and 456 of 2002 addressed these concerns by repealing the authority for municipalities, counties, and the Attorney General to appeal a real property tax assessment outside of an assessment cycle. The right to appeal within 45 days after an assessment is issued remains unchanged. ***Chapters 455 and 456*** also provided retroactive relief to those taxpayers affected by petitions for review filed after January 1, 2000.

Property Tax Credits

Neighborhood Preservation and Stabilization Tax Credits

Chapter 590 of 1996 authorized the establishment of a Neighborhood Preservation and Stabilization demonstration project in designated neighborhoods in Baltimore City and Baltimore County. Under this program, owner-occupied residential property purchased in designated neighborhoods during a specified period are eligible for tax credits for property taxes on the property. The eligible properties are granted a property tax credit in the amount of 40 percent of the property taxes paid in each of the first five years of ownership, with the credit declining by 5 percent in each of the next five years and expiring after ten years. In addition, the individual paying the property tax is allowed a refundable State income tax credit in an amount matching the property tax credit allowed.

As originally enacted, the demonstration project was scheduled to expire June 30, 1999. ***Chapter 319 of 1999*** extended the life of the Neighborhood Preservation and Stabilization demonstration project for two additional years, through June 30, 2001,

and also increased the number of dwellings eligible for the program. ***Chapter 265 of 2000*** extended the termination date until June 30, 2002, and authorized the inclusion of another neighborhood in Baltimore County for participation in the project. ***Chapter 167 of 2002*** extended the qualifying period until June 30, 2005, for participation in the Baltimore County program only. The Baltimore City program expired on June 30, 2002.

Chapter 653 of 2000 authorized Montgomery County to establish a Neighborhood Preservation and Stabilization demonstration project to make up to 1,500 dwelling units purchased between July 1, 2000 and June 30, 2002, in designated geographic areas of the county eligible for property tax credits and refundable State income tax credits as provided under the Baltimore City and Baltimore County program.

Chapter 662 of 2000 authorized Prince George's County to establish a similar Neighborhood Preservation and Stabilization demonstration project to make up to 2,500 single-family dwellings purchased in designated neighborhoods from July 1, 2000 through June 30, 2002, eligible for these property tax credits and refundable State income tax credits.

Tax Credits for New or Expanded Business Premises

Chapters 623 and 624 of 1997 created a tax credit program for new or expanded business premises, under which a county or municipal corporation is authorized to grant property tax credits for a business that locates or expands within its jurisdiction, and the State provides the business a State tax credit.

Chapters 492 and 510 of 1999 authorized counties and municipal corporations to grant enhanced property tax credits for a business locating or expanding in the jurisdiction if the business: (1) obtains at least 250,000 square feet of new or expanded premises, continues to employ at least 2,500 individuals in existing full-time positions, and employs at least 500 individuals in new permanent full-time positions; or (2) obtains 250,000 square feet of new or expanded premises and employs at least 1,250 individuals in new permanent full-time positions.

The enhanced property tax credit is granted for each of the first 12 taxable years after the business qualifies for the credit, instead of 6 years for the ordinary credit. In addition, the credit amount for each year is 58.5 percent of the amount of property tax imposed on the increase in assessment. The State tax credit under the enhanced tax credit is 31.5 percent of the property tax for each of the 12 years.

Chapter 538 of 2002 expanded the enhanced credit portion of this tax credit for Montgomery County only. ***Chapter 538*** provided that in Montgomery County, as an alternative means to qualify for an enhanced property tax credit, a business must spend at least $150 million to obtain at least 700,000 square feet of new or expanded premises and employ at least 1,100 individuals in full-time positions, under specified conditions.

All positions must receive an employer subsidized health care benefits package, pay at least 150 percent of the federal minimum wage, and actually be located in or adjacent to the new/expanded premises. At least 500 of the permanent full-time positions must be new positions.

Manufacturing and Electricity Generating Facilities – Effect on State Aid

Two of the State's largest education aid programs, current expense and compensatory aid, are distributed under formulas that are partly based inversely on local wealth and include personal property assessable base as a wealth component. For purposes of calculating State aid, the value of tax exempt property is excluded from a county's assessable base. However, the value of property to which a tax credit applies, as opposed to a tax exemption, is generally included in the assessable base. ***Chapters 492 and 493 of 2000*** provided an exception to this general rule, excluding manufacturing personal property subject to a tax credit from a county's assessable base for purposes of calculating State aid payments.

Chapter 390 of 2000 authorized Charles County to grant county property tax credits for machinery and equipment used for new facilities in the generation of electricity. Under then current law, the personal property for which a credit could be granted would continue to be included in the county's assessable base for State aid purposes, even though the county would not be receiving the tax revenue from the facility.

In an effort to address the issue of granting tax credits for electric generation facilities and the effect of those credits on State education aid, ***Chapter 367 of 2001*** granted exclusions from what is included as part of a county's assessable base for purposes of computing State aid to education wealth formulas for machinery and equipment used in the generation of electricity at a new or expanded facility and that is subject to a county personal property tax credit.

Income Tax

Budget Reconciliation and Financing Act of 2002

Final Phase of the State Income Tax Cut

Income tax relief originally enacted in 1997 (Chapter 4 of 1997) and accelerated by legislation enacted in 1998 (Chapter 4 of 1998) continued to phase in during the 1999–2002 term, with the last phase of the 10 percent income tax cut taking effect for the 2002 tax year. Fully phased in, the top State income tax rate for individuals has been reduced from 5 percent to 4.75 percent, and the amount allowed for each personal

exemption has been doubled, from $1,200 to $2,400, saving Maryland taxpayers over $500 million a year in State income taxes.

The budgetary challenges faced during the 2002 session led to a search for additional revenues. The Governor's proposal to balance the budget included cancelling the final phase of the 10 percent income tax cut. As introduced, ***Chapter 440 of 2002***, the Budget Reconciliation and Financing Act, would have delayed indefinitely the final 2 percent of the State income reduction. It was estimated that the deferral of the last phase of the income tax cut could result in a general fund savings of approximately $177 million in fiscal 2003.

However, the General Assembly felt it was important to proceed with the final 2 percent reduction of the State income tax as provided in the 1997 legislation. As a result, this part of the proposal was deleted from ***Chapter 440***.

Federal Decoupling

Chapter 440 of 2002 made a number of changes to the Maryland income tax law. Among these changes is a decoupling from the federal income tax related to certain changes made by the federal Economic Growth and Tax Relief Reconciliation Act of 2001 and the federal Job Creation and Worker Assistance Act of 2002.

Decoupling from the Federal College Tuition Deduction: Under the Maryland income tax law, deductions allowed on the federal income tax return that reduce federal adjusted gross income generally reduce Maryland revenues because federal adjusted gross income is the starting point for calculating Maryland income tax. Therefore, federal income tax changes that reduce federal adjusted gross income reduce Maryland revenues as well.

The federal Economic Growth and Tax Relief Reconciliation Act of 2001 created a new federal deduction for qualified higher education expenses. Under the Act, for tax years 2002 and 2003, single taxpayers with federal adjusted gross income under $65,000 and married taxpayers filing jointly with federal adjusted gross income under $130,000 can deduct up to $3,000 of qualifying expenditures (including tuition and required fees, but excluding room and board), even if they do not itemize deductions. For tax years 2004 and 2005, the deduction increases to $4,000. This provision of the federal Act terminates at the end of tax year 2005. ***Chapter 440 of 2002*** decoupled the Maryland income tax from this provision of the federal tax, requiring an addition modification on the Maryland income tax return in the amount of any deduction taken on the federal return for higher education expenses. It is estimated that this addition modification will prevent the loss of approximately $13 million in general funds in fiscal 2003, $10 million in fiscal 2004, $16.4 million in fiscal 2005, and $17 million in fiscal 2006.

Decoupling from the Federal Economic Stimulus Bill: The federal Job Creation and Worker Assistance Act of 2002 contained two provisions with significant potential fiscal implications for Maryland: (1) a special depreciation allowance (30 percent "bonus" depreciation for property in the first year placed in service); and (2) an extended net operating loss carryback period (five years for net operating losses for taxable years ending during 2001 or 2002).

Absent a decoupling from these federal income tax changes, State income tax revenues would have declined by an estimated $100 million in fiscal 2003 as a result of the two provisions. ***Chapter 440 of 2002*** decoupled the Maryland income tax from these changes, requiring adjustments to federal adjusted gross income to reflect the determination of Maryland adjusted gross income without regard to these changes.

Decoupling from Internal Revenue Code Amendments If Greater than $5,000,000: ***Chapter 440 of 2002*** also decoupled the Maryland income tax from changes to the federal income tax for the taxable year in which there are any amendments to the Internal Revenue Code, unless that action is estimated by the Comptroller to have a State impact of less than $5 million in the fiscal year that begins during the calendar year the amendment is enacted.

County Income Tax

The 1997 Income Tax Reduction Act (Chapter 4 of 1997) held the counties harmless from the 10 percent phased-in income tax reduction by providing for the calculation of the county income tax without regard to the State tax changes. Under the Act, the county piggyback rate was applied to a "base amount" equal to the pre-tax cut State income tax. In so accommodating the counties, use of the State's short tax form was made impossible, leaving only the long form for all filers to fill out. The State tax liability had to be calculated twice, confusing taxpayers and resulting in a significant number of errors. The Comptroller's Office and the General Assembly received many complaints regarding the complexity of the tax forms as a result of the "decoupling" of the county income tax from the State income tax.

To address this problem, ***Chapter 493 of 1999*** significantly altered the calculation of local income taxes in Maryland. ***Chapter 493*** established flat county income tax rates to be used to calculate local income taxes based on Maryland taxable income. County income tax rates range from 1 to 3.2 percent using the new computation. The new county rates adjust for the higher personal exemption amounts as a result of the 1997 and 1998 tax reductions, which now flow through to the computation of the county income tax. ***Chapter 493*** provided that the rates specified for a county in the bill would be preempted by county rates established by the county by ordinance or resolution through the normal process as prescribed in statute.

Chapter 493 essentially continues to hold the counties harmless from the 1997 Income Tax Reduction Act, while significantly simplifying the computation of State and local income taxes and allowing the return of the short form for almost half a million Marylanders who do not itemize deductions.

Maryland Higher Education Investment Program

Background

For several years, Section 529 of the Internal Revenue Code has provided individuals federal income tax advantages for participation in Qualified State Tuition Programs (QSTPs). A QSTP is a program established and maintained by a state under which individuals may purchase higher education tuition credits on behalf of a designated beneficiary or make contributions to an investment account established for the purpose of meeting the higher education expenses of a designated beneficiary.

The General Assembly provided for the establishment of a Maryland QSTP in 1997 by creating an independent State board to develop and administer a prepaid tuition program to be known as the Maryland Higher Education Investment Program (Chapters 110 and 111 of 1997). In addition to the federal tax advantages afforded to individuals participating in this program (which flow through to affect the Maryland income tax treatment of participants), additional State tax benefits for participation were provided by the General Assembly in 1998 (Chapters 571 and 572 of 1998), including a subtraction modification for amounts contributed for the purchase of a prepaid tuition contract, up to $2,500 annually.

The federal Economic Growth and Tax Relief Reconciliation Act of 2001 made significant changes regarding qualified programs under Section 529 of the Internal Revenue Code, now referred to as "Qualified Tuition Programs" (QTPs). Under the amended federal law, distributions of income from QTPs for qualified higher education expenses are now federally tax exempt, and QTPs may include prepaid tuition plans offered directly by educational institutions.

1999 Session

Under the 1998 Acts that provided the subtraction modification for amounts paid to purchase a prepaid tuition contract, contributions in excess of $2,500 could not be carried forward and the limitation of $2,500 applied to each taxpayer, regardless of the number of contracts purchased by the taxpayer. ***Chapter 7 of 1999*** allowed taxpayers to carry forward contributions in excess of $2,500, allowing the taxpayer to subtract up to $2,500 each year until the full value of the contribution is allowed as a subtraction modification. In addition, ***Chapter 7*** specified that the $2,500 subtraction modification

may be taken for each prepaid tuition contract purchased. The Act applied retroactively to contracts purchased in 1998.

2000 Session

The program established in 1997 was a prepaid tuition program, under which individuals may purchase higher education tuition credits on behalf of a designated beneficiary. The second type of QSTP, under which individuals may make contributions to an investment account established for the purpose of meeting the higher education expenses of a designated beneficiary, was authorized by ***Chapter 494 of 2000***, which established the Maryland College Investment Plan as part of the Maryland Higher Education Investment Program. ***Chapter 494*** provided for State income tax benefits for those participating in the new program similar to the tax benefits already available to those participating in the Maryland Prepaid College Trust, allowing a subtraction modification of up to $2,500 for amounts contributed to an investment account under the Maryland College Investment Plan. Contributions in excess of $2,500 for any taxable year may be carried forward and used as a subtraction for up to ten succeeding tax years. A subtraction modification was also allowed for distributions to a designated beneficiary under an investment account to the extent the distributions are included in federal adjusted gross income. ***Chapter 494*** also required that any refunds from an investment account or distributions that are not used for qualified higher education expenses of the qualified designated beneficiary must be added back to determine Maryland taxable income.

2002 Session

The subtraction modification created by ***Chapter 494 of 2000*** had been limited to $2,500 for any taxable year "for each account" in the College Investment Plan. However, in setting up the College Investment Plan, the Maryland Higher Education Investment Program Board of Directors allowed individuals to establish up to ten separate "accounts" for a single beneficiary – one for each available investment option or portfolio. As marketed by the board, an individual could open ten "accounts" for a single beneficiary, and by contributing $2,500 to each account, be eligible for a total State income tax deduction of $25,000 for the taxable year.

In December 2001 questions arose as to whether the board's interpretation of this provision was consistent with the statute. The Comptroller's Office indicated it would accept the board's interpretation for tax year 2001 to avoid problems in the marketing of the plan but advised that the General Assembly should address and clarify the issue for tax years after 2001.

In order to address the issues raised in the 2001 interim and in light of the 2001 federal tax act, ***Senate Bill 383/House Bill 437 of 2002 (vetoed for policy reasons)*** were passed by the General Assembly to clarify in some respects and alter in other respects the

Maryland income tax treatment of qualified tuition programs under Section 529 of the Internal Revenue Code. Specifically, these bills would have allowed for: (1) a subtraction modification of up to $2,500 per contributor per beneficiary for contributions to any qualified prepaid tuition program under federal law; and (2) a subtraction modification of up to $2,500 per contributor per beneficiary for contributions to any qualified higher education investment program under federal law. The bills would have expanded the types of programs that qualify for the subtraction modifications to any qualified tuition program under Section 529 of the Internal Revenue Code, including those established by another state or an educational institution. Under current law these subtraction modifications are limited to contributions made only to the Maryland Prepaid College Trust and the Maryland College Savings Plan. The bills also would have clarified that the subtraction modifications as well as an existing addition modification do not include any amounts from a tax-free rollover from another prepaid tuition program or another higher education investment program.

Manufacturing Corporations – Single Sales Factor Apportionment

In order to determine what part of the income of a multistate corporation is subject to Maryland income tax, the income reasonably attributable to the State is determined by use of an apportionment formula measuring the in-state activities of the corporation. Since 1992 Maryland's taxation of the income of a multistate corporation had been based on a three-factor, double-weighted sales factor formula. The three-factor formula apportions corporate income to the State based on a corporation's percentage of property, percentage of payroll, and a double-weighted percentage of sales in Maryland. ***Chapter 633 of 2001*** altered Maryland's corporate tax law so that a multistate manufacturer's income is apportioned to the State by a single factor formula based solely on its percentage of in-state sales.

Under ***Chapter 633*** each manufacturing corporation is required to submit a report that describes the difference in taxes owed as a result of single sales factor apportionment as well as other information about corporate sales, taxable income, and property owned in the State and worldwide for tax years 2001 and 2002. The Comptroller is required to report to the Governor and the General Assembly by October 1 of 2003 and 2004 on the use of the single sales factor apportionment formula and the tax savings or increased taxes for corporations using the single sales factor.

Income Tax Credits

Prior to 1995 tax credits were not a significant feature of Maryland income tax policy. Other than the Earned Income Credit and the credits allowed for withholding and estimated tax payments and for income tax paid to another state, the only credits allowed were the Enterprise Zone Wage Credit and the Maryland-Mined Coal Credit. Since 1995, however, there has been a tremendous surge of legislative activity regarding

income tax credits with almost 30 new credits enacted since 1995. During the 1999–2002 term of the General Assembly, there was also significant activity regarding enhancement of existing tax credits.

One Maryland Economic Development Program for Distressed Counties

Chapter 303 of 1999 created tax credits for eligible project costs and eligible start-up costs for specified categories of businesses that establish or expand business facilities in a "qualified distressed county" when the business activity creates 25 or more new full-time positions. The credit may be taken for qualified project costs only if those costs exceed $500,000. The amount of credit that may be claimed by a qualified business is limited to $5 million for project costs and $500,000 for start-up costs. A qualified business entity is allowed to carry forward both credits for 14 years. After the fourth year, the credit is refundable, although the refund that may be taken in any year is limited by the amount of taxes the business is required to withhold for the taxable year for wages of qualified employees.

Chapter 303 defined a "qualified distressed county" as a county, including Baltimore City, with: (1) an average unemployment rate that exceeds 150 percent of the statewide average unemployment rate over the most recent 18-month period for which data are available; or (2) an average per capita personal income for the most recent 24-month period that is at or less than 67 percent of the statewide average per capita personal income. Seven counties currently qualify as distressed under the Act's definition (Allegany, Baltimore City, Caroline, Dorchester, Garrett, Somerset, and Worcester).

Child and Dependent Care Expenses

Chapters 583 and 584 of 1999 established a State income tax credit for child and dependent care expenses modeled after the federal child and dependent care credit. The 1999 legislation allowed a credit of up to 25 percent of the federal credit claimed by the individual for that taxable year, but not more than the taxpayer's State income tax for the taxable year. The credit was made available to qualified individuals whose federal adjusted gross income is at or below $40,000 or $20,000 if married filing separately; the full credit is available to those with federal adjusted gross income of $30,000 or less ($15,000 or less if married filing separately), and it phases out for incomes between $30,000 and $40,000 ($15,000 and $20,000 if married filing separate returns).

Chapter 520 of 2000 increased this income tax credit from 25 percent to 32.5 percent of the federal child and dependent care credit and increased from $40,000 to $50,000 the maximum income eligibility for the credit (from $20,000 to $25,000 for a married individual filing a separate return).

Employer-provided Commuting Benefits

Supplementing federal and county-level subsidy programs for commuting expenses, ***Chapters 559 and 560 of 1999*** created a tax credit for employers that provide commuting benefits to their employees. A credit equal to 50 percent of the cost of ride-share commuting expenses provided by the employer was allowed, subject to a maximum credit of $30 per employee per month. Eligible employer-provided commuter expenses were those that cover multiple-seating vehicle transportation costs and mass-transit transportation costs. The credit is not refundable and may not be carried forward.

Chapters 356 and 357 of 2000 extended these credits to cover the expenses of a "cash in lieu of parking program" or a "guaranteed ride home." The Acts also allowed specified tax-exempt organizations to apply tax credits allowed for employer-provided commuter benefits as a credit against the payment of employee withholding taxes required to be withheld from the wages of employees and paid to the Comptroller. The maximum credit per employee per month under this tax credit was increased by ***Chapter 507 of 2002*** from $30 to $50 per month.

Quality Teacher Incentive Act of 1999

As an incentive to encourage public school teachers to obtain professional certification, ***Chapter 600 of 1999*** included a provision allowing a public school teacher to claim a credit against the State income tax of up to $1,500 for tuition paid by the individual for graduate level courses required for maintaining certification. For a discussion of the other provisions of ***Chapter 600***, see Part L - Education of this *Major Issues Review*.

Certified Heritage Structure Rehabilitation Credit

Similar to the federal historic rehabilitation tax credit, the Maryland Heritage Structure Rehabilitation Tax Credit (heritage credit) was passed by the General Assembly in 1996 (Chapter 601 of 1996), allowing a tax credit in an amount equal to 10 percent of the taxpayer's qualified rehabilitation expenditures for the rehabilitation of a certified heritage structure. A certified heritage structure is defined as a structure that is either listed on the National Register of Historic Places, designated as a historic property under local law, or a non-historic building that is located in a historic district or a State certified heritage area and is certified to be "contributing" to the district or area.

The amount of the heritage credit was increased by the General Assembly in 1997 to 15 percent of a taxpayer's qualified rehabilitation expenditures (Chapter 731 of 1997) and was further increased in 1998 to 25 percent of a taxpayer's qualified rehabilitation expenditures (Chapter 735 of 1998). The credit claimed for any taxable year could not exceed the State tax owed for that year. Excess amounts could be carried

forward for ten years. There was no maximum cap on the dollar amount of the credit that could be claimed as to a specific project or as to the aggregate dollar amount that may be claimed by all taxpayers with qualified rehabilitation expenditures each year.

Changes to the heritage credit that occurred in 1999 and 2000 included providing for a reciprocal heritage credit program with other states ***(Chapter 484 of 1999)***, creating an historic rehabilitation mortgage credit certificate program ***(Chapter 667 of 1999)***, and extending the heritage credit to use by the Maryland Stadium Authority for the Hippodrome Performing Arts Center ***(Chapter 185 of 2000)***.

Chapters 160 and 161 of 2001 further enhanced the heritage credit and provided that any excess credit over a taxpayer's tax liability in a taxable year may be claimed in refund. ***Chapters 160 and 161*** also added nonprofit entities to the definition of business entity for the purposes of the credit and allowed the credit to be taken by partners and shareholders of a business entity in any manner that is agreed.

During the 2001 interim, the General Assembly was advised by the Department of Legislative Services that the State could experience significant revenue losses in the near future under the heritage credit. Based on information provided by the Maryland Historical Trust, it was projected that the heritage credit would reduce State revenues by $50 to $84 million annually.

To attempt to control the State's fiscal exposure under this tax credit, ***Chapter 549 of 2002*** placed significant restrictions on the heritage credit, including reducing the credit percentage to 20 percent and providing that a State tax credit for any single rehabilitation under the program may not exceed $3 million. To ensure that usage of the credit is monitored, ***Chapter 549*** required extensive reporting by the Department of Housing and Community Development on a quarterly basis regarding projects potentially eligible for the credit. The Act also stated the intent of the General Assembly that Heritage Structure Rehabilitation Tax Credits for commercial rehabilitations not exceed $50 million annually and requires the Department of Legislative Services to monitor approval of commercial rehabilitations eligible for the credit.

The Act "grandfathered" all incomplete projects for which an application had been submitted for approval of a proposed rehabilitation as of February 1, 2002 (the introduction date of the bill) and provided that these projects may take the credit under the law in effect on May 31, 2002. Finally, ***Chapter 549*** provided for the termination of the heritage credit on June 1, 2004, allowing the General Assembly to evaluate the usage of the credit over a two-year period and make a determination as to its continuation.

Maryland Research and Development Tax Credit

Chapters 515 and 516 of 2000 established a research and development (R&D) income tax credit for Maryland that is modeled after the federal research and

development tax credit program. The State R&D credit consists of: (1) a nonincremental credit based on a taxpayer's R&D expenses up to the base amount of Maryland R&D expenses; and (2) a credit based on incremental spending, or spending above the base amount. The nonincremental credit is 3 percent of qualifying R&D expenditures while the incremental credit is 10 percent of qualifying expenditures. The maximum allowed for each of the credits for all taxpayers is $3 million annually for a total of $6 million. ***Chapters 515 and 516*** established a process for applying to the Department of Business and Economic Development (DBED) for the credits and a methodology for proportionally reducing credits if the application amounts exceed the annual cap. A 15-year carryforward of any unused credit amount is allowed, and the credits are available tax year 2000–2004.

Chapter 152 of 2001 increased under specified circumstances the maximum amount that DBED can approve in a calendar year for each component of the State R&D tax credit. The Act allows any unused portion of the $3 million annually allocated to either the nonincremental or the incremental R&D credit to be transferred to the other credit if the cap for the other credit has been reached.

Refundable Earned Income Credit

Since 1987 Maryland's income tax law has provided an earned income credit (EIC) against the State income tax equal to 50 percent of the federal earned income credit. For federal income tax purposes, the earned income credit, which provides tax relief to low income wage earners, is "refundable," i.e., if the amount of the federal credit exceeds an individual's income tax liability, the individual may receive a refund. Since its enactment in 1987 until 1998, the State EIC had been nonrefundable. In 1998, legislation was enacted to include a refundable component in the Maryland EIC for qualifying individuals with dependents (Chapter 5 of 1998).

Under the refundable EIC, the State provides a refund to individuals whose credit is greater than the individual's State income tax liability. For tax years 1998 and 1999, the State's refundable EIC was based on 10 percent of the federal credit. The statute provided that the refundable credit was scheduled to increase to 12.5 percent of the federal credit in tax year 2000 and to 15 percent of the federal credit beginning in tax year 2001. ***Chapter 510 of 2000*** accelerated by one year the full phase-in of the 15 percent refundable earned income tax credit.

The refundable EIC was further increased by ***Chapter 581 of 2001***, providing for the phase-in of a 5 percent increase of the Maryland refundable earned income tax credit that will increase the credit from 15 percent of the federal earned income credit to 20 percent of the federal earned income credit over a four-year period. Under the Act the State credit is increased from 15 percent of the federal earned income credit to: 16 percent in tax year 2001 and 2002; 18 percent in tax year 2003; and 20 percent for tax years 2004 and after. Prior to tax year 2003, ***Chapter 581*** requires the Spending

Affordability Committee to include a recommendation in its final report as to the fiscal prudence of accelerating the phase-in of the earned income credit under the Act.

Long-term Care Insurance

Chapter 242 of 2000 created a credit against the individual income tax for 100 percent of the premiums paid for long-term care insurance by an individual for coverage of the individual or the individual's spouse, parent, stepparent, child, or stepchild. The credit may not exceed $500 for each insured for whom an individual pays the premiums and may not be claimed with respect to an insured individual if the insured individual was covered by long-term care insurance at any time before July 1, 2000, or if the credit has been claimed with respect to that insured individual by any taxpayer for any prior taxable year. This credit does not affect the tax treatment of any deduction allowed under federal law for long-term care premiums.

Green Buildings

Chapters 620 and 621 of 2001 created income tax credits for the construction and/or rehabilitation of green buildings and green tenant space and for qualifying energy sources used to power green buildings and green tenant space. In response to existing problems relating to "sick building" syndrome, these credits are intended to encourage commercial development that is constructed with the latest materials and technology for building environmentally friendly buildings and healthy tenant space -- known as "green buildings." The Acts provide that the credits for construction of green buildings are available for a percentage of "allowable costs" related to the construction, rehabilitation, architectural/engineering design, and other expenses associated with the building.

There are three types of building credits under ***Chapters 620 and 621***: (1) a credit for a green base building that is available if the construction or rehabilitation only affects the structural parts of a building; (2) a credit for green tenant space that is available if the construction or rehabilitation only affects the parts of the building intended for occupancy; and (3) a credit for a green whole building that is available if the construction or rehabilitation consists of building both a green base building and green tenant space. The credit for a green whole building is equal to 8 percent of allowable costs, and the credit for a green base building or green tenant space is equal to 6 percent of allowable costs.

The Acts additionally provided qualifying energy source credits for fuel cells, photovoltaic modules (solar panels), and wind turbines if they are used to power a green building, green base building, or green tenant space. The credit for fuel cells is 30 percent of the capitalized cost of each fuel cell and is capped at $1,000 per kilowatt of energy generated. The credit for photovoltaic modules is 20 percent of photovoltaic modules that are built as a part of a building and 25 percent of photovoltaic modules that are not built into a building structure with a total cap of $3 per watt of capacity. The

credit for wind turbines is equal to 25 percent of the cost of installing wind turbine equipment.

The total amount of credits allowed for a green building or qualified energy services under ***Chapters 620 and 621*** may not exceed the amount specified in an initial credit certificate issued by the Maryland Energy Administration (MEA). No more than $25 million of initial credit certificates may be issued by MEA over the ten-year period of the tax credit program. The first year that MEA may issue an initial credit certificate is tax year 2003 (fiscal 2004), and the initial credit certificate issued in tax year 2003 may not exceed $1 million. The capped credits increase by $1 million each year up to $5 million in tax year 2007 (fiscal 2008) and then begin to phase out each year thereafter until the program ends with tax year 2011 (fiscal 2012).

Tax Credit for Preservation and Conservation Easements

Chapter 676 of 2001 authorized an individual to take a credit against the State income tax for the conveyance of an easement in land to the Maryland Environmental Trust (MET) or the Maryland Agricultural Land Preservation Foundation (MALPF) for the purpose of preserving open space, natural resources, agriculture, forest land, watersheds, significant ecosystems, viewsheds, or historic properties. The amount of the credit allowed under the Act is the amount by which the fair market value of the property before the conveyance of the easement exceeds the fair market value of the property after the conveyance of the easement.

The amount of the credit shall be reduced by the amount of any payment received for the easement. The amount of the credit allowed for any taxable year may not exceed the lesser of: (1) the State income tax; or (2) $5,000. Any unused credit may be carried forward for up to 15 years but may not exceed the lesser of the State tax or $5,000 in any taxable year. The Act prohibits the credit from being claimed for a required dedication of open space for the purpose of fulfilling density requirements to obtain a subdivision or building permit.

Tax Credit for the Employment of Ex-Felons

Chapter 533 of 2002 required the Department of Labor, Licensing, and Regulation (DLLR) to establish and administer a Pilot Program for the Long-Term Employment of Qualified Ex-Felons in consultation with the Governor's Workforce Investment Board. The pilot program is intended to provide incentives for the hiring of up to 150 qualified ex-felons each year through existing one-stop employment and training centers in at least two of the State's Workforce Investment Areas. The one-stop centers will work with community organizations and any State or local government entities that provide services to ex-felons and will also provide outreach and education to employers about the program.

A business entity that hires a qualified ex-felon through the pilot program will be able to obtain a one-year $5,000 federal fidelity bond for the qualified ex-felon for the first year of employment. ***Chapter 533*** also established a tax credit for wages paid to a qualified ex-felon employee. For each taxable year, a credit is allowed in an amount equal to 30 percent of the first $6,000 of wages paid during the first year of employment and 20 percent of the first $6,000 of wages paid during the second year of employment. The Act required DLLR to develop an evaluation process for the pilot program to determine whether it has secured stable employment for qualified ex-felons.

Sales and Use Tax

Sales Tax and E-commerce

With the purchase of goods and services by consumers over the Internet (e-commerce) growing at exponential rates, State and local governments are becoming increasingly concerned about the potential erosion of the sales and use tax base. Conventional retailers are concerned that their sales are being taxed while e-commerce sales are not, and e-commerce firms worry about the potential administration and compliance costs of the different sales and use tax systems in 45 states and thousands of additional cities and counties.

The State imposes a sales and use tax on the sale of most tangible personal property purchased outside the State, including items purchased through the Internet or an out-of-state mail order catalog. However, under the U.S. Supreme Court decisions in *National Bellas Hess* and *Quill*, a state or local government cannot constitutionally require businesses without a physical presence within its borders to collect sales or use taxes. Remote sellers (those businesses selling goods via the Internet, phone, and mail order catalogs) are, therefore, often protected from sales and use tax collection obligations. If the seller is not required to collect and remit the sales tax, then the buyer is legally required to pay the use tax. However, few if any, individual customers pay the applicable use tax.

These issues have existed for several years within the context of sales and use taxes on phone and mail order sales. Recently, the exponential growth of the Internet and e-commerce has magnified the significance of this phenomenon. Recognizing that the world of e-commerce presents even more complications, Congress passed the Internet Tax Freedom Act (ITFA) in 1998 with the objective of developing a new tax system that satisfies both government revenue needs and business' desire for a simple, fair tax structure that does not stifle the Internet's growth. The Act's provisions included a three-year moratorium on imposing new taxes on Internet services and created a 19-member Advisory Commission on Electronic Commerce to study the issue and to make recommendations to Congress. ITFA, however, did not supersede State laws that were in place prior to its implementation. Maryland's sales and use tax on sales of

tangible goods was therefore not affected by ITFA, so purchases by Marylanders via the Internet have remained subject to the sales and use tax, even though collections, as noted above, are low.

To address the issue of e-commerce and potential multistate solutions to the remote taxation issue, ***Chapter 698 of 2000*** authorized the Comptroller of the Treasury to participate in efforts orchestrated by the National Conference of State Legislators (NCSL) to develop the Streamlined Sales Tax Project. Under the project the Comptroller would enter into discussions with other states regarding the development of a multistate streamlined system for sales tax collection and administration. The Streamlined Sales Tax Project was formed by state governments to design and implement a sales and use tax system that would simplify the collection and administration of these taxes.

Chapter 727 of 2001, the Simplified Sales and Use Tax Administration Act, as proposed by NCSL, authorized the State to discuss, and ultimately enter into, a Streamlined Sales and Use Tax Agreement. ***Chapter 727*** authorized the Comptroller to enter into an agreement with one or more states to simplify and modernize sales and use tax administration, although further State legislation would be required to implement the agreement's provisions.

The Simplified Sales and Use Tax Administration Act includes the outline of the streamlined sales and use tax collection and administration system specified in the agreement proposed by NCSL, although the agreement itself is not incorporated in the Act. Issues covered by the Act include: simplified tax rates; uniform standards for sourcing of transactions; central registration for sellers; monetary allowances for certified service providers and sellers implementing new technological models; consumer privacy; and State administration of local sales and use taxes, including restricting variance between State and local sales tax bases, restricting the frequency of changes in local sales and use tax rates, and providing timely notice of boundary changes for local taxing jurisdictions.

Given the growth in e-commerce, the State is projected to lose significant sales and use tax revenues in the future if the status quo is maintained. This revenue loss is driven primarily by the migration of both individual and business customers from local purchasing, for which taxes are collected, to Internet purchasing, for which taxes are seldom collected. The State is at risk of losing approximately $355 million per year in sales tax revenues by 2006.

Tax-free Weeks

Over the past few years, tax-free weeks, during which certain items are exempt from the sales and use tax, have become very popular among state legislatures, and Maryland is no exception.

After various proposals for a tax-free week failed during the 1998 and 1999 sessions, the General Assembly passed legislation in 2000 ***(Chapter 576 of 2000)***, temporarily eliminating the sales and use tax on clothing for one week in August of 2001. The Act exempted from the sales and use tax the sale of clothing or footwear (excluding accessories) during the week of August 10 through August 16, 2001, for items with a taxable price of less than $100.

The Comptroller's Office estimated that State sales tax revenue for fiscal 2002 declined by approximately $5.2 million as a result of ***Chapter 576***, imputing total sales of approximately $100 million that otherwise would have been taxable. In 2001 and 2002, several bills relating to tax-free weeks were introduced to follow up on the 2000 Act proposing to extend the tax-free week to other years or offering variations on the items covered. All these bills failed or were withdrawn.

Dedication of Sales Tax Revenue to Mass Transit

During the 2000 session, the General Assembly considered proposals to create a dedicated source of mass transit funding in addition to current funding from the Transportation Trust Fund (TTF). ***Senate Bill 286/House Bill 1 (both failed)*** would have dedicated 20 percent of sales and use tax revenue to a newly-created Mass Transit Account of TTF.

Additional funding for mass transit was again proposed as part of the Governor's mass transit initiative during the 2001 session. ***Chapter 568 of 2001*** increased TTF's share of the sales tax on short-term vehicle rentals from 45 percent to 100 percent for the period from January 1, 2002 through fiscal 2007.

During the 2002 session, as part of the effort to balance the budget, the General Assembly revisited the dedication of sales tax revenues to transportation. The Budget Reconciliation and Financing Act, ***Chapter 440 of 2002***, reversed the diversion of additional sales tax revenues on short-term vehicle rentals under ***Chapter 568 of 2001*** and returned 55 percent of the sales tax revenue on short-term vehicle rentals to the general fund. To continue implementation of the mass transit initiative and other transportation initiatives previously supported by general funds, ***Chapter 440*** increased the statutory limit of allowable transportation debt outstanding from $1.2 billion to $1.5 billion.

Miscellaneous

Tobacco Taxes

Tax Rates

Before the 1998 elections, 89 legislators, the Governor, and the Lieutenant Governor signed a pledge stating they would support the Maryland Children's Initiative and the tobacco tax plan. The plan included increasing the cigarette tax and using the revenues from the tax to support antismoking campaigns aimed at reducing underage smoking.

Chapter 121 of 1999 increased the cigarette tax by 30 cents per pack and reduced the licensed wholesaler discount from 1.36 percent to .82 percent in fiscal 2000. A 15 percent tax was imposed on the wholesale price of other tobacco products such as cigars and smokeless tobacco beginning in fiscal 2001. ***Chapter 121*** required the Governor to include a minimum of $21 million in the annual budget, beginning in fiscal 2001, for activities aimed at reducing tobacco use in Maryland as recommended by the Centers for Disease Control and Prevention.

The tobacco tax increase under ***Chapter 121*** was contingent on ***Chapter 173 of 1999***, which established the Cigarette Restitution Fund for the tobacco settlement payments and required the Governor to appropriate the payments for specified purposes in the annual budget. Further discussion of ***Chapter 173*** is contained in the Tobacco Settlement section under Part A - Budget and State Aid of this *Major Issues Review*.

The cigarette tax rate was again increased by ***Chapter 288 of 2002***, the Bridge to Excellence in Public Schools Act, which enhanced funding for education based on a framework established by the Commission on Education Finance, Equity, and Excellence. A portion of the enhancements is funded with a 34-cent increase in the tobacco tax rate for cigarettes.

Chapter 288 increased the tobacco tax rate for cigarettes from 66 cents to $1. All cigarettes held in the State on or after June 1, 2002, for sale or use in the State were subject to the new cigarette tax rate. A special fund was established for the first $80.5 million in revenues collected from the rate increase during fiscal 2003, with any funds above the $80.5 million placed in the State's general fund. After fiscal 2003 all cigarette tax receipts are placed in the State's general fund. The bill required the Comptroller of the Treasury to report on the loss of gross sales revenues of retail establishments that sell cigarettes and are located within 30 miles of the State's border by January 15, 2003.

For a more detailed discussion of ***Chapter 288***, see the "Primary and Secondary Education" subpart of Part L - Education of this *Major Issues Review*. Based on the enactment of the cigarette tax increase, additional spending for fiscal 2003 was authorized in ***Chapter 440 of 2002***, the Budget Reconciliation and Financing Act.

Vendor Discount

Cigarette wholesalers do not file a return for cigarettes purchased. Instead, the tax is paid by the purchase of tax stamps. Cigarette wholesalers purchase tobacco stamps in bulk from the Comptroller based on the inventory of cigarettes they expect to have in their warehouses. The stamps are then attached to the packs of cigarettes providing visual verification that the tax has been paid. To compensate for the expense of administering the tobacco tax through the purchase and affixing of tax stamps, wholesalers are given a discount on the price of the stamps.

Senate Bill 327/House Bill 698 of 2001 (vetoed) would have increased the tobacco wholesaler cigarette stamp discount from 0.82 percent to 1.1 percent to help wholesalers offset their costs due to the cigarette tax increase under ***Chapter 121 of 1999***. In addition, the Comptroller's authority to exempt wholesalers from bonding requirements would have been repealed, and all wholesalers would have been required to post bonds.

Inheritance and Estate Taxes

Background

Maryland imposes both an inheritance tax and an estate tax. The inheritance tax is applied to the receipt of property from a decedent's estate. Direct beneficiaries include grandparents, parents, spouses, children, other lineal descendants, stepparents, and stepchildren, or a corporation if all stockholders are direct beneficiaries. Collateral beneficiaries include all other beneficiaries. Collateral beneficiaries other than siblings of a decedent are taxed at the rate of 10 percent.

Maryland's pick-up estate tax applies only if a federal estate tax return is required for the estate of a decedent. Any estate subject to both the estate tax and the inheritance tax may receive a credit against the estate tax for any inheritance tax paid. Estates valued at greater than $1 million in tax year 2002 are subject to the estate tax; this amount will rise to $3.5 million by 2009.

Inheritance Tax

Legislation was enacted in 1999 and 2000 to reduce and then eliminate the inheritance tax for direct beneficiaries and siblings of decedents. ***Chapter 635 of 1999***

reduced the inheritance tax for property that passes from a decedent to, or for the use of, sibling heirs from 10 percent to 5 percent phased in over three years. In addition, this Act reduced the inheritance tax rate for property passing to direct beneficiaries from 1 percent to 0.9 percent.

Chapter 497 of 2000 exempted from the inheritance tax property that passes to or for the use of direct beneficiaries or siblings of a decedent or to or for the use of a corporation owned by direct beneficiaries or siblings of a decedent. This Act is applicable to decedents dying on or after July 1, 2000, and is estimated to reduce State revenues by $25-$30 million annually.

In addition, ***Chapter 117 of 1999*** provided tax relief for victims of Nazi persecution by creating an inheritance tax exemption for: (1) income related to recovered Holocaust assets; and (2) reparation/restitution payments made to a Holocaust victim, or the victim's spouse or descendant. A subtraction modification for the State income tax for the above mentioned assets and distributions is also allowed. The exemption from the inheritance tax applies to the interest on the proceeds received on specified insurance policies.

Estate Tax

Chapter 440 of 2002, the Budget Reconciliation and Financing Act (BRFA), partially decouples the State estate tax from the federal estate tax. The federal Economic Growth and Tax Relief Reconciliation Act of 2001 reduces and ultimately repeals the amount of the credit allowed under the federal estate tax for State death taxes paid ("federal credit"). Maryland, like most states, has an estate tax that is linked to the federal credit. The phase-out of the federal credit under the 2001 federal tax Act would eliminate the State estate tax because of the link between the State tax and the federal credit.

BRFA provides that other provisions of federal estate tax law, including the applicable unified credit effective exemption amount (tax liability threshold for the estate tax) allowed against the federal estate tax, are those in effect on the date of the decedent's death. Under the federal Act, the amount of the unified credit effective exemption amount is increased from $700,000 to $1 million in 2002 and to $3.5 million in 2009 (versus $1 million under prior law). In doing so, the federal Act raises the threshold at which estates become subject to the federal estate tax. This higher taxability threshold will also apply to the State estate tax and is not affected by BRFA.

Without statutory changes the Maryland estate tax would have diminished and disappeared as the federal credit phased out. As a result of the federal credit's repeal, together with the phased increase in the unified credit allowed under the federal estate tax, the State was projected to lose up to $100 million annually by fiscal 2007. Under BRFA the Maryland estate tax is partially decoupled from the changes made to the

federal credit under the 2001 federal tax Act. The State estate tax will now be calculated as if the federal tax Act had not phased out the federal credit.

Electric and Gas Utility Tax Reform

Background

As has occurred in the telecommunications, natural gas, and airline industries, the electric utility industry is in the process of transition from a regulated monopoly industry to a competitive market. For over two years, as the Maryland Public Service Commission examined the issues regarding the transition to a competitive market for electricity, the General Assembly was involved in studying the complex issues surrounding the prospect of retail electric competition in Maryland. The Electric Customer Choice and Competition Act of 1999, ***Chapters 3 and 4 of 1999***, provided for electric customer choice and the restructuring of the electric utility industry in the State beginning July 1, 2000, representing the culmination of the General Assembly's extended study of those issues. See the discussion of electric utilities under the "Public Service Companies" subpart of Part H - Business and Economic Issues of this *Major Issues Review*.

Under ***Chapters 3 and 4 of 1999***, the availability of electric customer choice was made contingent on the adoption of legislation by the General Assembly to address the State and local tax implications of restructuring the electric utility industry. ***Chapters 5 and 6 of 1999*** restructured Maryland's utility tax system and satisfied the contingency under ***Chapter 3 and 4***.

Prior to utility tax reform, the structure of Maryland State and local taxation of the electric industry, which was based on the monopoly structure of the industry, was ill-suited for retail electric competition. Without changes to the tax structure, retail electric competition would result in disparate taxation among competing providers, creating competitive inequities and distorting the "level playing field" desired for a competitive industry. Without tax law changes, the introduction of retail electric competition in the State also would have had significant revenue implications for the State's public service company franchise tax and for local property taxes.

Another major concern was the heavy property tax burden imposed on electricity generation facilities in the State. In total, property owned by electric utilities accounted for about 5 3/4 percent of the total property tax base in the State, resulting in $200 million annually in local property tax revenues. About $115 million of those revenues related to property used in the transmission and distribution of electricity, which would not be affected by retail competition in the industry. The other $85 million was imposed on generation facilities in the State, raising significant concerns regarding the ability of

in-state generation facilities to compete in a competitive market where they would be subject to the same interstate competitive pressures as manufacturers are generally.

1999 Utility Tax Reform

Chapters 5 and 6 of 1999 restructured the State's taxes on the electric utility industry to account for the introduction of retail electric competition and the restructuring of the industry. Under the Acts the gross receipts tax on revenues from the sale of electricity was replaced with a tax based on kilowatt hours of electricity delivered for final consumption in the State. To avoid further revenue losses anticipated to result from expanded availability of competition in natural gas markets, the changes to the public service company franchise tax under the Acts were made applicable to gas utilities as well, with the gross receipts tax on revenues from the sale of natural gas being replaced with a tax based on terms of natural gas delivered for final consumption in the State.

The Acts also imposed the corporate income tax on electric and gas utilities. The Acts provided limited transitional credits against the corporate income tax for certain multijurisdictional electric companies, to cushion a shift of tax burdens among the utilities that was anticipated to occur as a result of the restructuring under the Acts.

Property tax relief for electric generation facilities in the State was also provided under the Acts. For relief from the 100 percent assessment of real property used in generation, the Acts allowed a credit against the State income tax for 60 percent of the real property taxes paid by an electric utility. For relief from personal property taxes on generation facilities, the Acts provided a 50 percent exemption from property tax, phased in over two years, with State reimbursements to the affected counties (i.e., the counties where the generation facilities are located) for roughly two-thirds of the costs of the property tax relief. Under the Acts the kilowatt hour-based tax on electricity delivered for final consumption was set at a level estimated to allow for recovery of about half of the State's costs to reimburse the counties, with the net effect that the costs of the property tax relief would be shared roughly equally among the counties, the State, and electric consumers.

Among other changes made under the Acts, various technical changes were made to the State's sales and use tax to account for retail competition in the electricity and natural gas markets. The Acts also required a joint study and report by the Comptroller, the Department of Assessments and Taxation, and the Public Service Commission, on or before September 15, 2003. The report is to evaluate the effectiveness of the Acts in achieving the General Assembly's goal of providing for an equitable and rational restructuring of State and local taxes on electric and gas utilities in light of competition and the restructuring of the electric and gas utility industries.

The Acts were generally effective January 1, 2000, applicable to tax years beginning on or after January 1, 2000.

Tax Amnesty

Chapter 275 of 2001 required the Comptroller to declare an amnesty period for delinquent taxpayers from September 1, 2001, through October 31, 2001, for penalties attributable to the nonpayment, nonreporting, or underreporting of certain taxes that were paid during the amnesty period. The legislation also increased specified criminal penalties from $5,000 to $10,000 under various tax laws, effective at the end of the amnesty period (November 1, 2001), and provided for the distribution of the receipts from the amnesty program.

The Act also required the Governor to provide a $30 million general fund appropriation to the Revenue Stabilization Fund in the Fiscal 2003 Budget Bill as a fiscal year 2002 deficiency appropriation. The Fiscal 2002 Budget Bill included a $30 million fiscal 2001 deficiency appropriation to the Dedicated Purpose Fund, contingent on the enactment of ***Chapter 275***, to address Mental Hygiene Administration deficits and private psychiatric hospital provider reimbursements.

Commission on Maryland's Fiscal Structure

Chapter 343 of 2002 was emergency legislation establishing a 17-member Commission on Maryland's Fiscal Structure to review and evaluate the State's current budget and fiscal structure. This evaluation is an effort to help the Governor and the General Assembly better develop long-term strategies for addressing future budget needs and shortfalls in the areas of funding education, transportation, and health care. The Act established reporting requirements for the commission, including an interim report by December 15, 2002, and a final report by September 1, 2003. The Department of Legislative Services, the Department of Business and Economic Development, and the Comptroller's Office are required to provide staff support for the commission.

Financial Institutions Franchise Tax

Chapter 225 of 2000 repealed the financial institution franchise tax and replaced it with the corporate income tax, effective January 1, 2001. This change occurred for banks and trust companies in 1998. The bill also repealed the savings and loan association franchise tax and made the personal property of savings and loan associations, other than certain computer hardware and software, subject to the property tax. As a result, all financial institutions will be taxed the same, except that certain financial institutions, such as mortgage, credit, and loan companies, will remain entirely exempt from property taxes on personal property.

Maryland-mined Coal Tax Credit

Prior to July 1, 2001, public service companies could claim a credit against the public service company franchise tax in the amount of $3 for each ton of Maryland-mined coal purchased in the calendar year in excess of the number of tons of Maryland-mined coal purchased in 1986.

In addition, cogenerators, not subject to the public service company franchise tax, could claim a credit against the State income tax in the amount of $3 for each ton of Maryland-mined coal purchased in the calendar year in excess of the number of tons of Maryland-mined coal purchased in 1986. ***Chapter 700 of 2000*** modified these credits by eliminating the 1986 base year limitation, extending the availability of the credit against the income tax to specified electricity suppliers, and repealing the June 30, 2001, termination date applicable to the public service company franchise tax credit.

Recordation Tax Collection

Legislation was introduced, and passed, in the 1997 through 2000 sessions that would have allowed the county tax collectors, rather than the clerks of the courts, to collect recordation taxes. The Governor vetoed the legislation passed in the 1997–1999 sessions but signed the 2000 legislation.

Chapter 639 of 2000 allowed the county tax collectors, rather than the clerks of the courts, to collect recordation taxes beginning in fiscal 2001. In fiscal 2001 only, for any county other than Prince George's County, the county was required to remit to the Comptroller a fee equal to the fee that the clerk would otherwise deduct if the clerk of the court did not collect the taxes. Because this was enabling legislation only, local government expenditures associated with collecting recordation taxes would increase only to the extent they exercise the authority to collect the tax.

Maryland Clean Energy Incentive Act

Chapters 295 and 296 of 2000 provided a variety of tax incentives to encourage the use of energy efficient products.

Under the sales and use tax, the Acts provided exemptions for: (1) clothes washers, room air conditioners, and refrigerators that meet or exceed applicable Energy Star efficiency guidelines; and (2) fuel cells and energy efficient heating and cooling equipment that meet specified energy efficiency requirements. For vehicles, the Acts established a credit against the motor vehicle excise tax for qualified electric vehicles and qualified hybrid vehicles that draw propulsion from both gasoline or diesel fuel and an on-board rechargeable energy storage system. Also included under the Acts was a credit against the State income tax for the costs of specified equipment that uses solar energy

to generate electricity or provides hot water for use within a structure. Finally, a State income tax credit was allowed for production of electricity for sale that is generated from specified qualified energy resources, including wind, biomass, poultry waste, and methane gas.

Part C
State Government

State Agencies, Offices, and Officials

Anti-Terrorism

In response to the horrific events of September 11, 2001, the General Assembly passed several pieces of legislation during the 2002 session to ensure that the State had an adequate and coordinated strategy for detecting, preventing, preparing for, responding to, and recovering from a terrorist attack.

Catastrophic Health Emergencies

Chapter 1 of 2002 was an emergency Administration measure which required the Governor, on issuance of an Executive Order proclaiming a catastrophic health emergency, to order the Secretary of Health and Mental Hygiene to take certain actions, including ordering individuals to obtain treatment and quarantines of individuals to prevent the spread of disease. In addition, under ***Chapter 1***, the Secretary was authorized to exercise certain duties in order to maintain a catastrophic health emergency disease surveillance and response program and to submit a report by December 31, 2002, on any plans, procedures, or protocols developed as a result of ***Chapter 1***.

See a further discussion of ***Chapter 1*** in subpart "Public Health" under Part J – Health of this *Major Issues Review*.

Maryland Emergency Management Assistance Compact

Chapter 2 of 2002 established a Maryland Emergency Management Assistance Compact to provide for mutual assistance in managing an emergency among jurisdictions entering into the compact. The local jurisdictions eligible to join the compact are the 23 counties, Baltimore City, and the Town of Ocean City. For a more detailed discussion

of ***Chapter 2***, see Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Access to Public Records – Public Security Documents

Chapter 3 of 2002 authorized a custodian of a public record to deny inspection of: (1) specified response procedures or plans prepared to prevent or respond to emergency situations; (2) specified building plans, blueprints, schematic drawings, diagrams, operational manuals, or records of other buildings or structures operated by the State or any of its political subdivisions; or (3) specified records prepared to prevent or respond to emergency situations. The custodian may deny inspection of a part of such a public record only to the extent that the inspection would: (1) jeopardize the security of a structure owned or operated by the State or any of its political subdivisions; (2) facilitate the planning of a terrorist attack; or (3) endanger the life or physical safety of an individual.

Maryland Security Council

Chapter 4 of 2002, an emergency measure, created a 15-member Maryland Security Council charged with working with State agencies, other state governments, local governments, federal agencies, and private entities in the development of emergency management plans. The council is similar in concept to the federal Office of Homeland Security and agencies recently created in other states.

The Maryland Emergency Management Agency has the responsibility to carry out the operational functions of the State's emergency response plan, such as operating the Emergency Operations Center and ensuring that the State has the ability to access and deploy necessary resources. In contrast, the new Maryland Security Council is responsible for: (1) working with State agencies, other state governments, local governments, federal agencies, and private entities in the development of appropriate and necessary emergency management plans; (2) periodically reviewing and assessing the adequacy of all emergency management plans developed by State agencies and, as requested, by local governments and private entities; (3) recommending changes to any emergency management plan and coordinating revisions to any emergency management plan submitted to the council; and (4) ensuring, to the extent possible, that all appropriate and necessary information relating to the State's emergency management strategy is disseminated to and exchanged among appropriate entities.

Governor's Emergency Powers

Chapter 5 of 2002 was an emergency measure that altered and clarified the powers of the Governor and other State and local officials during a state of emergency. For a more detailed discussion of ***Chapter 5***, see Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Livestock and Poultry – Infectious Diseases

Chapter 6 of 2002 authorized the Secretary of Agriculture, or the Secretary's designee, to apply to a judge for an administrative search warrant to enter specified premises to conduct an inspection to determine compliance with the laws relating to regulation and prevention of infectious and contagious livestock and poultry diseases. ***Chapter 6*** also established procedures for filing and executing the search warrant, requirements for the contents of the warrant, and requisite conditions for a judge to issue the warrant. The Department of Agriculture has not needed to obtain search warrants in the past to gain access to premises for inspection, although it has, on rare occasion, utilized police to accompany inspectors. Notwithstanding this fact, the introduction (whether accidental or intentional) of a highly contagious animal or poultry disease could have a significant economic impact on the State, warranting a need for officials to be able to respond quickly and efficiently. As a result, the Department of Agriculture is working on a new State Animal Disease Emergency Management Plan to establish response protocols and procedures for containment of animal or poultry disease.

Maryland Security Protection Act of 2002

Chapter 100 of 2002 established a number of provisions to enhance State security, including:

- authorizing "roving wiretaps" by establishing procedures for the interception of communications involving a particular individual instead of a particular location or instrument of communication;

- authorizing a license holder of a nuclear power plant facility in the State, under a heightened level of security condition ordered by the federal government, to authorize a security officer to stop and detain an individual who commits a crime on facility property;

- authorizing an expansion of the emergency jurisdiction of the Maryland Transportation Authority Police to various transportation agency properties and immediate areas when ordered by the chairman of the Maryland Transportation Authority with the approval of the Governor or when ordered to do so by the Governor on declaring a state of emergency;

- requiring the Maryland Aviation Administration to adopt regulations requiring the use of security identification badges in airports and establishing penalties for misuse; and

- creating a new crime of knowingly or fraudulently obtaining a commercial driver's license by misrepresentation and enhancing penalties for existing commercial driver's license violations.

For a more detailed discussion of ***Chapter 100 of 2002***, see Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Electronic Government

With electronic information and electronic information technology becoming an integral part of our everyday lives, the General Assembly adopted several measures in the 1999–2002 term to encourage State agencies to embrace that technology while protecting against unnecessary invasions of privacy.

Internet Access to State Information and Services

Chapter 5 of 2000 required the Secretary of Budget and Management to establish the following time line for agencies in the Executive Branch (except for public institutions of higher education) to make information and services available to the public over the Internet on an incremental basis: 50 percent of the agencies by the year 2002; 65 percent of the agencies by the year 2003; and 80 percent of the agencies by the year 2004.

In addition, the Secretary was required to establish guidelines to implement the provisions that would require agencies to develop annual project plans outlining the status of efforts to comply with the time line. ***Chapter 5*** also charged the Chief of the Office of Information Technology, within the Department of Budget and Management, to review the agency project plans.

eMaryland Initiative

Chapter 6 of 2000 established a CEO Board of Advisors for E-Commerce (CEO Board) and created an eMaryland Application Service Provider Consortium (ASP Consortium) at the University of Maryland College Park to assist in creating the most advanced electronic business environment in the nation and the world. ***Chapter 6*** was based on the Internet policy recommendations of the State Information Technology Board. The responsibilities of the CEO Board include: (1) advising the Governor on economic development policies and initiatives to advance the promotion, deployment, and use of e-commerce in the State; (2) recommending ways to improve Maryland's position as an international leader in e-commerce; and (3) providing policy guidance to the ASP Consortium.

Overseen by a management committee, the ASP Consortium develops partnerships with the State, universities, federal agencies, and technology companies to:

- develop pilot models for the deployment of Internet-based applications for government and educational institutions, such as procurement, financial, and human resource management applications;

- participate in collaborations to promote the development and testing of ASP technologies;

- provide assistance to small start-up companies wishing to utilize ASP technologies; and

- work with industry and public agencies to develop emerging e-commerce technologies.

State Oversight of Information Technology

Several IT budget initiatives were added during the 2001 session in response to past IT project failures. In particular, the fiscal 2002 budget included $5 million to establish a Program Management Office in the Department of Budget and Management. Restrictions were placed in the fiscal 2002 budget that restricted 80 percent of the appropriation until the department submitted a comprehensive plan outlining the steps it proposed to take to reform the IT development process statewide. The report was submitted in January 2002 and is currently being implemented.

Electronic Transactions Protection

Chapter 440 of 2001 established the Electronic Transaction Education, Advocacy, and Mediation Unit in the Office of the Attorney General to protect the privacy of personal information and to protect the public from unlawful conduct or practices involving electronic transactions.

Major Information Technology Development Projects

Chapters 467 and 468 of 2002 required a unit of the Executive Branch of State government to obtain approval from the Chief of Information Technology before making expenditures for a major information technology development project. In addition, ***Chapters 467 and 468*** also replaced the Information Technology Investment Fund (a special, nonlapsing fund subject to a ceiling on the amount of monies that may be credited to it during a fiscal year) with the Major Information Technology Development Project Fund.

State Commission on Public Safety Technology and Critical Infrastructure

Chapter 277 of 2002 established a 19-member State Commission on Public Safety Technology and Critical Infrastructure to: (1) make recommendations to the Chief Judge of the Court of Appeals to ensure the compatibility and interoperability of communication and information management systems maintained by the Judicial Branch; (2) adopt regulations to ensure the compatibility and interoperability of systems maintained by State and local public safety units, as well as accessibility by other appropriate entities to public safety and criminal justice databases; (3) recommend standards and procedures to ensure the compatibility and interoperability of communication and information management systems maintained by local public safety units; and (4) propose legislation to the General Assembly to implement the recommendations regarding compatibility and interoperability of communication and information management systems maintained by local public safety units.

Reorganization of State Government

During the 1999–2002 term, the General Assembly created several new State agencies and restructured some existing agencies.

The Department of Veterans Affairs

In an effort to improve communication and coordination among the Maryland Veterans Commission, the Maryland Veterans Home Commission, and the War Memorial Commission, and to increase public awareness of issues concerning veterans generally, ***Chapters 124 and 125 of 1999*** placed these organizations under a single, cabinet-level Department of Veterans Affairs. The department serves as a single point of service to assist State veterans in obtaining any benefits and other services provided by the former three organizations. The department is headed by a Secretary appointed by the Governor with the advice and consent of the Senate.

The Office of the Adjutant General

Chapter 638 of 1999 established the Office of Adjutant General as a cabinet-level position in the Executive Branch and revised the appointment criteria for the Adjutant General by making this official a member of the Governor's cabinet who serves at the pleasure of the Governor. In addition, the qualifications for appointment as Adjutant General were altered to require that the appointee meet the requirements for federal recognition at the rank of Major General at the time of appointment and have at least ten years of commissioned field grade service in the Maryland National Guard. Additionally, the Adjutant General is authorized to appoint: (1) an executive officer; (2) directors of military installations, procurement, military support to civil authorities, State personnel, administration, and veterans affairs; (3) site managers for military reservations; and (4) a

grants administrator. ***Chapter 638*** also altered the appointment criteria for the Assistant Adjutant General for Army and the Assistant Adjutant General for Air by requiring that each of those individuals attain the rank of colonel and have at least ten years of commissioned field grade service in the Maryland National Guard.

Department of Planning

Chapter 209 of 2000 renamed the Office of Planning to be the Department of Planning and designated the agency as a principal department of the Executive Branch of State government. ***Chapter 209*** also created a Secretary of Planning and made the Secretary the head of the department, reporting directly to the Governor. All of the former powers and duties of the office and its director were transferred to the department and its Secretary.

Office of the Deaf and Hard of Hearing

Chapter 537 of 2001 created the Office of the Deaf and Hard of Hearing in the Office of the Governor to promote the general welfare of and provide a number of services for deaf and hard of hearing individuals. The director of the office is required to be a deaf or hard of hearing individual who is knowledgeable and experienced with issues affecting the deaf and hard of hearing community. Additionally, the office is required to advise other units of State government and the General Assembly on the needs of the office's client population, provide reasonable resources that other units of State government request to serve the office's client population, and coordinate with other units of the State government and the federal government to avoid duplication of effort in providing services.

Office of Smart Growth

Chapter 566 of 2001, part of the Governor's Smart Growth legislative package for that session, established an Office of Smart Growth in the Executive Branch and placed the existing Smart Growth subcabinet into statute. The office, acting as a single point of access for local governments, nonprofit organizations, developers, and members of the public is required to:

- promote interagency consensus and cooperation on projects that are consistent with the State's Smart Growth policy;
- provide education and information to the public on Smart Growth; and
- facilitate the development of comprehensive redevelopment projects with local governments, developers, and the public to ensure consistency with the Smart Growth policy.

Chapter 566 is discussed in further detail in the "Environment" subpart of Part K – Natural Resources and Agriculture of this *Major Issues Review*.

Tourism

Rather than create a new cabinet-level Department of Tourism, ***Chapter 613 of 2001***: (1) increased the membership of the Maryland Tourism Development Board from 17 to 19 members; (2) increased the funding of the Maryland Tourism Development Board Fund from $6 million in fiscal 2002 to $8.5 million in fiscal 2003 and each fiscal year thereafter; and (3) required the board to submit a report by December 1, 2002, to the Senate Finance Committee, the Senate Budget and Taxation Committee, and the House Economic Matters Committee detailing:

- the board's activities relating to planning, advertising, promotion, assistance, and development of the tourism industry in the State during fiscal 2001 and 2002;
- the board's plan of activities for fiscal 2003–2007; and
- the board's recommendation for funding levels for fiscal 2004 and beyond.

Chesapeake Regional Olympic Games Authority

Chapters 8 and 9 of 2001 established, through an interstate compact with the Commonwealth of Virginia, the District of Columbia, and the City of Baltimore a Chesapeake Regional Olympic Games Authority to oversee the conduct of the 2012 Olympic games. The regional authority will come into existence if, in 2005, the International Olympic Committee awards the 2012 Olympic games to the Washington/Baltimore Regional 2012 Coalition. The regional authority shall cease to exist on January 1, 2014, unless subsequently extended by legislation.

If the coalition is selected as the host for the 2012 Olympics, the regional authority shall form the organizing committee for the Olympic Games which shall provide reasonable funds for the operation of the regional authority. The regional authority shall have general administration and legal oversight authority over the organizing committee and shall exercise emergency budgetary and planning powers in the event the committee experiences financial distress. If there is any financial deficit resulting from hosting the 2012 Olympic Games, the organizing committee will be liable for the first $25 million, and the regional authority shall be liable for up to $175 million should the deficit exceed $25 million.

Maryland, Virginia, and the District of Columbia are required to ensure that necessary facilities are built and transportation infrastructure improvements take place, to provide access to existing facilities and resources as specified in the coalition's bid

proposal, and to provide adequate security, fire protection, and other governmental-related services at a reasonable cost.

Equal Access to State Agencies – Individuals with Limited English Proficiency

With almost 20,000 immigrants entering Maryland each year, the State's diversity has increased dramatically. Recent immigrants represent 179 countries and 82 foreign languages. Based on the 2000 census, 13 percent of Marylanders over the age of five speak a language other than English at home. Approximately 4 percent of Marylanders speak Spanish, 4 percent speak other Indo-European languages, 3 percent speak an Asian/Pacific Islander language, and 1 percent speak other languages. Statewide, almost 250,000 Marylanders have limited English proficiency, representing 5 percent of the State's population. Sixty-one percent of individuals with a limited English proficiency reside in Montgomery and Prince George's counties. Approximately 25 percent of individuals with a limited English proficiency reside in Baltimore City and Anne Arundel and Baltimore counties.

Chapter 141 of 2002 required State agencies to take "reasonable steps" to provide equal access to public services for individuals with limited English proficiency. Examples of "reasonable steps" to provide equal access to public services for individuals include with limited English proficiency: (1) the provision of oral language services for individuals who cannot adequately understand or express themselves in spoken or written English; and (2) the translation of vital documents ordinarily provided to the public into any language spoken by any limited English proficiency population that constitutes 3 percent of the overall State population within the geographic area served by a local office of a State program.

Public Records – Privacy Policies and Security

Personal Records

Chapter 4 of 2000 amended the State Public Information Act to prohibit the creation of a personal record by a unit of State or local government unless the need for the record is clearly established. Any personal information in a personal record must be appropriate and relevant to the purposes for which it is created and accurate and current to the extent possible. The personal information must not be obtained by fraudulent means.

Social Security Numbers

Chapter 328 of 2000 prohibited the State and local governments from including an employee's Social Security number on any kind of identification card. Included in the

prohibition are county public school systems, as well as public institutions of higher education. ***Chapter 328*** also repealed the authority of the Motor Vehicle Administration to use, include, or encode a driver's Social Security number as an identifying number for a driver's license.

Governor's Salary Commission

The Governor's Salary Commission consists of seven members: the State Treasurer; three individuals appointed by the President of the Senate; and three individuals appointed by the Speaker of the House. In accordance with Article II, Section 21A of the Constitution of Maryland, the commission recommended increases in the salaries of the Governor and Lieutenant Governor for the 2003–2007 term of office.

In addition to its constitutional responsibilities, the commission also recommended increases in the salaries of the other constitutional officers of the State and proposed a change in the pension allowances for all former governors.

All of the commission's recommendations became law as ***Resolutions 3 and 4 of 2002***. Consequently, for the first time in 12 years the salaries of the constitutional officers will increase. Similarly, the Governor's pension law will change for the first time since 1990.

Governor and Lieutenant Governor Salaries: The salary for the Governor and Lieutenant Governor will be increased for the four-year term of office 2003–2007 as follows:

Governor:		**Lieutenant Governor:**	
First Year	$135,000	First Year	$112,500
Second Year	$140,000	Second Year	$116,667
Third Year	$145,000	Third Year	$120,833
Fourth Year	$150,000	Fourth Year	$125,000

The State constitution requires that the commission's recommendations for the Governor and Lieutenant Governor salaries be introduced as a joint resolution in each body of the General Assembly not later than the fifteenth day of the session. The General Assembly may amend the joint resolution to decrease the recommended salaries but may not increase the salaries above the level recommended by the commission. Since neither ***Senate Joint Resolution 6*** nor ***House Joint Resolution 7*** was acted on by the General Assembly on the fiftieth day after the resolutions were introduced, in accordance with the State constitution, the salary recommendations of the commission became effective for the next gubernatorial term (beginning in January 2003), and were enacted as ***Resolutions 3 and 4***. The salary recommendations for the first year of the term will take

effect on January 15, 2003. Subsequent increases for the second, third, and fourth years of the term will occur on the January 15 anniversary date.

Salaries of Other Constitutional Officers: Although its constitutional responsibilities extend only to gubernatorial salary recommendations, the commission since its inception has recommended the salaries for the other constitutional officers of the State. The commission recommended that the salaries of the Attorney General, Comptroller, and the State Treasurer should continue to be equal to that of the Lieutenant Governor. The commission also recommended that the salary of the Secretary of State should continue at a salary significantly below that of the other constitutional officers and cabinet officials to recognize the significantly lower responsibilities of the position. Accordingly, the commission recommended the following salaries for the other constitutional officers for each year of the four-year term of office:

Comptroller, Treasurer, and Attorney General:		**Secretary of State:**	
First Year	$112,500	First Year	$78,750
Second Year	$116,667	Second Year	$81,667
Third Year	$120,883	Third Year	$84,583
Fourth Year	$125,000	Fourth Year	$87,000

The commission's salary recommendations were adopted in ***Chapter 440 of 2002***, the Budget Reconciliation and Financing Act of 2002.

Governor's Pension Changes: The Governor's retirement benefit, as amended in 1990, established a noncontributory gubernatorial pension beginning at age 55, equal to one-third of salary received at the time of leaving office if the Governor serves one term and one-half of salary at the time of leaving office if the Governor serves two terms. The initial retirement allowance is adjusted annually by the change in the federal consumer price index to a maximum of 3 percent. If the Governor leaves office due to disability, the retirement allowance begins immediately and continues through the period of disability. A surviving spouse receives 50 percent of the retirement benefit the Governor received or would have received. Calculated on a final salary of $120,000, Governor Glendening will receive a $60,000 annual pension when he leaves office in 2003.

As part of its analysis of gubernatorial pensions, the commission also reviewed the pension law that was enacted prior to 1979. Former Governor Marvin Mandel, who served as Governor during the period from January 1969 through June 1977, is the only former living Governor who receives a pension calculated under the pre-1979 pension law. His pension is $12,500 plus Consumer Price Index adjustments in subsequent years.

The commission recommended legislation to calculate the pension allowance for all former Governors as a percentage of the "peer salary" of the Governor who is serving in office. The percentage will continue to be one-third for former Governors who served one full term and one-half for former Governors who served two full terms. The pension allowance would be adjusted, in future years, to reflect increases in the Governor's salary. Provisions that formerly adjusted the pension allowance to reflect increases in the Consumer Price Index would be repealed.

The commission's recommendations were enacted as ***Chapter 137 of 2002***.

Elections

Conduct of Elections

Statewide Voting System

The national attention that the 2000 presidential election received has prompted many states to consider establishing uniform voting systems. Maryland followed suit when the Governor established the Special Committee on Voting Systems and Election Procedures chaired by Secretary of State John T. Willis. The special committee was formed to evaluate the voting systems and election procedures used in Maryland. Included in the special committee's study was a review of voting and registration procedures which is discussed below under "Provisional Ballots and Registration Procedure." The special committee submitted its recommendations to the Governor in February 2001.

Maryland uses a combination of voting systems including optical scan, lever machine, direct recording, and punch-card technology. Nineteen of the State's jurisdictions use the optical scan technology which consists of specially marked ballots that are read by a tabulating machine. Three counties use the mechanical lever machine which requires manually pulling a series of levers to cast a vote. Baltimore City recently purchased a computerized, direct recording system at a cost of $5 million. This system allows a voter to vote in a manner similar to an automated teller machine. The punch-card system is used in Montgomery County.

The special committee recommended that the State Board of Elections (SBE) establish a uniform, mandatory voting system for use in polling places and a system for tabulating absentee ballots. Specifically, the special committee recommended an optical scan system for absentee voting and a direct recording system for polling places. The system selected for voting at polling places should: (1) allow voter secrecy; (2) prevent overvoting and unintentional undervoting; (3) allow for local and centralized vote tabulation; (4) allow a voter to review the voter's choices; (5) provide a paper record of all votes cast; and (6) be accessible to disabled voters.

Chapter 564 of 2001 required SBE, in consultation with the local election boards, to select and certify a statewide voting system. SBE is responsible for acquiring the system selected. The statute does not specify the type of voting system to be acquired but directs SBE to follow specified guidelines for selecting a system. The cost of acquiring and operating the voting system is shared equally between the State and the counties, with each county's share based on the county's voting age population. The statute also suspended the requirement in State law ***(Chapter 337 of 1999)*** requiring SBE to decertify the mechanical lever voting system after January 1, 2002, until a statewide system is selected and certified by SBE and is available for use by voters in those counties with mechanical lever voting systems. Jurisdictions that purchased a voting system certified by SBE in the ten years prior to June 1, 2001, and before December 31, 2000, are not required to adopt the statewide system until 2006.

Provisional Ballots and Registration Procedure

Voter registration also received considerable attention from the General Assembly during the 2001 session. The central issue has been the thousands of voters who were unable to vote in the 2000 general election because no registration information was on file at their respective local boards of election. This was primarily due to the procedural framework surrounding implementation of the federal Motor Voter Law by the Motor Vehicle Administration (MVA) and the local election boards.

When an individual indicates a move between local jurisdictions in the State through a transaction at MVA, this information is forwarded to the local election board, which automatically removes the voter from the voter registry. However, the voter is not automatically registered with the local board at the new address unless the voter submits an application for voter registration and also fills out and returns a voter registration form. The application for registration is usually filled out by a voter when the voter comes to MVA to change the voter's address. The actual voter registration form is sent to the voter's home address at a later date. Many individuals never complete the actual voter registration form when they receive it in the mail because they mistakenly believe they have already completed the registration process while at MVA.

MVA has been coordinating with SBE to transmit voter registration information electronically to SBE. The consensus among State officials has been to establish a more coordinated system of voter registration to avoid the problems associated with relocating voters. SBE is in the final stages of implementing a centralized voter registration database that would be able to access the registration files of all 24 local boards. It will be used to exchange or update files between SBE, the local boards, MVA, and the Administrative Office of the Courts (regarding felony convictions).

Chapter 424 of 2001 included the recommendations of the Special Committee on Voting Systems and Election Procedures concerning voter registration and the use of provisional ballots. The Act established registration and election day procedures

designed to reduce the number of individuals unable to vote on election day as a result of changing residences. Under the Act, a local election board was prohibited from removing a registered voter from that local board's registry until: (1) the voter has sent registration information to the local board in the jurisdiction corresponding to the voter's new address; and (2) the original local board has received confirmation from the local board to which the information was sent that the receiving local board has added the voter to its registry. A registered voter is no longer required to apply for a new voter registration at the local board each time the voter changes address. Instead, local boards must automatically register any voter who has been previously registered in another local jurisdiction within the State.

In addition, ***Chapter 424*** modified election day procedures to provide a temporary registration certificate and provisional ballot to any voter whose registration cannot be confirmed on election day and who can demonstrate, among other things, a prior effort to register. This procedure allows local boards to confirm the registration status of individuals and canvass their ballots after election day.

Two bills were passed in the 2002 session that addressed several election administration issues brought on by the newly enacted provisional ballot and uniform voting systems law. ***Chapter 547 of 2002*** required local boards to send provisional voters written confirmation of whether their ballot was accepted or rejected, if a voter makes a request within ten days after an election. ***Chapter 404 of 2002***: (1) allowed local election boards to issue provisional ballots prior to election day; (2) allowed provisional ballots to be cast on electronic, direct recording voting equipment; and (3) required the Department of Health and Mental Hygiene to report the names of individuals who are deceased.

Election Board Procedure and Personnel

Write-in Candidates

Following a 1992 Supreme Court decision declaring that the first amendment of the U. S. Constitution does not require a state to permit write-in votes, Maryland did not report write-in votes for noncertified candidates despite a State law requiring such votes to be counted. However, during the 1998 gubernatorial election, a petition was filed requesting SBE to require local boards to count write-in votes cast. SBE complied with the petition on advice of counsel in order to adhere to State law. Subsequently, ***Chapter 41 of 2000*** was enacted removing this statutory requirement, which was found to be too time consuming and expensive by local election boards.

Removal of Deceased Voters from Voter Registries

Chapter 127 of 2000 gave the State Board of Elections express authority to use obituaries and other reliable reports of deceased registrants in order to remove such individuals from active voter registration rolls.

Absentee Voting

Chapter 200 of 2001 expanded the conditions under which a voter may obtain an absentee ballot by allowing voters to qualify for an absentee ballot if they "may" be absent from their designated polling place on election day. The previous law stipulated that a voter must certify that they "will" be absent on election day.

Election Judges

Recruiting and retaining a sufficient number of election judges to satisfy the needs of polling places in Maryland continues to be a major problem for local election directors. In the weeks leading up to the 1998 and 2000 elections, many subdivisions reported a critical shortage of judges from both major political parties. To address this problem, the General Assembly has passed several laws loosening the restrictions on the eligibility requirements of election judges.

Chapter 307 of 1999 authorized local boards of elections to appoint individuals to serve as election judges who were not registered either as a member of the majority party or principal minority party. Also, the Prince George's County election board was allowed to hire minors age 17 and above to serve as election judges under certain circumstances.

Residency requirements for election judges were relaxed with the enactment of ***Chapter 88 of 2000***, which allowed individuals to serve as election judges anywhere in their county of registration as opposed to being limited to their local election district or ward. Additionally, ***Chapter 88*** authorized the appointment of a registered voter residing anywhere in the State if qualified individuals within a particular county could not be found. Finally, ***Chapter 140 of 2001*** allowed all minors 17 and older to serve as election judges statewide.

Baltimore City Election Dates

State law schedules municipal elections in Baltimore City for the year following the statewide gubernatorial elections. Baltimore City election officials have sought to decrease city expenditures and increase voter turnout by conducting municipal elections in conjunction with either the presidential or gubernatorial elections. Proponents of

realigning off-year municipal elections tried unsuccessfully to pass legislation to this effect in 1999, 2000, and 2002.

Senate Bill 330 and 331 of 1999 (both failed) would have aligned Baltimore City municipal elections with the statewide primary and general elections. In November 1999, Baltimore City voters amended their city charter to change Baltimore City's off-year municipal elections to coincide with the presidential election year. Subsequently, the Attorney General advised that pursuant to Article XI of the Maryland Constitution, the charter amendment was effective only for the general election date change. Therefore, the primary date remains effective as it is written in State law.

Senate Bill 447 of 2000 and House Bill 139 of 2002 (both failed) would have aligned municipal elections with the presidential election cycle. The effect of these provisions if enacted, would have required Baltimore City to have a September primary (after the early presidential primary in March) and a joint presidential and municipal general election in November. Currently, the next scheduled Baltimore City municipal primary is scheduled for September 2003, and the general election would coincide with the presidential election in November 2004.

Legislative and Congressional Redistricting

Legislative Redistricting

The Maryland Constitution requires the Governor to present a legislative districting plan to the General Assembly by the first day of session in the year following the decennial census. If the General Assembly does not pass an alternative plan before the forty-fifth day of session, the Governor's plan becomes law.

Legislative Districting Plan of 2002

As was the case after the 1990 census, the Governor appointed a Redistricting Advisory Committee in 2001 to recommend a State legislative districting plan for consideration by the General Assembly in the 2002 session. The committee consisted of four Democratic members and one Republican member as follows:

- John T. Willis, Secretary of State and Chairman of the Advisory Committee
- Thomas V. Mike Miller, Jr., President of the Senate of Maryland
- Casper R. Taylor, Jr., Speaker of the Maryland House of Delegates

- Isiah Leggett, Montgomery County Councilman

- Louise L. Gulyas, Worcester County Commissioner (Republican)

Following 12 public hearings across the State, and numerous work sessions, the committee submitted its final recommendation to the Governor in December 2001. The Governor made minor changes to the plan and submitted it to the General Assembly as ***Resolutions 1 and 2 of 2002***. The resolution became law for purposes of elections on February 22, 2002, pursuant to Article III, Section 5 of the Maryland Constitution, after the General Assembly failed to pass an alternative plan before the forty-fifth day of session. The plan was designed to take effect for purposes of electing members to the General Assembly for the term beginning on January 7, 2003.

Based on the 2000 census, the ideal population of a senatorial district is 112,691. The ideal population for a two-member delegate district is 75,127, and 37,564 for a single-member district. The legislative districting plan passed by the General Assembly had a total plan variance of 9.91 percent, and each subdistrict deviated from the ideal population by less than 5 percent.

After the legislative districting plan became law, litigation was initiated by several members of the General Assembly challenging the constitutionality or legality of certain of the legislative districts as they are configured in the Act. Following the 2002 session, the Court of Appeals then appointed a special master to review the plan and make findings and recommendations to the court as to the plan's constitutionality and legality. On May 21, 2002, the special master issued a report to the court, rejecting arguments by the litigants challenging the plan that the plan was unfair to minority voters. Additionally, except for one minor adjustment that affects two districts on the Eastern Shore, the special master also rejected the assertion that many of the new districts impermissibly cross political and natural boundaries in violation of the Constitution of Maryland.

On June 11, 2002, the Court of Appeals ruled *In the Matter of the Legislative Districting of the State* that the plan enacted by ***Resolutions 1 and 2*** was invalid and not consistent with the requirements of Article III, § 4, of the Constitution of Maryland which requires that "[e]ach legislative district shall consist of adjoining territory, be compact in form, and of substantially equal population" and that "[d]ue regard shall be given to natural boundaries and the boundaries of political subdivisions." In order to grant proper relief, the court determined that it would engage the services of one or more technical consultants and the Attorney General and endeavor to prepare a constitutional plan. Having vowed to complete its work expeditiously, the Court in an order issued on June 21, 2002, established a new legislative redistricting plan.

Constitutional Amendments

In addition to the introduction of a legislative districting plan by the Governor at the beginning of the 2002 session, several bills were introduced aiming to modify the constitutional provisions governing the State legislative redistricting process. ***Senate Bill 531 (failed)*** would have amended the State constitution to require a 17-member Legislative Districting and Apportionment Commission to be responsible for creating legislative and congressional districts within 180 days of convening. The bill would have tightened the allowable overall deviation (the difference between the largest and smallest districts in the State plan) to no more than 1 percent, down from the current court-established benchmark of 10 percent, and provided for automatic judicial review of completed plans by the Maryland Court of Appeals within 15 days of finalizing the plan.

House Bill 688 of 2002 (failed) would have amended the constitution to exempt Senators and Delegates from the residency requirements of the State Legislative Districting Plan for the period between the adoption of the plan to the date of the first election following adoption, if an incumbent's previous district had been altered by the plan. Currently, the State constitution requires a representative to have resided in the district they have chosen to represent for at least six months prior to the date of their election.

Alternative Plans

Three alternative legislative redistricting plans were offered before the constitutional deadline of February 22. ***Senate Joint Resolution 12 (failed)*** would have subdivided each State senatorial district into three single-member delegate districts creating 141 delegate districts in total. ***Senate Joint Resolution 19 (failed)*** would have retained two Baltimore area districts lost to the Washington metropolitan region under the plan introduced by the Governor, and ***House Joint Resolution 27 (failed)*** would have made relatively minor changes in the Montgomery County area.

Congressional Redistricting

According to the 2000 census, Maryland's population was 5,296,486, entitling it to eight seats in the U.S. House of Representatives **(Exhibit C.1)**. The 2000 ideal district population is 662,061. Population growth and shifts since 1992 caused the existing congressional districts to fall out of compliance with federal one person-one vote requirements.

Exhibit C.1
1992 Congressional District Population 2002
(Ideal District Population = 662,061)

District	Population	Deviation	% Deviation
District 1	682,770	20,709	3.13%
District 2	652,938	-9,123	-1.38%
District 3	643,935	-18,126	-2.74%
District 4	648,764	-13,297	-2.01%
District 5	714,886	52,825	7.98%
District 6	723,196	61,135	9.23%
District 7	539,439	-122,622	-18.52%
District 8	690,558	28,497	4.30%

The General Assembly reconfigured Maryland's eight congressional districts during the regular session of 2002. ***Chapter 340 of 2002*** is based on the recommendations made by the Governor's Redistricting Advisory Committee.

Chapter 340 created a congressional districting plan with a total variance of two persons or three ten-thousandths of a percent (0.0003 percent). The plan retained two minority districts (the 4th and 7th Congressional districts) and to the extent possible, preserved the cores of the 1992 districts. **Exhibit C.2** provides the district populations, variances, and racial percentages for each congressional district.

Exhibit C.2
2002 Congressional Districting Plan (2002 Population)

District	Population	Deviation	% White	% Black	% Hispanic
District 1	662,062	1	85.54%	11.25%	1.57%
District 2	662,060	-1	67.31%	27.29%	2.18%
District 3	662,062	1	77.26%	16.33%	2.90%
District 4	662,062	1	30.31%	57.26%	7.52%
District 5	662,060	-1	61.97%	30.29%	3.46%
District 6	662,060	-1	92.33%	4.87%	1.44%
District 7	662,060	-1	34.94%	59.12%	1.67%
District 8	662,060	-1	62.56%	16.74%	13.69%
Total Population:	**5,296,486**				
Ideal District Population:	662,061				

Voter Qualifications – Convicted Individuals

Background

Prior to 1974, Maryland denied individuals who had been convicted of an infamous crime the right to register and vote, regardless of whether or not the individual had completed the sentence imposed. However, in 1974 the General Assembly passed legislation to allow an individual convicted of one infamous crime to vote provided the individual had completed the sentence imposed, including any period of probation. However, State law continued to deny the right to register and vote to anyone convicted of a second infamous crime. Since 1974 no substantive changes had been made to State law with respect to the required qualifications for voter registration for convicted individuals.

An infamous crime is defined under the election laws of the State as "any felony, treason, perjury, or any crime involving an element of deceit, fraud, or corruption." As part of the instructions prepared for election officials, the Attorney General had prepared a nonexhaustive list of over 500 crimes considered infamous crimes.

Updating the Voter Qualification Law

During the 1999–2002 term, there was growing concern about updating the voter qualification law with respect to convicted individuals. After rejecting legislation during earlier sessions that would have allowed convicted felons to vote following the completion of their sentences, ***Chapter 481 of 2001*** was enacted to create a task force to study the national consensus as it relates to felons convicted more than once for crimes other than voter fraud, and how such convictions affect their right to vote. The task force received testimony that indicated that Maryland had the tenth highest rate of disenfranchised felons in the country. The data showed that there were approximately 135,700 felons who were disenfranchised in Maryland, amounting to 3.6 percent of the total population in the State. Of the 3.6 percent of adults who were disenfranchised for criminal convictions, 49.4 percent, or 67,900, were African American males, equating to 15.4 percent of the African American men in the State.

After reviewing the findings of the task force, the General Assembly made substantive changes to the voter qualification law in 2002. ***Chapters 304 and 305 of 2002*** allowed convicted felons, with the exception of individuals convicted of certain subsequent violent crimes, to vote three years after completing their entire court-ordered sentence, including probation, parole, community service, restitution, and fines.

Campaign Finance

Reporting Requirements

Electronic Format: Legislation enacted in 1997 required campaign finance reports filed with the State Board of Elections to be submitted to and maintained by the board in an electronic storage format. Specifically, reports were required to be submitted in a "disk form." In response to advances in information technology, ***Chapter 473 of 1999*** authorized the filing of reports using any electronic medium approved by the State Board of Elections beginning with the filings due in November 2000.

Reporting of Pre-session Fund-raising: Prior to the enactment of ***Chapter 483 of 2002***, continuing political committees and noncontinuing political committees engaged in an election had been required to file four pre- and post-election campaign finance reports in each election year. In addition, continuing political committees had been required to file an annual campaign finance report in November in any year in which there was no election or in any year in which the continuing political committee filed an Affidavit of Non-participation in the election being held that year. Noncontinuing committees had been required to file a six-month post general election campaign fund-raising report and, thereafter, file annual campaign finance reports each November.

State lawmakers are prohibited by law from engaging in campaign fund-raising activity during the General Assembly session. Consequently, by tradition many lawmakers have engaged in fund-raising activity just prior to the session, during the period that falls after the deadline for the November post-general election campaign finance report.

Because State lawmakers were not usually required to file their next campaign finance report after the filing of the November post-general election report until the following August at the earliest, there was growing concern for a more timely reporting of the fund-raising activity that occurred just prior to the legislative session. During the 1999–2002 term, the General Assembly considered various options to address this issue, such as adding a supplemental campaign finance report during the early weeks of the session. Agreement was finally reached with the enactment of ***Chapter 483*** which requires all campaign finance entities to file an annual campaign finance report every year on the third Wednesday in January. The Act eliminated the six-month post general election campaign finance report for noncontinuing political committees and maintains the option for a continuing political committee to avoid filing the four pre- and post-election campaign finance reports in an election year by filing an Affidavit of Non-participation in that election.

Political Campaigns – Contributions, Loans, and Expenditures

Contributions from State-funded Entities: In 1994 the management of the Maryland Small Business Development Financing Authority (MSBDFA) was privatized with the formation of a private corporation called MSBDFA Management Group, Inc. (MMG). The Department of Business and Economic Development entered into a contract with MMG to manage the programs of MSBDFA in February 1995. A finding in 1998 by the Office of Legislative Audits revealed that MMG had made contributions in excess of $21,000 to political candidates from 1995 to 1998. Prompted by concerns over this situation, ***Chapter 553 of 1999*** was enacted to prohibit any entity that derives a majority of its operating funds from the State from contributing money or anything of value to a candidate or political committee during a four-year election cycle.

Transfers from Political Action Committees: State law imposes a number of requirements on political action committees (PACs) including a requirement that PACs file with the State Board of Elections the name and purpose of the PAC, as well as campaign finance reports listing the names of contributors to the PAC and the date and amount of contributions. The name adopted by the PAC may not be used if the intent or effect is to deceive people as to the true nature or character of the committee. Additionally, PACs are prohibited from making more than $6,000 in donations to the treasurer or political committee of a candidate or of another political committee.

To ensure clarity when a donation is made by a political action committee, ***Chapter 523 of 2000*** required PACs that make transfers to the treasurer or political committee of a candidate to include on the face of a check the official name of the PAC, as filed with the State Board of Elections, and the words "Political Action Committee" or the notation "PAC."

Loans Made by Candidates: State law imposes several procedural requirements for making loans to a candidate's campaign committee. Generally, loans require written consent of the candidate, the written terms, the lender's name, address, and signature, a schedule of repayment, and a stated interest rate. However, in an effort to streamline the process for a loan made by a candidate to the candidate's own campaign, ***Chapter 38 of 2001*** was enacted to exempt loans by a candidate or the candidate's spouse from the procedural requirements for making a loan to the candidate's campaign committee provided that the loan does not accrue interest. ***Chapter 38*** specified that the interest foregone may not be considered a contribution to the campaign.

Expenditures by Political Campaigns: Generally, the only permissible way to make a campaign expenditure had been by a check drawn from the campaign's bank account. In response to administrative and logistical difficulties that this requirement had caused candidates, ***Chapter 14 of 2001*** was enacted to allow candidates and other representatives of a campaign to make purchases on behalf of the campaign provided that

a receipt record is kept and the purchase is reimbursed directly from the campaign committee's account.

Contributions to Political Action Committees through Third-party Organizations

With the enactment of legislation in 1988, employers had been allowed to pool political contributions made by payroll deduction and then transfer those funds to the treasurer of the designated candidate or political action committee (PAC). Since passage of the 1988 legislation, many trade associations had relied on voluntary PAC contributions made by the members at the time of dues payment. A voluntary PAC contribution amount had been included on the annual dues bill, which enabled members to write one check for the amount of their dues and a contribution to the association's PAC.

However, an opinion of the Attorney General in 2000 interpreted the State law to prohibit PAC contributions from passing through third-party organizations such as trade associations or other entities affiliated with a PAC. This finding halted the long-time practice of organizations allowing their members to send in contributions to their affiliated PACs as part of the membership dues payment. The opinion also prohibited an employee organization from collecting membership dues and PAC contributions from employee payroll deductions.

In light of this predicament, the General Assembly passed ***Chapters 158 and 159 of 2001*** which allowed PAC contributions by members of trade associations or other entities affiliated with a PAC to be transmitted in one payment along with membership dues. The Acts also allowed an employee organization to collect membership dues and PAC contributions from employee payroll deductions. The Acts imposed strict safeguards to make sure that all contributions made through dues billing are voluntarily made and with a clear record of what was contributed and by whom.

While ***Chapters 158 and 159*** addressed the problems identified in the 2000 opinion of the Attorney General, there subsequently came to light a concern as to third-party organizations with PACs that have both State and local chapters. To resolve this issue, ***Chapter 416 of 2002*** authorized an employee union or other membership entity that collects along with membership dues any PAC contributions for a local or State PAC to send the contributions to the State membership entity for transfer to the State PAC, rather than directly to the State PAC. The State membership entity must transfer the contributions to the State PAC within five days of receipt.

Public Financing of Political Campaigns

During the 1999–2002 term, the General Assembly considered several proposals to establish public financing laws for State legislative campaigns or to create a study commission to make recommendations regarding the establishment of such laws. The

momentum in this regard was due in large part to the fact, that while State law provides for the Fair Campaign Financing Act, the law is applicable only to candidates for Governor and Lieutenant Governor. Moreover, several states had recently considered or enacted proposals to establish or expand systems for public financing of gubernatorial and legislative elections.

After lengthy deliberations on this subject, ***Chapter 169 of 2002*** was enacted to create a 15-member commission to study public funding of State legislative campaigns. The Act provided that the commission is to collect information regarding current campaign funding practices in Maryland and other jurisdictions and make recommendations for statutory changes to implement a system of public financing of statewide and legislative election campaigns in Maryland. The commission was required to report its findings to the Governor and General Assembly by December 31, 2002.

Code Revision – Election Law Article

As part of the ongoing nonsubstantive statutory revision work of the Department of Legislative Services, ***Chapter 291 of 2002*** was enacted to create a new Election Law Article. This code revision measure reflected the multi-year effort of the Election Law Article Review Committee that was chaired by the Honorable Anne S. Perkins, a former member of the House of Delegates. The committee's revision focused on provisions of the election code that relate to campaign finance law. The committee also reviewed provisions of the election code that were revised substantively in 1998 legislation recommended by the Commission to Revise the Election Code (chaired by Marie Garber, the former administrator of the State Board of Elections). The latter provisions were incorporated in the new Election Law Article with minimal or no change. Since ***Chapter 291*** had a delayed effective date of January 1, 2003, the Act had no impact on the 2002 elections.

Chapter 291, revised, restated, recodified, and corrected laws relating to elections. The basic thrust of the revision was the modernization and clarification of the law. The revision was not intended to make substantive changes to the election laws. Topics included in the Election Law Article were: powers and duties of State and local boards of elections, voter registration, political parties, candidates, petitions, questions, elections, voting, polling places, canvassing, contested elections, offenses and penalties, campaign finance, disclosure and public financing of elections.

Ethics

Throughout the 1999–2002 term, the General Assembly acted on a number of sweeping ethics measures to reform the legislative and lobbyist ethics laws in the wake of ethics scandals involving members of the General Assembly and criminal scandals involving regulated lobbyists.

Legislative Ethics

Early in the 1998 session, the Senate voted to expel one of its members on the basis of findings of violations of the Maryland Public Ethics Law. Later in that same session, a member of the House of Delegates resigned while under investigation by the Joint Committee on Legislative Ethics.

In 1998 the General Assembly passed joint resolutions establishing a Special Study Commission on the Maryland Public Ethics Law, chaired by the Honorable Benjamin L. Cardin, a former Speaker of the House of Delegates and a member of the U.S. Congress, to review and make recommendations regarding the ethics law as it relates to the General Assembly and its members. In its final report to the General Assembly, the study commission recommended numerous changes to the laws relating to legislative ethics. Most of these recommendations were enacted in ***Chapters 129 and 130 of 1999***.

Gifts

Solicitation of Gifts: ***Chapters 129 and 130*** added a provision to the general prohibition against a legislator or other official soliciting gifts from regulated lobbyists to clarify that the prohibition applies to soliciting or facilitating the solicitation of a gift, on behalf of another person, from an individual who is employed as a regulated lobbyist. The intent of this provision, as stated in the final report of the study commission, is to "eliminate circumstances where an official may, however unintentionally, create undue pressure on a lobbyist to provide gifts to other individuals, groups, or organizations."

Threshold Reporting of Gift Value: The Acts increased from $15 to $20 the monetary threshold that triggers a prohibition against receipt of unsolicited gifts from regulated lobbyists, and decreased from $25 to $20 the monetary threshold that triggers an annual reporting requirement for gifts received from regulated lobbyists. Under the Acts, most gifts with a value of more than $20 must be reported on a legislator's annual financial disclosure form that is filed with the State Ethics Commission and the Joint Committee on Legislative Ethics.

Acceptance of Meals or Alcohol: ***Chapters 129 and 130*** prohibited a legislator from accepting meals and beverages unless they are: (1) received and consumed at a meal or reception to which all members of a "legislative unit" (i.e., the General Assembly, either house of the General Assembly, a standing committee, or a county or regional delegation of members that is recognized by a presiding officer) are invited; (2) received from a donor or sponsoring entity within the legislator's district, other than an individual who is employed as a regulated lobbyist, during a period when the General Assembly is not in session, at a location that is within a county that contains the member's district; or (3) received at the time and geographic location of a meeting of a

legislative organization for which the member's presiding officer has approved the member's attendance at State expense.

Legislators are not required to report on their annual financial disclosure statements the value of meals and beverages received and consumed at a meal or reception to which all of the members of a legislative unit are invited or those received at the time and geographic location of a meeting of a legislative organization for which the member's presiding officer has approved attendance at State expense. Likewise, the lobbyist sponsoring the meal or reception is not required to disclose the names of legislators who attend.

Admission to Special Events: Under the Acts, a legislator is allowed to accept gifts of tickets or free admissions as a courtesy or ceremony to the office for charitable, cultural, or political events that are provided by a lobbyist who is sponsoring or conducting the charitable, cultural, or political event. Events to which all members of a legislative unit are invited need not be reported, but if a legislator receives two or more tickets or free admissions with a cumulative value of $100 or more from one entity during any given year, the legislator and the lobbying entity are required to report the value of the tickets or free admissions.

Expenses for Conferences: ***Chapters 129 and 130*** authorized legislators to accept reasonable expenses for food, travel, lodging, or scheduled entertainment to attend a legislative conference that has been approved by the legislator's presiding officer. However, an honorarium may not be accepted unless it is limited to the value of meals, travel, lodging, and other expenses connected with a speaking engagement.

Ethics Advisor

Chapters 129 and 130 provided for the appointment of a full-time counsel to the Joint Committee on Legislative Ethics who serves as Ethics Advisor to the General Assembly. In recognition of the need to protect the confidential nature of communications between the new Ethics Advisor and individual legislators, the Acts created a "fire wall" between the advisory services provided by the Ethics Advisor and the joint committee's disciplinary actions by prohibiting the Ethics Advisor from participating in any investigatory or prosecutorial functions. Communication between the Ethics Advisor and a legislator are protected under the attorney-client privilege.

Representation before Governmental Units/Employment Restrictions

Chapters 129 and 130 prohibited a legislator from representing a client for compensation in any matter before or involving a State or local agency, State procurement, or the adoption of regulations, with certain exceptions. The exceptions allow a legislator to represent a client for a fee in a judicial or quasi-judicial proceeding or in matters preliminary, incidental, or collateral to a proceeding, or in matters involving

an agency's ministerial duties or a legislator's regular business, employment, or profession, if the contact with the governmental agency is an incidental part of and occurs in the customary manner of the business, employment, or profession.

The Acts also prohibited a legislator from being employed by a State agency or local government. This prohibition does not apply to employment as a law enforcement officer or a fire or rescue squad worker. In addition, the Joint Committee on Legislative Ethics is authorized to exempt a legislator from this prohibition if the employment is for a teaching position, a position that is subject to the merit system hiring process, a human services position, or a career path advancement.

Conflicts of Interest

Chapters 129 and 130 amended the standards governing conflicts of interest by: (1) specifying that interests common to a legislator's occupation or profession or common to a large class of the public do not give rise to the presumption of a conflict of interest and need not be "disclaimed;" (2) specifying that an apparent or presumed conflict that is "direct and personal" to the legislator, a member of the legislator's immediate family, or the legislator's employer creates an absolute bar to participation in legislative activity on a bill to which the conflict relates; (3) stating that a conflict is not to be presumed if the legislator has no actual knowledge of the circumstances giving rise to the conflict; (4) raising from $10,000 to $25,000 the threshold amount of stock ownership that may create a presumed conflict of interest as to legislation affecting the corporation; and (5) creating a presumption of a conflict of interest if a legislator solicits, accepts, or agrees to accept a loan other than a loan from a commercial lender made in the normal course of business.

Under the Acts, a legislator has the option to file a disclaimer of conflict form as to certain apparent or presumed conflicts, thereby allowing the legislator to participate in any legislative action to which the conflict relates. A legislator "taking the rule" on a bill is required to file a statement of explanation of the recusal.

Complaint and Hearing Procedures

Chapters 129 and 130 also made a number of changes to the complaint and hearing procedures of the Joint Committee on Legislative Ethics with regard to alleged ethical violations of legislators. The procedures include notice to the accused legislator and the opportunity for a hearing, as well as requiring the committee to maintain confidentiality as to matters under its review involving a complaint against a legislator. However, the bills authorize the committee to allow public access to otherwise confidential information if three-fourths of the members of the committee vote, based on criteria established in the rules of the Senate and House of Delegates, to allow public access.

Under the Acts, the Joint Committee on Legislative Ethics was authorized to issue a subpoena to require the appearance of a person, the production of relevant records, and the giving of relevant testimony in a proceeding. If the committee exercises its subpoena authority, the legislator under investigation may require that the committee issue subpoenas on the legislator's behalf.

Lobbyist Ethics

Sweeping changes to the laws relating to legislative ethics were enacted in 1999, but the Special Study Commission on the Maryland Public Ethics Law was not authorized to review the provisions of law that related to regulated lobbyists, except to the extent that those provisions related to the conduct of legislators. Due in part to some criminal investigations involving some regulated lobbyists in the State, and in recognition of the enormous growth in the business of lobbying and its tremendous impact on the legislative environment in Annapolis, ***Resolutions 2 and 3 of 1999*** were enacted to create a Study Commission on Lobbyist Ethics to collect information on lobbying practices and standards of ethics for regulated lobbyists, develop a code of ethics for lobbyists, and to propose any appropriate statutory changes to the Maryland Public Ethics Law as it relates to regulated lobbyists.

The Study Commission on Lobbyist Ethics, chaired by Donald B. Robertson, a former majority leader of the House of Delegates, met throughout the 1999 and 2000 interims, and issued its final report and recommendations to the Governor and the General Assembly in the fall of 2000. Even before the recommendations of the study commission were completed, legislation dealing with the disclosure of business transactions between lobbyists and State officials and entities was enacted during the 2000 legislative session.

Disclosure of Business Transactions

Chapter 658 of 2000 required individual regulated lobbyists who lobby the Executive or Legislative branches to file a report with the State Ethics Commission that discloses any business transaction or series of business transactions during the previous six months between the lobbyist and certain State officials, the spouses of those officials, or certain business entities in which a State official holds a specified ownership interest. The lobbyist must disclose a transaction valued at $1,000 or more or any series of transactions valued at $5,000 or more. The Act did not apply to entities that employ individual regulated lobbyists or lobbyists who work for the State.

Lobbyist Ethics Reform

In October 2000, the Study Commission on Lobbyist Ethics issued its final report, which included a number of significant changes to the Maryland Public Ethics Law as

it related to lobbyists. Most of the recommendations of the study commission, with some additional provisions, were enacted in ***Chapter 631 of 2001***. Following the enactment of ***Chapter 631*** however, there were a number of provisions of that Act that proved to be controversial and were subsequently altered in the 2002 session through the enactment of ***Chapter 405 of 2002***.

Lobbyist Registration: Much of the legislative activity regarding lobbyist ethics involved registration requirements for individuals compensated to influence government activity. ***Chapter 631*** required registration with the State Ethics Commission as a lobbyist for a person who lobbies by means of communication with an official or employee of the Executive or Legislative branch other than "face-to-face" (for example, by mail, telephone, fax, or computer) and who earns at least $5,000 as compensation. ***Chapter 405*** limited that registration requirement to individuals earning $5,000 as compensation for the specific purpose of that communication during the reporting period. ***Chapter 405*** also increased the lobbying registration triggers for those who incur expenses of at least $100 to lobby, to an amount of at least $500 incurred during the reporting period; and for those who earn compensation of at least $500 to lobby to an amount of at least $2,500 as compensation to lobby during the reporting period.

Chapter 405 also increased the lobbyist registration threshold for an entity for itself to be considered a lobbyist, if the entity compensates one or more regulated lobbyists. The compensation threshold was increased under the Act from an amount of at least $500 to compensation of at least $2,500 to their lobbyists.

Chapter 631 applied legislative lobbying registration triggers to Executive Branch activities relating to the adoption of regulations and issuance of executive orders. The Act also required registration for a person who is compensated to influence executive action to secure a business grant or loan with a value of more than $100,000. ***Chapter 405*** exempted from that registration, a person who seeks to secure a business grant or loan for the purpose of locating, relocating, or expanding a business in or into the State, if the person engages in no other act that requires lobbyist registration.

Chapter 405 also created an exemption for lobbyist registration requirements for an elementary, secondary, or postsecondary school student or student organization that lobbies as part of a course or student activity.

Lobbyist Activity Reporting: ***Chapter 631*** required lobbyists to issue written invitations and to register a meal or reception sponsored by the lobbyist to which a legislative unit was invited, with the Department of Legislative Services at least five days before the meal or reception. It required the Department of Legislative Services to publish a weekly notice of the date and location of the meal or reception and the legislative unit that was invited to the meal or reception, and to forward the registration to the State Ethics Commission within three business days. The Act also required a lobbyist who files a registration report to report to the State Ethics Commission within

14 days after the date of the meal or reception: (1) the total cost of the meal or reception; (2) the identity of any contributing sponsor; and (3) the amount of the contribution made by a contributing sponsor.

Prohibited Practices: ***Chapter 631*** also prohibited regulated lobbyists from engaging in the following activities:

- initiating or encouraging the introduction of legislation for the purpose of opposing it;
- counseling any person to violate any provisions of the ethics law or any other State or federal law (***Chapter 405*** amended this prohibition to only apply to a lobbyist who "knowingly" counsels a violation);
- engaging in or counseling any person to engage in fraudulent conduct;
- knowingly making to an official or employee a statement of material fact relating to lobbying activity that the regulated lobbyist knows to be false;
- engaging in lobbying without being properly registered as a regulated lobbyist;
- requesting an official or employee to recommend to a potential client the lobbying services of the regulated lobbyist or any other regulated lobbyist;
- making a gift that has been solicited in violation of law;
- engaging in any charitable fund-raising activity at the request of an official or employee, including soliciting or transmitting a charitable contribution;
- making or facilitating the making of any loan of money, goods, or services to an official or employee, except in the ordinary course of business;
- knowingly concealing the identity of a lobbying client from an official or employee;
- committing a criminal offense arising from lobbying activity; and
- while serving on a State or local central committee, serving as an officer or participating in fund-raising or in actions relating to filling a vacancy in a public office.

Political Campaign Activity and Reports of Contributions: ***Chapter 631*** required an individual regulated lobbyist to file a separate report, at the time of filing the lobbying activity report, disclosing any contributions made during the reporting period

to members of the General Assembly, the incumbent in one of the four statewide offices, or candidates for any of those positions. The Act also required the employer of a regulated lobbyist to file a semiannual report with the State Board of Elections, disclosing contributions of at least $500 made to a member of the General Assembly, the incumbent in one of the four statewide offices, or candidates for any of those positions.

In addition, ***Chapter 631*** prohibited an individual lobbyist from forwarding fund-raiser tickets or other fund-raising solicitations to benefit a member of the General Assembly, the incumbent in one of the four statewide offices, or candidates for any of those positions.

Lobbyist Serving as Governmental Official or Employee: ***Chapter 631*** prohibited a regulated lobbyist from being a governmental official or employee who is subject to the ethics law. A lobbyist who becomes subject to regulation under the ethics law as an official or employee is required to terminate registration as a lobbyist, unless the lobbyist is simply appointed to an advisory governmental body of limited duration.

Chapter 405 modified the prohibition contained in ***Chapter 631*** to require the State Ethics Commission to adopt regulations classifying the types of State boards and commissions upon which a regulated lobbyist may serve without having to terminate registration as a lobbyist and to establish conflict of interest or financial disclosure requirements for lobbyists who also serve on State boards or commissions.

State Ethics Commission – Lobbyist Training and Procedures: ***Chapter 631*** required the State Ethics Commission to provide a training course for regulated lobbyists at least twice each year regarding the provisions of the ethics law. It requires each regulated lobbyist to attend at least one training course in each two-year period during which the lobbyist has registered with the State Ethics Commission. The Act also required the State Ethics Commission to provide counsel to advise persons who are subject to the jurisdiction of the State Ethics Commission.

The State Ethics Commission was also required by ***Chapter 631*** to develop procedures for various regulated lobbyist reports to be filed electronically and made available for public inspection electronically through the Internet.

Enforcement and Sanctions: ***Chapter 631*** authorized the State Ethics Commission to impose various administrative sanctions for lobbyist violations of the ethics law as well as increased certain criminal penalties for ethics violations.

The Act required a regulated lobbyist who violates the ethics law to file with the State Ethics Commission, additional reports or information relating to the required registration or lobbying activity reports and authorized the State Ethics Commission to directly impose an administrative fine not exceeding $5,000 for each violation.

Under ***Chapter 631***, the State Ethics Commission also was authorized to suspend the registration of an individual regulated lobbyist who has knowingly and willfully violated the lobbyist regulation subtitle of the ethics law or who has been convicted of a criminal offense arising from lobbying activities, and prohibited the lobbyist from lobbying for compensation for up to three years. Also, the Act authorized the State Ethics Commission to revoke the registration of a regulated lobbyist who, based on acts arising from lobbying activities, has been convicted of certain offenses, but also provides the opportunity for the regulated lobbyist to apply for registration reinstatement.

The Act increased, from $1,000 to $10,000, the maximum fine that can be imposed for a misdemeanor conviction for a knowing and willful violation of most of the lobbyist regulation subtitle of the ethics law. ***Chapter 631*** also increased, from one year to two years, the statute of limitations applicable to the prosecution of a criminal violation of the ethics law.

Procurement

Minority Business Enterprise Program

The Minority Business Enterprise (MBE) program, first established in the State in 1978 and modified in 1990 and 1995, was scheduled to terminate on June 30, 2000. Prior to the 2000 session, the General Assembly was anticipating completion of a third minority utilization study to evaluate the program's continued need, effectiveness, and constitutional viability. This would be the third such study, each considered necessary in light of the 1989 United States Supreme Court decision in *City of Richmond v. J. A. Croson Co.*, 488 U.S. 469, which held that state or local MBE programs using race-based classifications are subject to strict scrutiny under the equal protection clause of the fourteenth amendment of the United States Constitution. Because of questions raised concerning the proposed methodology for the third study, however, the report was not ready in time for the 2000 session. Instead, the General Assembly enacted ***Chapters 495 and 496 of 2000*** which extended the termination date for the program through July 1, 2002, and extended the date for submission of the study to January 10, 2001.

The minority utilization study prepared by National Economic Research Associates (NERA) in January 2001, concluded that there continued to be sufficient evidence of marketplace discrimination against women and minority-owned businesses in Maryland to satisfy current constitutional standards and justify a continued MBE program in Maryland. More specifically, the NERA study found underutilization in all major procurement categories and for all categories of MBEs. At the time the NERA report was prepared, State procuring agencies were required to attempt to award at least 14 percent of the total dollar value of procurement contracts directly or indirectly to certified MBEs. In addition, the Department of Transportation was required to structure its construction procurements to try to award at least 14 percent of the dollar value of any

contract in excess of $100,000 to certified MBEs either on the prime contract or subcontract level.

As a result of the NERA findings, ***Chapter 339 of 2001*** increased the overall MBE participation goal for each State procurement unit to 25 percent and continued the MBE program until July 1, 2006. The new MBE standards required that units try to target at least 7 percent of the awarded contracts to certified African American-owned businesses and at least 10 percent of the awarded contracts to certified women-owned businesses.

Chapter 339 refined the definition of MBE to require that one or more of the socially and economically disadvantaged individuals who own the firm also manage the daily business operations of it. The Act defined a socially and economically disadvantaged individual as an individual who had been subjected to racial or ethnic prejudice or cultural bias within American society because of membership in a group, without regard to individual qualities, and stemming from circumstances outside of his or her control. The law created a rebuttable presumption that an individual falling within any of the specified groups (African American, American Indian/Native American, Asian, physically or mentally disabled, or women) would qualify as a socially and economically disadvantaged individual. The certification agency was also authorized under the Act to find any individual meeting the "socially and economically disadvantaged" criteria to qualify, subject to preclusion for any individual whose personal net worth exceeds $750,000. In addition, the Act required that:

- procurement units meet the stated goals using race neutral measures to the highest possible degree;
- units entering into construction contracts implement programs to enable them to evaluate each contract to determine the appropriateness of the stated goals; and
- MBE contractors meet the same MBE subcontracting and bidding requirements as other contractors.

Chapter 339 also required the Department of Transportation, designated by the Board of Public Works as the State's MBE certification agency, to complete another study of the MBE program by September 30, 2005. To facilitate that study, the Board of Public Works was authorized to adopt regulations requiring bidders to submit information related to the study, including confidential information, to the procuring unit.

In addition, the Act charged the Board of Public Works with completing two studies that: (1) evaluate the possibility of certifying nonminority males who own businesses located in distressed counties as defined under Article 83A, § 5-701 of the Code; and (2) evaluate the possibility of establishing a private sector incentive program to encourage minority business participation in private sector projects.

In December 2001, the Board of Public Works reported its findings, based on a study prepared by Colette Holt and Associates, that location within a distressed county would not provide a reasonable basis for a presumption that a business has been rendered noncompetitive. As an alternative, the board suggested that the MBE standards might be modified to mirror the federal disadvantaged business enterprise program which include long-term residence in an environment isolated from the mainstream of American society or other similar cause as a criteria for finding social disadvantage.

House Bill 1150 of 2002 (failed) would have broadened the applicability of the MBE preference by modifying the definition of "socially disadvantaged individual" to include an individual, including a nonminority male, who has suffered social disadvantage due to long-term residence in an environment isolated from the mainstream of American society or due to any cause not common to members of the general public.

Procurement Procedures

During the 1998 interim, the Governor convened the Governor's Special Commission to Study Health Care Procurement Practices. Although the commission focused primarily on health care procurement practices, ***Chapter 302 of 1999*** made several modifications to general procurement procedures as a result of the commission's recommendations. Over the 1999–2002 term, several other enactments also modified procurement procedures.

Disclosure and Preservation of Information: In order to safeguard against improper influence on the procurement process, ***Chapter 302*** generally prohibited a procurement officer from disclosing to a person outside of the executive department any information regarding a specific solicitation from the time responses to the solicitation are received until a recommendation of award is made. Information about whether or not a recommendation of award has been made or information that is available under the access to public records statute are allowed. The procurement officer is required to make a written record regarding such inquiries and to maintain these records and other procurement records including: solicitations issued, offers received, correspondence and other documentation concerning the solicitation, and contracts awarded.

Debarment Procedures: Under the procurement laws of the State, a business or firm that has been convicted of bribery or attempted bribery in connection with obtaining a contract with the State or a local government is debarred (that is, legally prevented) from entering into a contract with the State or a local government. In order to streamline the debarment process, ***Chapter 302*** authorized the Attorney General to institute debarment proceedings before the Board of Public Works by filing an administrative complaint, as opposed to the board initiating the proceedings at the recommendation of the Attorney General.

Reciprocal Preference for In-state Bidders: ***Chapter 501 of 1999*** expanded the application of the reciprocal preference program for resident bidders competing against out-of-state bidders on State competitive sealed bid procurements. The program had allowed a procurement unit to give the same preference to a Maryland bidder that a bidder with its principal office in another state is allowed under that state's laws. ***Chapter 501*** extended the preference to cases where a significant portion of the value of supplies or services to be provided by the nonresident bidder originates or are produced in another state that grants a preference.

Electronic Transactions: ***Chapter 354 of 2001*** authorized procurement units to conduct all aspects of the procurement process, including bid solicitation, receipt of bids, bid award, contract execution, and contract administration by electronic means. ***Chapter 243 of 2002*** designated the internet-based procurement system managed by the Department of General Services as "eMaryland Marketplace" and required that certain procurements be advertised electronically on "Contract Weekly Online." ***Chapter 297 of 2002*** authorized a procurement unit to use auction bids, generally conducted on-line, in the procurement of supplies if the estimated contract value of the procurement is $1,000,000 or more. The process is commonly referred to as a "reverse auction" and requires bidders to compete against each other to offer the lowest price for specified goods.

Unsolicited Proposals: ***Chapter 482 of 2002*** authorized the award of a procurement contract on the basis of an unsolicited proposal for specified service contracts. The unsolicited proposal must involve the delivery of business and economic development services, or educational, health, or social services and must meet other criteria, including offering a novel or innovative concept. An unsolicited proposal need not, however, meet the requirements established for a sole source procurement. The Act created an interagency panel that must review and concur in the award of a contract on the basis of an unsolicited proposal.

Procurement of Information Technology

Chapter 510 of 2001 required the Department of Budget and Management to adopt, by regulation, a two-stage streamlined process to procure information technology services.

The Chief of Information Technology, who is under the Department of Budget and Management, was required under ***Chapter 620 of 2000*** to adopt regulations establishing nonvisual access standards by January 1, 2003, for use by each unit of State government in the procurement of information technology and the provision of information technology services. The procurement process established under ***Chapter 620*** allows vendors to be prequalified in specific categories of information technology services and enter into a standard contract with the State for a specified period of time.

When procurement units require information technology services, they solicit these services from the vendors who have prequalified in the service area needed.

For an additional discussion of other aspects of the purchase and utilization of information technology by the State, see the subpart "State Agencies, Offices, and Officials" of this Part C.

Cooperative Purchasing/Nonpublic Schools

Chapter 342 of 2000 expanded the opportunity for cooperative purchasing by including an affiliation, alliance, consortium, or group of governmental entities in the list of entities authorized to participate in intergovernmental cooperative purchasing agreements. ***Chapter 171 of 2002*** authorized local boards of education and private schools to participate in contracts for goods that are awarded by other public agencies or by intergovernmental purchasing organizations as long as the lead agency for the contract follows public bidding procedures. The Maryland State Department of Education is required under the law to establish a process, which may include a web site, that provides access to information about contracts for goods held by public agencies or intergovernmental purchasing organizations. In addition ***Chapter 390 of 2002*** authorized nonprofit private elementary or secondary schools that are certified by the State Board of Education or the Association of Independent Schools to use the services of the purchasing bureau of the Department of General Services to purchase materials, supplies, and equipment. The Act prohibited the purchase of any religious materials on behalf of the private schools.

Conflict of Interests

Prior to 1999, State law prohibited a State official or employee from being employed by, or having a financial interest in, an entity that is negotiating or has entered into a procurement contract with the individual's governmental unit. ***Chapter 302 of 1999*** expanded the prohibition to also apply to relationships with entities with subcontracts under a procurement contract with the unit. The Act also expanded the definition of financial interest to include certain ownership interests held by the spouse of an official or employee. In addition, the Act prohibited an official or employee from accepting a gift from a procurement contractor, an entity competing for a procurement contract, or an officer, employee, representative, agent or consultant of a contractor or potential contractor. ***Chapter 406 of 2000*** prohibited an individual or an individual's employer from submitting, or assisting another party in submitting, a procurement contract bid or proposal if the individual is involved in assisting the procuring agency in the award of the contract. The Act also mandated that a solicitation for a consultant to assist in a procurement matter contain a provision requiring the prospective consultant to file an affidavit disclosing any actual or potential conflict of interest.

Construction Contracts

Prompt Payment of Subcontractors

To alleviate a persistent complaint by subcontractors experiencing problems being paid by prime contractors for work on State construction projects, the General Assembly passed ***Chapter 687 of 1999*** which required that a contractor pay a subcontractor undisputed amounts within ten days of receipt of final payment or a progress payment from the State. It also established an informal, three-step dispute resolution process that applies in cases where money is withheld by a prime contractor without adequate justification. ***Chapter 621 of 2000*** expanded the requirement of the 1999 Act to lower-tier subcontractors by requiring that each State construction procurement contract include a provision governing prompt payment to subcontractors and requiring inclusion of a similar provision in each subcontract at any tier. This prompt payment provision for lower tier subcontractors is required to establish procedures and remedies for the resolution of payment disputes similar to the process and remedies established at the prime contractor level.

Retainage

Chapter 621 capped the amount of retainage that the State may require in a construction contract at 5 percent, provided 100 percent payment security has been provided under the Little Miller Act. However, the Act did not preclude the State from withholding additional money if the administering agency reasonably believes this necessary to protect the State's interest. The Act also limited the percentage of payments that a contractor or a subcontractor may withhold from a lower tier subcontractor based on the percentage withheld by the State or a higher tier contractor. The Act did not preclude a contractor or subcontractor from withholding additional money if reasonable grounds exist for doing so.

Payment Security

Chapter 655 of 2000 amended the Maryland Little Miller Act to prohibit an executory contract between a supplier and a State construction procurement contractor or subcontractor from waiving, or otherwise abrogating, the supplier's right to sue on payment security.

Claims Process

Chapter 684 of 1999 increased the time period within which a contractor must submit a written explanation of a construction contract claim from 30 to 90 days after the notice of the claim has been filed. Consistent with the modified filing schedule, the Act

extended the time period for recovery of incurred expenses to 120 days preceding the submission of the claim.

Prevailing Wage

Repealing the provisions of law that had required 75 percent or more of an elementary or secondary school construction project to be funded by the State in order for the prevailing wage law to apply, ***Chapter 208 of 2000*** established that the same prevailing wage requirements apply to school projects as applies to other public work projects of $500,000 or more for which the State funds 50 percent or more of the construction costs. ***Chapter 143 of 2002*** established that a general contractor is liable for restitution for underpayment to any employee working on a public work contract covered by the prevailing wage law, including a subcontractor's employee. The Act also provided joint and several liability for the contractor and subcontractor to pay restitution to a subcontractor's underpaid employee. The contractor's liability for liquidated damages to the public body remains the same.

University System of Maryland

During the 1998 session, the General Assembly established a Task Force to Study the Governance, Coordination, and Funding of the University System of Maryland ("system"). The report of the task force served as the foundation for ***Chapter 515 of 1999*** which granted the university system and its constituent institutions greater autonomy and flexibility in their operations. For an additional discussion of ***Chapter 515*** covering issues other than procurement, see the subpart "Higher Education" of Part L – Education of this *Major Issues Review*.

Chapter 515 changed the legal status of the system from a State agency to a public corporation and an independent unit of State government. Consistent with this change, the Act generally exempted the system from State law governing procurement. As part of the exemption, however, the Act required the Board of Regents of the university system to develop policies and procedures governing procurement by the university that promote the purposes of the State procurement law. Theses polices and procedures are subject to approval by the Board of Public Works and the Administrative, Executive, and Legislative Review Committee of the General Assembly. The Act also required Board of Public Works' approval for contracts for services or capital improvements exceeding $500,000. Additionally, the Board of Regents was required to develop an information technology plan that would be compatible with the State information technology plan.

Regulations and Procedures

Public Records

Electronic Records: After considering the issue in several previous sessions, in 1999 the General Assembly passed legislation mandating free electronic public access to Maryland regulations. ***Chapter 668 of 1999*** required the Division of State Documents to make direct on-line searches of the *Maryland Register* and the *Code of Maryland Regulations* available to the public free of charge. The Act prohibits the commercial resale or other compensated use of materials obtained from these searches.

Access to Public Records: ***Chapter 403 of 2002*** provided greater clarity in the State law concerning public access to governmental records. The Act required a custodian of public records to consider whether to designate specific types of records that will be made available immediately on request, without a written application, and whether to maintain lists of those designated record types. The Act also required a custodian to grant or deny requested access to a public record within 30 days or notify the applicant that the record does not exist. Under the Act a custodian may not condition the grant of access based on the identity or affiliation of the applicant or the purpose of the application, unless:

- the applicant is requesting a fee waiver or information that is material to the determination of whether the applicant is entitled to a fee waiver; or

- the request is related to the status of an applicant as a person in interest or as required by other law.

The Act also established a "clear and convincing" evidence standard for damages available for the willful and knowing unlawful disclosure of information in public records or failure to disclose information lawfully sought from public records. Finally, the Act removed the availability of punitive damages for willful and knowing unlawful disclosure, or failure to disclose, lawfully requested information from public records.

Permissible Denials: Although information in public records is generally available to the public, the General Assembly has provided several categories of records to which access may be restricted or denied. The General Assembly added two types of records to those categories in the 2002 legislative session: public security documents and information on the competitiveness of Maryland Port Administration facilities.

Public Security Documents: The September 11, 2001, terrorist attacks heightened concern for security, including the availability of sensitive information in public records that may compromise the safety of public facilities. ***Chapter 3 of 2002*** was enacted to allow a custodian of public records to deny inspection of several

categories of records relating to emergency response, infrastructure materials, public facilities, and medical and laboratory facilities. The custodian may deny access to these records only to the extent that disclosure of the information would jeopardize the security of any structure owned or operated by the State or one of its political subdivisions, facilitate the planning of a terrorist attack, or endanger the life or physical safety of an individual.

Port Administration Rates and Services: Competition for overseas shipping is intense among the ports along the Atlantic Coast of North America. To protect information that might otherwise benefit competitor ports, ***Chapter 357 of 2002*** was enacted to allow a custodian of public records to deny access to information on stevedoring or terminal services or facility use rates generated, received, or negotiated by the Maryland Port Administration or by a private operating company created by the Port Administration. A custodian may also deny access to proposals to use those services to increase waterborne State commerce and deny access to research and analyses related to maritime businesses or vessels that are compiled to evaluate competitiveness.

Smart Codes

On May 26, 1999, over 300 architects, planners, code officials, and environmentalists attended the Maryland Smart Codes Conference during which participants discussed impediments to smart growth development caused by Maryland's existing construction codes, including:

- lack of uniformity arising from overlapping and unclear requirements;
- lack of predictability due to varying requirements among jurisdictions and different interpretations by individual code enforcement officials;
- lack of flexibility as applied to existing buildings; and
- lack of training for code officials and private design professionals.

Participants also highlighted impediments posed by development regulations in effect across the State, including:

- lack of incentives for innovative smart growth projects;
- imposition of cumbersome reviews for mixed-use and infill developments; and
- encouragement of inefficient land use by requiring wide roads, large lots, deep setbacks, excessive parking, and other provisions.

Subsequently, in July 1999 the Governor established the Smart Codes Strategy Group and a smaller steering committee to develop smart growth recommendations for existing building codes and development regulations. The group was charged with finding innovative ways to strengthen existing communities through redevelopment and reducing the land and infrastructure costs of new smart growth development. The group recommended legislation to address rehabilitation of existing buildings and promotion of infill and compact mixed use developments.

Maryland Building Rehabilitation Code: Vacant and underutilized buildings seriously detract from the areas in which they are located. Private and public interest in rehabilitating older buildings is enhanced by regulatory procedures and standards for rehabilitation and reuse that are more predictable, consistent, and flexible. This goal can be facilitated by the adoption of a consistent statewide building rehabilitation code that avoids the overlapping of State and local codes and the conflict and confusion created by differences in local codes.

Chapter 206 of 2000 created a 27-member Maryland Building Rehabilitation Code Advisory Council and required the Department of Housing and Community Development to work with the advisory council in adopting by regulation a Maryland Building Rehabilitation Code (MBRC). The MBRC must be modeled on the Nationally Applicable Recommended Rehabilitation Provisions developed by the federal Department of Housing and Community Development and the National Association of Home Builders' Research Center. The Act also provides minimum standards that the MBRC must contain.

The purpose of the MBRC is to encourage and facilitate the rehabilitation of buildings by reducing the costs and constraints of existing procedures and standards. The MBRC applies to all rehabilitation projects for which a construction permit application is received by a local jurisdiction, the Maryland-National Capital Park and Planning Commission, or the Washington Suburban Sanitary Commission.

Infill Development and Smart Neighborhoods: "Infill development" is new development in a Priority Funding Area on vacant, bypassed, and underutilized lands within existing developed areas. "Smart neighborhood development" is a comprehensively planned, compact mixed use development within a priority funding area that integrates residential, commercial, open space, and public uses.

Chapter 207 of 2000 required the Maryland Department of Planning to:

- draft model land-use codes for infill development and smart neighborhood development;

- draft guidelines to provide local governments with information on innovative planning and implementation techniques to encourage and facilitate infill development and smart neighborhood development;

- circulate the models and guidelines to other State agencies; and

- work with local governments and State agencies to develop incentives to encourage the voluntary adoption and implementation by local governments of the intent of these models and guidelines.

Personnel

Collective Bargaining

Background

The most significant personnel issue during the past four years involved establishing collective bargaining rights for various State employees. The process started during the 1996 session when the Governor introduced collective bargaining legislation for State employees. Because the General Assembly did not pass collective bargaining legislation in 1996, the Governor promulgated an Executive Order establishing collective bargaining for specified State employees.

Collective Bargaining in State Government

Chapter 298 of 1999 established statutory collective bargaining rights for employees in the principal departments of the Executive Branch of State government and created an administrative process for collective bargaining. Essentially, ***Chapter 298*** codified much of the bargaining process set up by the Governor's Executive Order. As introduced, the legislation would have gone beyond the procedures for collective bargaining established under the Executive Order by extending collective bargaining rights to nonfaculty employees of public institutions of higher education, creating procedures for resolving impasses, and requiring State employees to pay a fee to their unit's exclusive bargaining representative. As passed by the General Assembly, however, the legislation did not contain the preceding provisions.

As enacted, ***Chapter 298***: (1) defined which employees will and will not have collective bargaining rights; (2) "grandfathered" (that is retained) in nine existing bargaining units and allowed for the creation of more units if necessary; (3) created a State Labor Relations Board, modeled after boards in other states, to oversee the collective bargaining process and resolve disputes; (4) guaranteed employees and employers certain rights; (5) prohibited strikes; (6) provided that an elected bargaining representative has exclusive rights to participate in collective bargaining; (7) specified

the process for electing and decertifying an exclusive bargaining representative; and (8) established the duties of the exclusive bargaining representative. There was no provision for mandatory fact-finding or binding arbitration.

Consistent with the Governor's Executive Order, ***Chapter 298*** allowed State employees, through their elected exclusive bargaining representatives, and the Governor to engage in good faith negotiations over wages, hours, and conditions of employment. All matters agreed to were to be contained in a memorandum of understanding (MOU), which requires ratification by the Governor and the members of the bargaining unit. The Governor was not required to negotiate any matter that was inconsistent with existing law, and negotiations over service fees for nonunion members of the bargaining unit were prohibited. In addition, budget or legislative initiatives that resulted from the negotiations must be recommended to the General Assembly for approval. Collective bargaining cannot affect the budget authority of the General Assembly. The right of the General Assembly to change or modify the law with regard to any matter that is a subject of a memorandum of understanding was reserved.

Collective Bargaining in Higher Education

Two years later during the 2001 session, ***Chapter 341 of 2001*** expanded collective bargaining for State employees to include certain employees of the University System of Maryland (USM) and its constituent institutions, Morgan State University, St. Mary's College, and Baltimore City Community College. Faculty, administrators, supervisors, managers, contractual and temporary personnel, and certain other employees were not granted collective bargaining rights. As discussed above, the 1999 legislation enacted relating to collective bargaining applied to approximately 40,000 employees of State agencies, but the enactment had specifically prohibited extension of collective bargaining to higher education employees. ***Chapter 341*** was the culmination of an effort initiated by the Governor to extend collective bargaining rights to certain higher education employees.

Chapter 341 required each institution, including each constituent institution of USM, to create bargaining units for exempt employees, nonexempt employees, and sworn police officers. The potential existed for the establishment of 51 bargaining units (17 institutions times three units each), but constituent institutions of USM were allowed to cooperate with each other for the purposes of collective bargaining. Similar to the system established for State employees, the affected higher education parties may bargain over wages, hours, and other terms and conditions of employment. The employer's representative and the employees' exclusive representative were given the authority to "meet and confer" and execute an MOU incorporating all matters of agreement reached. There was no provision for mandatory fact-finding or binding arbitration. To the extent that the matters of agreement required legislative approval, these matters must be recommended to the General Assembly.

To oversee the process and resolve disputes, ***Chapter 341*** created an independent Higher Education Labor Relations Board to oversee collective bargaining for State institutions of higher education. As mandated by the Act, the board consists of five members and employs an executive director and other staff. Prior to the establishment of collective bargaining for State education employees, there was a statutory requirement that these employees receive the same compensation and benefits package as State employees. ***Chapter 298*** removed this requirement, and each group of State employees must negotiate their own compensation and benefits independently.

Collective Bargaining in Public School Systems – Expansion

Collective bargaining rights for teachers and employees in the State's public school systems have long been established by statutory law. The permissive areas of negotiating between the school systems and the teachers and employees are salaries, wages, hours, and other working conditions. ***Chapter 287 of 2002*** expanded collective bargaining rights in the public school domain to include other matters as mutually agreed to by the negotiating parties. While the Act did not generally specify those other matters, it did so with respect to due process rights for discipline and discharge. The Act also prohibited the negotiation of the school calendar, class sizes, and matters precluded by statutory law. The Act also extended collective bargaining rights to noncertificated school employees who work for school systems on the Eastern Shore.

State Employment

Teleworking Pilot Program

Chapter 466 of 1999 changed the name of the State's Telecommuting Pilot Program to the Teleworking Pilot Program and made a number of changes to the existing pilot program. The Secretary of Budget and Management was required to adopt a telework policy and the guidelines necessary to establish and carry out the pilot program for use by all participating agencies.

Chapter 466 also required the Secretary to hire a telework consultant to: (1) provide technical assistance; (2) develop and conduct training programs for teleworking State employees and their managers; (3) identify telework centers, including distributive training technology centers, that are available to State teleworkers; and (4) develop a proposal for a telework center pilot program. In addition, a Telework Steering Committee was established to assist the secretary in establishing telework programs in all Executive Branch agencies, and provided for the composition and duties of the committee. In addition a 10 percent participation rate of eligible employees was established for each Executive Branch agency.

Contractual Employment

As part of the reform of the personnel system in 1996, the General Assembly mandated that the Department of Budget and Management study the issue of long-term contractual employment. During the 1998 session, the General Assembly passed legislation that allowed the conversion of contractual employees to permanent positions after only six months of satisfactory job performance. ***Chapter 172 of 2000*** continued the State's efforts to reduce the high number of long-term contractual employees. ***Chapter 172*** provided that a State contractual employee who was selected to fill a permanent position in the same agency that employed the contractual employee would be given service credits for time spent as a contractual employee to establish steps in the pay grade, annual leave, and seniority rights.

Employee Compensation

Following the granting of collective bargaining rights to State employees, ***Chapter 179 of 2000*** was the first significant legislation to implement statutory changes negotiated as part of collective bargaining. The omnibus legislation made changes to State personnel rules relating to holiday pay, gave State employees the ability to cash out unused sick leave, and increased death benefits for State employees killed in the performance of job duties. Specifically, ***Chapter 179*** clarified that State employees receive holiday pay and compensatory time (time and a half) for any hours actually worked on a scheduled holiday and increased the death benefit for an employee killed in the line of duty from $50,000 to $100,000.

The legislation also established the Sick Leave Incentive Program consisting of the following two incentives:

- allowed employees to receive cash payment for up to 40 hours of unused sick leave per calendar year if an employee has used no more than 40 hours of sick leave during the calendar year and has a sick leave balance of at least 240 hours at the end of calendar year; and

- allowed employees to receive cash payment of up to 56 hours of unused sick leave per calendar year if an employee has used no more than 24 hours of sick leave during the calendar year and has a sick leave balance of at least 240 hours at the end of the calendar year.

Due to budgetary constraints language in the fiscal 2002 and 2003 budget bills limited the Sick Leave Incentive to a pilot program within certain State agencies selected by the Department of Budget and Management. In fiscal 2002 the program was limited to units or facilities within the Division of Correction.

In addition to enhancing compensation for State employees, aspects of the executive pay plan were altered by establishing minimum and maximum salaries for positions in the plan, as an alternative to existing grades and steps. In addition, the requirement for Board of Public Works' approval of employee salary adjustments in the executive pay plan was repealed. The standard pay plan was expanded by adding several grades at the top of the plan, which consisted of those employees removed from the executive pay plan.

Fiscal 2002 and 2003 Budget Constraints

Because of a slowing economy, State personnel expenditures received much legislative scrutiny during the 2002 session. Under the requirements of Section 37 of the fiscal 2003 budget (***Chapter 439 of 2002***), a 75,600 full-time equivalent regular position cap was applied to the Executive Branch. This position cap required substantial position reductions, which carried a minimum required budgetary reduction of at least $11.0 million in general funds. There was also a reduction in the State's match of the deferred compensation benefit from $600 to $500. Funds for the pay-for-performance bonus benefit were reduced in the budget by $8.8 million. For a more detailed discussion of personnel budget actions, see Part A - Budget and State Aid - of this *Major Issues Review*.

Leave and Benefits

Chapter 285 of 2002 provided some financial relief to State employees who are called to active military duty in the wake of the events of September 11, 2001. The Secretary of Budget and Management was authorized to provide, by regulation, up to 15 days of leave with pay for employees who were on active military duty or military training in a reserve unit or in the organized militia (National Guard). Employees called to active military duty on or after September 11, 2001, that are on unpaid leave, were also permitted to receive leave from the State Employees Leave Bank. An employee on active military duty and unpaid leave, may receive leave from the bank beginning January 1, 2001, or the date the employee began unpaid leave, whichever was later. The Act is effective until December 31, 2003.

Pensions and Retirement

During the 1999–2002 term, the General Assembly considered many complex issues relating to the State Retirement and Pension System (SRPS). These issues included: (1) enhancement and expansion of pension benefits for State law enforcement officers; (2) relaxation of rules regarding reemployment of retirees; (3) changes to the plan's actuarial funding mechanism; (4) necessary follow-up to the 1998 general pension enhancement; and (5) various other changes.

Changes in Law Enforcement Officer Retirement Systems

State Police Retirement System Enhancement

Chapters 122 and 123 of 1999 altered several aspects of the State Police Retirement System and enhanced the benefit structure for retirees and active members of that system. The enhancements included:

- allowing members to retire with a normal service retirement allowance with at least 22 years of service (or age 50), versus prior law, which required 25 years of service (or age 50);

- calculation of benefits at the rate of 2.55 percent of average final compensation for each year of service instead of 2.2 percent of average final compensation per year for the first 25 years of service and 1.1 percent per year thereafter;

- capping a member's normal service retirement at 71.4 percent of average final compensation (or 28 years of service);

- setting employee contributions at 8 percent of pay throughout membership instead of 8 percent member contributions for the first 25 years and 4 percent thereafter; and

- establishment of a Deferred Retirement Option Program (DROP) that, in general, allows State Police members to "retire" from the State Police Retirement System but continue to be employed by the Department of State Police in the same position with the same rank and status for a fixed period of time.

Chapters 122 and 123 provided that under DROP, the member's benefit payments (based on service credit and salary at "retirement") are maintained by the State retirement system in a fictional account where the member earns interest and receives any cost-of-living (COLA) adjustments to the basic retirement allowance. The member does not accrue any additional service during the DROP period. At the end of the fixed period, the member terminates employment and receives the value of the DROP account and begins to receive the normal retirement allowance as well. The Acts also required that for enrollment in DROP, a member must have at least 22 years of service but be less than 60 years old and that the maximum period of the DROP is four years.

Lastly, ***Chapters 122 and 123*** increased the retirement allowances of State Police Retirement System members who were retired before June 30, 1999, by providing annual lump sum payments as follows:

- $1,200 for retirees who have been retired not more than five years;
- $1,500 for retirees who have been retired more than five but less than ten years;
- $1,800 for retirees who have been retired more than ten but less than 15 years;
- $2,100 for retirees who have been retired more than 15 years.

The lump sum under the Acts applied to all normal service and disability retirees and their beneficiaries. Additionally, retirees received a prospective annual unlimited COLA on this annual lump sum in addition to their existing benefit and COLA.

Law Enforcement Officers' Pension System Enhancement

Chapter 395 of 2000 enhanced retirement benefits for active members and retirees of the Law Enforcement Officers' Pension System (LEOPS). The enhancements included:

- requirement that most active LEOPS members make a member contribution of 4 percent of salary;
- calculation of benefits at the rate of 2 percent of average final compensation for each year of service, with a maximum normal service retirement allowance not to exceed 60 percent of average final compensation versus a prior accrual rate equal to 1.0 percent of average final compensation up to the Social Security integration level and 1.7 percent thereafter (with a supplemental benefit until age 62);
- a 3 percent compound COLA for active members, former vested members, and retirees, versus current 3 percent simple COLA;
- eligibility for an accidental disability retirement benefit if the member is totally and permanently incapacitated for duty arising out of or in the course of the actual performance of duty (including accidental disability based on occupational diseases such as heart condition, hypertension) instead of requiring the disability to be the "natural and proximate" result of a specific accident;
- provision that LEOPS "retirement tier" members (who transferred from the "old" Employees' Retirement System and retained that benefit structure) have a six-month window to select the enhanced LEOPS benefit or to continue under their current structure (if the member opted to remain in the "retirement system" option of LEOPS, the member would continue to pay the retirement system contribution rate of 5 percent or 7 percent and receives the retirement system COLA); and

- establishment of a Deferred Retirement Option Program (DROP) similar to that established for State Police System members under ***Chapters 122 and 123*** that allows LEOPS members to "retire" from LEOPS but continue to be employed by their current employer in the same position with the same rank and status for a fixed period of time.

Chapter 395 provided that under DROP, the member's benefit payments (based on service credit and salary at "retirement") are maintained by the State retirement system in a fictional account where the member earns interest and receives any cost of living adjustments to the basic retirement allowance. The member does not accrue any additional service during the DROP period. At the end of the fixed period, the member terminates employment and receives the value of the DROP account and begins to receive the normal retirement allowance as well. The Acts also required that for enrollment in DROP, a member must have at least 25 years but less than 30 years of service and that the maximum period of the DROP is five years.

Expansion of Membership LEOPS

Prior to the 1999–2002 term of the General Assembly, various State agencies, including the Department of Natural Resources police, the University System of Maryland, and the Maryland Transportation Authority, transferred their police forces from the Employees' Pension System (EPS) to LEOPS. During the 1999–2002 term, the following law enforcement and public safety officers were also transferred to LEOPS:

- ***Chapter 10 of 1999*** expanded membership in LEOPS to include the police force of Morgan State University;

- ***Chapter 397 of 2000*** expanded membership in LEOPS to include police officers of the Department of General Services, the Department of Health and Mental Hygiene, the Motor Vehicle Administration, the Department of Labor, Licensing, and Regulation, and members of the BWI Airport fire department;

- ***Chapter 393 of 2001*** expanded membership in LEOPS to include Martin State Airport firefighters employed by the Military Department; and

- ***Chapter 326 of 2002*** expanded membership in LEOPS to include police officers employed by the Division of Rehabilitation Services in the State Department of Education.

Each Act provided a limited window of opportunity for individuals to transfer into LEOPS. This requirement was modified by ***Chapter 353 of 2002*** which authorized State employees who were previously eligible for LEOPS membership but elected not to transfer an additional transfer opportunity through December 31, 2002.

LEOPS "Retirement Tier"

Chapter 737 of 2001 increased the benefit formula for a LEOPS member who had previously transferred into that system from the Employees' Retirement System (ERS), by increasing the accrual rate of the member's average final compensation for each year of service from 2.0 to 2.3 percent. In addition, the Act provided that a member of LEOPS who did not elect to participate in the Law Enforcement Officers' Modified Pension Benefit under ***Chapter 395 of 2000*** would receive each benefit enhancement added on or after July 1, 2001, to the Law Enforcement Officers' Modified Pension Benefit.

Law Enforcement Officer Special Death Benefits

Chapter 588 of 2001 increased the allowance paid to a surviving beneficiary (or beneficiaries) of a member of the State Police Retirement System from 50 percent of the member's average final compensation to two-thirds of average final compensation. The Act provided that it was to be construed retroactively and apply only to surviving spouses of members whose death arose out of or in the course of the actual performance of their duty on or after July 1, 1972, but before January 1, 2002.

Chapter 588 was modified by ***Chapter 102 of 2002*** which increased the special death benefit paid to surviving beneficiaries of a member of either LEOPS or the State Police Retirement System whose death arises out of or in the course of the actual performance of duty to two-thirds of the member's average final compensation. ***Chapter 102*** applies prospectively to members of LEOPS or the State Police Retirement System whose death arises out of or in the course of actual performance of duty.

Reemployment of Retirees

The General Assembly dealt with a number of bills during the 1999–2002 term relating to the reemployment of retirees and the reemployment earnings limitation. Under current law, members of the SRPS are subject to an earnings limitation that offsets their pension benefit (dollar for dollar) for any amount they earn (in combination with their pension benefit) that exceeds their salary at retirement. Various bills were passed by the General Assembly that exempted certain employees from the earnings limitations if they met specified criteria.

Reemployment of Teachers

Under ***Chapter 518 of 1999***, a Teachers' Retirement System (TRS) or the Teachers' Pension System (TPS) retiree would not be subject to the earnings limitation if the retiree meets the following criteria:

- is certified to teach in the State;
- has verification of satisfactory or better performance in the last assignment prior to retirement;
- has received an appointment from the hiring board of education;
- retired with a normal service retirement or retired with an early service retirement and has been retired for at least 12 months; and
- is reemployed as:
  - a substitute or permanent classroom teacher or teacher mentor in a public school that has been recommended for reconstitution or has been reconstituted; or
  - a substitute or permanent classroom teacher or teacher mentor in a county or subject area (statewide) in which there is a shortage of teachers, until the board finds that the shortage no longer exists.

Chapter 518 provided that the teacher must continue to receive satisfactory or better evaluations to receive the exemption. The local boards of education are required to notify the State Retirement Agency of any retired teachers who qualify for the exemption from the reemployment offset. The Act also requires the State Board of Education to notify the local boards of education as to which schools, counties, or subject areas meet the above criteria. Shortly after the enactment of ***Chapter 518***, the State Board of Education determined that a shortage of teachers for the purposes of the reemployment earnings exemption under the Act existed in all counties in the State. The Act terminates on June 30, 2004.

Reemployment of Principals

Chapter 245 of 2000, which terminates on June 30, 2004, exempted retirees of the TRS and TPS from the reemployment earnings limitation if they are reemployed as principals, under certain conditions. The Act exempted from the reemployment earnings limitation a retiree of the teachers' retirement or pension system who:

- was employed as a principal within five years of the member's retirement and, based on the retiree's qualifications, has been hired as a principal;
- has verification of better than satisfactory performance in the last assignment as a principal and receives verification of better than satisfactory performance each year the retiree is employed as a principal under this exemption;

- retired with a normal service retirement allowance, or retired with an early service retirement allowance and has been retired for at least 12 months; and

- is not reemployed as a principal under the bill for more than four years.

In the following session, ***Chapter 732 of 2001*** exempted from the reemployment earnings limitation retirees of the TRS and TPS who were employed as principals not more than ten years before retirement, were employed in a position supervising principals in the retirees' last assignment prior to retirement, are reemployed as a principal, and meet certain other conditions. The Act is subject to termination on June 30, 2004.

Comprehensive Changes to the Reemployment Earnings Limitation

Chapter 733 of 2001 was introduced by the Joint Committee on Pensions and pertained to retirees of the Employees' Retirement System (ERS), Employees' Pension System (EPS), Teachers' Pension System (TPS), Teachers' Retirement System (TRS), and Correctional Officers' Retirement System (CORS). The Act provided that the reemployment earnings limitation applies only if the designated retirees are reemployed by the same employer from which they retired. ***Chapter 733*** allowed a retiree who receives a normal service retirement to be reemployed with any of the other 99 employers participating in the State Retirement and Pension System (other than the employer from which they retired) without any earnings limitations. For purposes of reemployment, the Act provided that the State is treated as a single employer.

Chapter 733 also incorporated a recommendation by the State Retirement Agency's legal counsel regarding IRS reemployment rules. The Act required an employee who takes early retirement to be retired for at least 12 months before accepting reemployment with a participating employer. Next, ***Chapter 733*** exempted retirees of the EPS and the TPS from any reemployment earnings limitations if they have been retired for more than ten years.

Finally, the Act additionally exempted from the earnings limitation retired health care practitioners (including nurses) who are reemployed by the Department of Health and Mental Hygiene, even if the reemployed practitioners have retired from the State. These retirees are also exempt from the hiring limitations in the 1996 and 1997 Workforce Reduction Acts. However, these exemptions, with respect to retired health care practitioners, will terminate on June 30, 2006.

Reemployment of Disability Retirees – Suspension of Allowance

Chapter 363 of 2002 eased restrictions on disability retirees who wish to return to work. The Act grants the pension board discretion to temporarily suspend the disability retirement allowance of a disability retiree who: (1) is under the normal retirement age; (2) began receiving a retirement allowance on or after July 1, 1998; and

(3) is reemployed in any position by a participating employer, if the salary received by the retiree is at least equal to the retiree's average final compensation at retirement. The suspension is effective only during the period of reemployment.

Chapter 363 also repealed provisions of law allowing the board to suspend a retiree's allowance if: (1) the retiree becomes reemployed by a participating employer at a salary less than the retiree's average final compensation at retirement but in a position similar to the position held at retirement; or (2) the board determines that a retiree has refused to accept a reemployment offer by the retiree's employer at the time of retirement in a position similar to the one held by the retiree at retirement or a position with a salary that is at least equal to the retiree's average final compensation at retirement. Additionally, the requirement that a disability retiree be subject to a reexamination process was also eliminated.

State Retirement and Pension System Actuarial Funding Mechanism

As of the valuation date of June 30, 2000, the SRPS was 101 percent funded on an actuarial basis, as compared with a low of 34 percent funding in 1984. The system achieved full funding approximately 20 years ahead of the statutory schedule that requires full funding by the year 2020. Although the funding level remained high, investment losses in fiscal 2001 resulted in the system falling to an actuarial funding level of approximately 97 percent as of June 30, 2001. Nevertheless, the high actuarial funding level of the system in recent years, concerns as to volatility of State contribution rates, and budget actions by the Governor, resulted in significant changes to the funding mechanisms for the system during the 1999–2002 term.

To address the potential for volatility of State contribution rates, ***Chapter 583 of 2001*** required the SRPS, beginning July 1, 2001, to amortize over a 25-year period all actuarial liabilities or surpluses that have accrued from July 1 of the preceding fiscal year. The Act provided that future years' liabilities or surpluses will maintain a 25-year amortization schedule beginning in the year the liabilities or surpluses first accrued (versus the prior fixed amortization date of 2020). ***Chapter 583*** also required the "municipal pool" of local governments that participate in the SRPS to amortize all new actuarial liabilities over a similar 25-year period.

In the fiscal 2003 budget, the Governor proposed freezing the State contribution rate to the State Retirement and Pension Systems at essentially the same level as the fiscal 2002 contribution rate. This resulted in an underfunding of the required State contribution to the system of approximately $79 million and prompted additional changes by the General Assembly in the actuarial funding mechanism for the system.

Under the proposal incorporated in the Budget Reconciliation and Financing Act (BRFA), ***Chapter 440 of 2002***, the General Assembly State's actuarial methodology is

changed from one in which the State's pension contribution rates vary from year to year to one in which the rates for the largest systems, the employees' and teachers' systems, remain fixed as long as their funding levels remain sound. The respective pension contribution rates for the employees' and teachers' systems are fixed from year to year, as long as the funding for those systems remain in a "corridor" of actuarial funding from 90 percent to 110 percent. Currently, the employees' systems are 102.2 percent funded, and the teachers' systems are 93.5 percent funded.

Under ***Chapter 440***, each system has a separate fixed contribution rate equal to the fiscal 2002 certified rate. Each rate remains in place as long as funding remains within the 90 percent to 110 percent corridor. Both systems are large enough to remain relatively stable within the corridors, but if either system slips outside the corridor, the rate will be reset to bring it back toward full funding. This will be done through an adjustment equal to one-fifth of the distance to the full funding rate. Any benefit enhancements or other changes to either plan will require adjustments to the fixed rate.

The three smaller plans, the State Police Retirement System, the Judges' Retirement System, and the Law Enforcement Officers' Pension System (LEOPS), and the "municipal pool" of participating local units, will continue under the current methodology, whereby the contribution rate is reset by the Board of Trustees for the State Retirement and Pension System (the pension board) and the actuary each year. The decision to exclude the smaller systems reflected concerns by the actuary and the pension board about the relative funding levels of these systems (the State Police Retirement System is 131 percent funded, while LEOPS is 57 percent funded). These smaller systems are more volatile and would be harder to keep within corridors.

In the long term, the corridor approach adopted under ***Chapter 440*** is expected to create greater stability and predictability in budgeting. As long as the employees' and teachers' systems stay within their corridors, pension contributions will increase only as a factor of payroll growth. For a further discussion of the provisions of ***Chapter 440***, the BRFA, see Part A – Budget and State Aid of this *Major Issues Review 1999 - 2002*.

Follow-up to 1998 Pension Enhancement

The pension systems for State employees and teachers were significantly enhanced under legislation enacted in 1998. As is typically the case following large-scale legislative changes, there were several smaller follow-up items to the pension enhancement that were necessary to be made during the 1999–2002 term.

Participating Local Governmental Units

Local governmental units that participate in the SRPS were not included in the 1998 pension enhancement. ***Chapter 176 of 1999*** provided these local governmental

units the option to offer the 1998 pension enhancement to their members of the Employees' Pension System (EPS). The Act allowed local government units the option to participate in the pension enhancement and while the enhancement was optional on the part of the local employer, once an election was made it would be irrevocable. The employers were granted a six-month window period beginning July 1, 1999, in which to elect the enhancement.

Subsequently, ***Chapter 181 of 2002*** provided local governmental units that participate in EPS with an additional window of opportunity to transfer their employees from the pre-1998 EPS to the enhanced, contributory EPS. This window extended from July 1, 2002, to December 31, 2002.

Selection C Members ("Bifurcators")

Chapter 176 of 2002 also included Selection C members of the retirement systems who are State employees or teachers in the 1998 pension enhancement. Selection C members, also referred to as "bifurcated" members, currently accrue service in the pension systems, but maintain service credit in the retirement systems for their years of service prior to electing to bifurcate. Because Selection C members are members of the retirement systems, they were not eligible for the enhancement under the 1998 enactment. The Act also made Selection C members who are State employees eligible for the deferred compensation matching program created under the 1998 enactment.

Technical Follow-up Items to the 1998 Pension Enhancement

Chapter 176 also made two technical changes to the pension systems. The nomenclature for the systems was changed to distinguish between the previous noncontributory benefit formula and the new contributory benefit formula. Also, the law was clarified regarding the appropriate accrual rate for service credit for unused sick leave and military service.

Chapter 396 of 2000 made additional changes that were necessary as a result of the 1998 pension enhancement including the following provisions:

- membership in the EPS and TPS continues for four years after separation from employment unless the member withdraws his or her accumulated contributions, becomes a retiree, or dies;

- on the withdrawal of accumulated contributions by former members of the EPS or TPS, the former members are not entitled to further benefits on account of membership in the systems;

- members of the EPS or TPS receive eligibility service credit for prior service if: (1) the member was entitled to a vested EPS or TPS benefit at the time of separation from the first stretch of employment; (2) the member has either not withdrawn his or her contributions or has redeposited those contributions; and (3) the member works for at least one year during the second period of employment; and

- members of the EPS or TPS receive eligibility service credit for prior service if: (1) the member separated from the first period of employment on or before June 30, 1998; (2) the member was not entitled to a vested benefit from the EPS or TPS at the time of separation; and (3) the member works for at least one year during the second period of employment.

Other Changes and Enhancements

Part-time Employment

Members of the pension systems who work less than 500 hours a year are not entitled to pension service credit. ***Chapter 522 of 1999*** excluded from membership in the Employees' Pension System (EPS) and the Teachers' Pension System (TPS) an employee who is not already a member of a State system and who accepts a position for which the budgeted hours per fiscal year are less than 500 hours. Under the Act, these employees and their employers no longer have to make the mandatory pension contributions. For example, some school boards employ cafeteria workers who work two to three hours per day during the school year. These employers previously made contributions of 5.99 percent (calendar 1997 base rate) of pay for EPS members (and the employees contributed 2 percent of pay), but the employees were not eligible for pension service benefits.

Purchase of Service Credit in EPS and TPS

To assist State employees who were employed for periods with the State but receive no pension credit for that service, ***Chapter 363 of 2000*** reduced by one-half the amount that a State employee member of the EPS must pay to the SRPS when purchasing service credit for previous employment with the State. Previous employment under the Act includes contractual service and up to ten years of service may be purchased at one-half of the full actuarial.

Similarly, to assist members of the TPS who were employed for periods with the State but received no pension credit for that service, ***Chapter 577 of 2001*** reduced by one-half the amount that a State employee member of the TPS must pay to the SPRS when purchasing service credit for previous employment with the State. The Act permits

members of the TPS to purchase at one-half of the full actuarial amount, up to ten years of employment with the State.

Pension Credit for Military Service

Members of the SRPS were granted eligibility under certain conditions for four months of military service credit for each year of service with the Maryland National Guard under **Chapter 699 of 2000**. For participants in the SRPS (including participating governmental unit employees), the Act allowed up to 36 months of military service credit for Maryland National Guard service. The service granted under ***Chapter 699*** allowed a Maryland National Guard member to receive 16 months of service in a year (12 months of normal service plus four months of military service). This pension credit would be in addition to any federal National Guard pension for which the member is eligible. Total military service credit toward State pensions, including the additional guard service credit remained limited to five years.

Service Retirement Eligibility – Combining Service Credit

Chapter 310 of 2002 allowed active members of the EPS or the TPS to combine their years of service with that system with any years of service they have from the Employees' Retirement System or Teachers' Retirement System, if the member has a combined total of at least 30 years of service credit. The service is combined solely for the purpose of service retirement eligibility, and benefit calculations will still be based on each component of the service and the applicable benefit formula, with the applicable average final compensation for each component.

Pensions for Governors and Judges

During the 2001 interim, both the Governor's Salary Commission and the Judicial Compensation Commission were convened and both recommended changes to pension benefits for the Governor and judges, respectively.

Chapter 137 of 2002 increased the pension benefit of a Governor who has served one full term in office to equal one-third of the annual salary received by the current Governor. For a Governor who has served two full terms, the benefit increases to one-half of the annual salary received by the current Governor. Prior to ***Chapter 137***, former Governors received a benefit based on the salary received as Governor, subject to a 3 percent cost-of-living adjustment.

Chapter 301 of 2002 allowed a retiree of the Judges' Retirement System who has no spouse or minor children at the time of retirement and who elects to receive a reduced allowance, to designate multiple beneficiaries to receive a lump-sum payment of any remaining pension balance at the time of the retiree's death. In addition, the Act created

a lump-sum death benefit that is payable to the member's designated beneficiary or beneficiaries if the member dies prior to retirement and has no surviving spouse or minor children at the time of death.

General Assembly

Legislative Redistricting

In accordance with the Constitution of Maryland (Article III, Section 5), following each decennial census the Governor is required to prepare and present a legislative redistricting plan to the presiding officers of the General Assembly in the form of a joint resolution on the first day of the regular session in the second year following the census. The Constitution further provides that if the General Assembly does not adopt another redistricting plan by the forty-fifth day of the session, the Governor's plan as presented becomes law. Not surprisingly, the reconfiguration of the State's 47 legislative districts was the subject of considerable attention before, during, and after the 2002 session.

By practice since 1973, there has been an advisory committee appointed by the Governor to formulate proposed changes and adjustments to State legislative districts (and congressional districts as well – see below). The advisory committee that was appointed during the 2001 interim by Governor Glendening consisted of John T. Willis, the Secretary of State, who served as chairman; Thomas V. Mike Miller, Jr., President of the Senate of Maryland; Casper R. Taylor, Jr., Speaker of the House of Delegates; Isiah Leggett, member of the Montgomery County Council; and Louise L. Gulyas, Worcester County Commissioner. The committee set the legal and policy guidelines it used in formulating a redistricting plan and received input from legislators, community organizations, and the general public through a series of public hearings held throughout the State in the summer and fall of 2001. As part of its deliberations, the committee considered a number of alternative redistricting plans and amendments and reviewed a voluminous compendium of maps and data reports.

The advisory committee's plan, embodied in ***Resolutions 1 and 2 of 2002***, was introduced on January 9, 2002, and became law on February 22, 2002 (the forty-fifth day of the session), as the Legislative Districting Plan of 2002.

After the plan became law, litigation was initiated by several members of the General Assembly and others challenging the constitutionality or legality of certain of the legislative districts as they are configured in the Act. Following the 2002 session, the Court of Appeals and others appointed a special master, Robert L. Karwacki, a retired Judge of the Court of Appeals, to review the plan and make findings and recommendations to the court as to the plan's constitutionality and legality. On May 21, 2002, the special master issued a report to the court, rejecting arguments by the

litigants challenging the plan that the plan was unfair to minority voters. Additionally, except for one minor adjustment that affects two districts on the Eastern Shore, the special master also rejected the assertion that many of the new districts impermissibly cross political and natural boundaries in violation of the State Constitution.

On June 11, 2002, the Court of Appeals ruled *In the Matter of the Legislative Districting of the State* that the plan enacted by ***Resolutions 1 and 2*** was invalid and not consistent with the requirements of Article III, § 4, of the Constitution of Maryland which requires that "[e]ach legislative district shall consist of adjoining territory, be compact in form, and of substantially equal population" and that "[d]ue regard shall be given to natural boundaries and the boundaries of political subdivisions." In order to grant proper relief, the court determined that it would engage the services of one or more technical consultants and the Attorney General and endeavor to prepare a constitutional plan. Having vowed to complete its work expeditiously, the Court in an order issued on June 21, 2002, established a new legislative redistricting plan.

For a more detailed discussion of the Legislative Districting Plan of 2002, see the discussion under the subpart "Elections" of this Part C.

Congressional Redistricting

The General Assembly also is responsible for passing legislation that redraws the boundaries of the Maryland congressional districts after each decennial census is completed and new population data is available to accurately distribute the population among districts. Both the Maryland Constitution and the statutory law of the State are silent on the matter of congressional redistricting. While the U.S. Congress has given state legislatures authority to redistrict congressional seats, the only federal statutory requirement is that congressional districts be single-member districts. The U.S. Supreme Court has consistently ruled, however, that congressional districts must be created with as nearly equal population as practicable, with strict population equality thus being the rule. The plan to redistrict Maryland's congressional districts was introduced in the General Assembly as a regular bill with an emergency effective date and went through the legislative process in both houses. The bill was signed by the Governor, who had veto power over it, on May 6, 2002. Accordingly, ***Chapter 340 of 2002*** took effect immediately upon the Governor's signing it into law.

As is the case with the State legislative districting plan that took effect on February 22, 2002, litigation has been filed challenging the congressional districting plan encompassed in ***Chapter 340***.

For a more detailed discussion of congressional redistricting, see the subpart "Elections" of this Part C.

Legislative Ethics

As was the case during the 1995–1998 term, the subject of legislative ethics continued to receive considerable attention during the 1999–2002 term. ***Chapters 129 and 130 of 1999*** were enacted to implement the recommendations submitted by the Special Study Commission on Legislative Ethics. And, in the 2001 session, ***Chapter 631*** was enacted to codify major changes proposed by the Study Commission on Lobbyist Ethics to the Maryland Public Ethics Law as it related to regulated lobbyists who represent private sector clients in matters before the General Assembly and other government entities. For a detailed discussion of the lobbyist ethics reform provisions during the term, see the subpart "Ethics" under this Part C.

Legislative Salaries, Expenses, and Pensions

The Maryland Constitution sets forth the process for determining legislative salaries, expense reimbursements, and fringe benefits by establishing the General Assembly Compensation Commission (Article III, Section 15). The commission consists of nine members, five of whom are appointed by the Governor, two of whom are appointed by the President of the Senate, and two of whom are appointed by the Speaker of the House of Delegates. Members of the General Assembly and officers and employees of the State and county and local governments are not eligible to serve. The term of office for the members of the commission is four years. Decisions of the commission must be concurred in by at least five members.

The State Constitution requires the commission to submit compensation recommendations for members of the General Assembly to the legislature by formal resolution within 15 days after the beginning of the last regular legislative session in a four-year term of office. The General Assembly may amend the commission's resolution only to decrease or reject particular items. Legislative action is not required to effectuate the commission's recommendations.

The recommendations contained in the 2002 resolution reflected the commission's commitment to maintaining a part-time "citizen" legislature. The commission also believed that compensation commensurate with part-time legislative service should be set at a level that enables individuals to leave their professions or businesses periodically for legislative work and that attracts individuals with experience and ability who otherwise might not run for office.

For the next term of office, the 2002 resolution provides for a $3,000 annual salary increase for members starting in January 2003. This recommendation increases the 2001–2002 salary of $31,509 to $34, 500 in 2003, $37,500 in 2004, $40,500 in 2005, and $43,500 in 2006.

The $10,000 differential for the presiding officers was increased by the resolution to $13,000 for the 2003–2006 legislative term, thereby raising their salaries from $41,509 to $47,500 in 2003, $50,500 in 2004, $53,500 in 2005, and $56,500 in 2006.

In addition, members will be reimbursed for meals in accordance with the standard State travel regulations (anticipated to be $39 per diem in fiscal 2003) instead of the current $30 per diem. The other changes to salaries and expense reimbursements are a $500 in-district travel allowance, up from $400, and a $225 daily limit on out-of-state travel for meals and lodging, up from $175.

The only other change from the previous resolution of the General Assembly Compensation Commission submitted in 1998 involves a minor amendment to the legislative pension plan. Under the 2002 resolution, members and retirees will be able to designate multiple beneficiaries to receive a limited lump-sum benefit. Upon the death of a vested active or former legislator, if there is no surviving spouse and the member has designated multiple beneficiaries, the beneficiaries will share equally a lump sum comprised of one year's salary plus a return of the member's contributions with interest. Upon the death of a retired legislator, if there is no surviving spouse and the retiree has designated multiple beneficiaries, the beneficiaries will share equally a lump sum equal to the balance of the actuarial equivalent present value of the retiree's basic allowance computed at the time of retirement. The amount of the balance, if any, will depend on how long the retiree received a retirement allowance.

The General Assembly considered – but did not pass – three proposed joint resolutions in the 2002 session that would have rejected the increases in legislative salaries – ***Senate Joint Resolution 11***, ***House Joint Resolution 24***, ***and House Joint Resolution 36 (all failed)***.

The resolution submitted by the General Assembly Compensation Commission took effect by operation of the provisions of the Maryland Constitution, has the force of law as of the beginning of the term of the next General Assembly, and continues in force until superceded by any succeeding resolution.

State Budget

Legislative Authority to Increase

Under the provisions of Article III, § 52(6) of the Constitution of Maryland, the General Assembly has the authority to increase or reduce appropriations in the annual State operating budget bill for items in the Legislative and Judicial branches but may only make reductions to appropriations for items in the Executive Branch. In addition, appropriations in the Executive Branch cannot be transferred by the legislature from one department, agency, or unit of the Executive Branch to another. Compared to other

states, Maryland has a unique status – it is the only state in the nation in which the legislature cannot increase appropriations for the Executive Branch in the annual operating budget bill.

During the 2001 session, the General Assembly considered ***Senate Bill 245 and House Bill 1024 (both failed)*** which would have amended the State Constitution to allow the General Assembly to increase or add appropriations to items in the Executive Branch operating budget, as long as the total appropriation authorized for the Executive Branch did not exceed the total allowance for the Executive Branch submitted by the Governor. Under the proposal, in order to increase appropriations in certain areas the General Assembly would have to make reductions in others – thus the legislature would have been given the ability to shift funding. In return for this new authority, the Governor would have been given line-item veto authority for those items within the Executive Branch budget that were increased or added by the General Assembly. The bills also would have authorized the General Assembly to convene in extraordinary session after the Governor's veto if members wished to consider whether to override the veto on any items. An attempt to pass the bill again in the 2002 session (***Senate Bill 476*****)** ***failed*** as well.

Fiscal Structure of the State

Concern about increases in State spending over time – particularly because of escalating costs and needs in the areas of education, transportation, and health care – and the fiscal capacity of the State to meet its future expenditure obligations caused the General Assembly to create a Commission on Maryland's Fiscal Structure. ***Chapter 343 of 2002*** established a 17-member commission with legislative representation consisting of four members of the Senate Budget and Taxation Committee, two members of the House Appropriations Committee, and two members of the House Ways and Means Committee. Other members included on the commission are the State Comptroller and one representative each from the Maryland Association of Counties, the Maryland Municipal League, the Maryland Chamber of Commerce, and the Maryland Association of Nonprofit Organizations. Three members of the public also are included on the commission. The commission has been directed to submit an interim report of its preliminary findings to the Governor and General Assembly by December 31, 2002, and to issue a final report by September 1, 2003.

The commission has been charged to review and evaluate the State's current budget and fiscal structure and make recommendations for: (1) changes to the State budget process; (2) ensuring that the State will have a progressive tax structure; (3) methods to address funding sources for the education, transportation, and health care needs of the State; and (4) addressing inefficiencies in and making improvements to State government services and operations.

For an additional discussion of the Commission on Maryland's Fiscal Structure, see the subpart "Miscellaneous Taxes" of Part B – Taxes of this *Major Issues Review*.

New Joint Legislative Committee

In 1996, frustrated with the pace of the implementation of the restructuring that began in the mid-1980s of the systems in the State that deliver services to children and families, the General Assembly included language in the Budget Bill requesting that the Governor establish a task force to address implementation problems. The resulting Governor's Task Force on Children, Youth, and Families Systems Reform recommended the creation of a State Commission on Children, Youth, and Families. In an Executive Order issued in May 1998, the Governor created the Partnership for Children, Youth, and Families to serve as an advisory council in the development and achievement of policy objectives and desired outcomes for programs and services to Maryland's children and families. The partnership has been laying the groundwork to be used for developing a results-based service delivery system.

To serve as a legislative counterpart to the partnership, the General Assembly created a 20-member Joint Committee on Children, Youth, and Families through ***Chapters 362 and 363 of 1999***. The joint committee was designed to serve as a collaborative body capable of uniting the legislature's efforts to improve the well-being of Maryland's children and youth. The joint committee is staffed by the Department of Legislative Services and has issued annual reports to the General Assembly since its inception.

In particular, the joint committee is charged to: (1) investigate the problems that jeopardize the well-being of Maryland children, youth, and families; (2) identify State policies and actions that can improve the well-being of Maryland children, youth, and families; (3) review and make recommendations on statutes, programs, and budgetary priorities; (4) search for any interdepartmental gaps, inconsistences, and inefficiencies; (5) identify any new laws, programs, and budgetary priorities that are needed for the well-being of Maryland children, youth, and families; (6) serve as an informational resource for the Senate and House on legislative policy matters concerning children, youth, and families; and (7) perform other activities, including improving public awareness of the special needs of Maryland children, youth, and families.

Recording of General Assembly Proceedings

No State law governs audio or video taping of General Assembly proceedings. However, starting in the early 1990s, the Senate began making audio recordings of floor sessions and committee meetings, although it did not record committee voting sessions. Also, over the years, the hearings of some joint committees have been recorded. During the 1990s, the House of Delegates did not record floor proceedings or meetings of the

standing committees, although some hearings of the subcommittees of the Appropriations Committee were recorded.

During the 1999–2002 term, several initiatives to enhance civic awareness by making legislative information and activities more readily accessible to the public were considered by the General Assembly. Under ***House Bill 31 of 1999 (failed)*** the Department of Legislative Services would have been required to produce audio and video recordings of each floor session and each meeting of a standing committee of the Senate or the House of Delegates. Under the bill, the recordings would have been made available to the media, subject to guidelines adopted by the Legislative Policy Committee including circumstances under which recordings may not be made, procedures for public availability, and charges for access to the recordings or recording system. Under another proposal, ***House Bill 871 of 2001 (failed)***, the Department of Legislative Services would have been required to produce a live video broadcast over the Internet of each floor session of the Senate and House of Delegates during each session of the General Assembly in accordance with guidelines developed and approved by the Legislative Policy Committee.

Although none of the bills introduced over the four-year term that would have required audio, video, or other recording of General Assembly proceedings and committee meetings were enacted, during the 2001 session the Senate engaged Maryland Public Television (MPT) in a pilot project to tape and televise on a delayed basis selected Senate floor proceedings and standing committee meetings. During the 2002 session, the MPT programming experiment was expanded to include selected floor proceedings and committee meetings for both the Senate and House. As the term concluded, Maryland was thus counted among a group of about two dozen states that offer the public at least *some* televised coverage of legislative activities.

State legislative leaders envision that in coming years – perhaps by the end of the 2003–2006 term – live, continuous, televised coverage of legislative proceedings and committee meetings will be available to the public. "M-SPAN" would be a statewide audio and television network modeled after C-SPAN, the national audio and television network that provides continuous, live coverage of legislative activities for the United States Congress.

Legislation – Single Subject Rule

The Annual Curative Bill

Each year, the Department of Legislative Services prepares the annual "curative bill" that is intended to cure technical defects in legislation generally resulting from title/body conflicts in legislation. Many of these defects are identified by the office of the Assistant Attorney General who serves as counsel to the General Assembly. One of

the objectives of the curative bill, an omnibus bill first developed in 1984, is to serve as a mechanism to protect the legislative process by reducing the potential of legal challenges to the validity of statutes based on technical defects in those statutes.

The annual curative bill for the 2000 session, which became ***Chapter 1 of 2000,*** contained several components addressing title/body conflicts that arose in 1999 legislation and identified as such in bill review letters prepared by the Attorney General's Office. The bill also contained a provision addressing a *potential* single subject issue arising from an enactment in 1998 that dealt with corporation law. The provision was included in ***Chapter 1*** at the recommendation of the Attorney General's Office.

During the 2000 session, the Court of Appeals of Maryland ruled (in the case of a *Migdal v. State of Maryland*) that the 1998 enactment violated the single subject rule of the Constitution of Maryland.

The *Migdal* decision was controversial in the General Assembly for two reasons. First, the legislature has long been advised by the Attorney General's Office that Maryland courts broadly interpret the single subject rule. The 1998 legislation that was the subject of the *Migdal* case had been reviewed by the Attorney General's Office during and after the 1998 session and had not raised any concerns about it being violative of the single subject rule. Second, the Court of Appeals dedicated much of its opinion to the legislative process in the waning days of the 1998 session and took considerable interest in the long-standing procedures involving the amendment of bills in the General Assembly. The result of the *Migdal* decision gave rise to concerns that the Court of Appeals decision had a chilling effect on the legislature's flexibility to amend legislation affecting important public policy decisions that General Assembly faces within the time constraints of the annual session.

To address their concerns, legislative leaders introduced legislation in the 2000 session that would have amended the Constitution of Maryland to revise the single subject rule in a way to preserve the ability of the General Assembly to amend legislation rule in the manner generally thought to be available to the legislature prior to *Migdal*. ***Senate Bill 904/House Bill 1436 (both failed)*** garnered considerable attention because of the focus they helped place on the relationship between the Legislative and Judicial branches during the 2000 session.

Legislation – Retroactive Application

Beyond the *Migdal* case, the Court of Appeals rulings in other cases during the 2000 session produced legislation to address the General Assembly's concerns about the court's holdings. One of the areas dealt with by the court was the right to charge late fees in connection with commercial contracts, while another dealt with subrogation rights of health maintenance organizations. Legislation was introduced in the 2000 session to

address both of the court's rulings in these areas. ***Chapter 59 of 2000***, which responded to the court decision on late fees, is discussed in the "Commercial Law" subpart of Part I – Financial Institutions, Commercial Law, and Corporations of this *Major Issues Review*. ***Chapter 569 of 2000***, which responded to the court decision on subrogation rights of health maintenance organizations, is discussed in the "Health Maintenance Organizations" subpart of Part J – Health of this *Major Issues Review*. Both legislative proposals passed with provisions that made the substance of the legislation apply in a retroactive rather than prospective manner. While the Constitution of Maryland has no specific prohibition against retroactive civil laws (there are specific prohibitions on retroactive or ex post facto criminal laws), statutes affecting substantive rights are generally presumed to operate only prospectively. A law passed by the General Assembly that retroactively affects "vested" rights or impairs a contract may be held to violate the due process or impairment of contract provisions of the United States Constitution.

Interest in addressing concerns about retroactive provisions in legislation was expressed by ***Senate Bill 905 (failed)***. The bill, a constitutional amendment, would have prohibited the passage of retroactive civil laws except upon a two-thirds vote of all the members elected to each of the two houses of the General Assembly.

Part D
Local Government

Local Governments – Generally

Land Use, Zoning, and Planning

Study Commission

A special study commission functioning in 1999 examined the zoning and planning article (Article 66B of the Annotated Code) and recommended the introduction of two legislative proposals. The first, ***Chapter 426 of 2000*** revised, restated, and recodified the article without making any substantive changes. The recodification provides consistent and updated terminology, removes legalese, and reorders provisions in the article into a more organized format.

The second proposal, ***Chapter 427 of 2000***, amended provisions of the zoning and planning article that apply to counties operating under the commissioner and code forms of county government. The legislation granted counties the authority to make administrative adjustments to specific provisions in local zoning ordinances. Before developing criteria for administrative adjustments, a local legislative body is required to consult with the planning commission and the board of appeals and is required to provide public notice and an opportunity for the public to review and comment on the criteria. Administrative adjustments may not be made to State or local requirements that are intended to protect environmentally sensitive areas. ***Chapter 427*** also authorized local governments to grant adaptive reuses for improved properties. An adaptive reuse must be consistent with the plan for the local jurisdiction, must be in the public interest, and may only be permitted if the literal enforcement of the applicable zoning classification would deprive the owner of all reasonable economically viable uses of the property. The legislation also modified the permissible membership of boards of appeal, requiring a minimum membership of three members in lieu of requiring either three or five

members. The new laws also made numerous changes pertaining to administrative procedures relating to local land use decisions.

Public Facilities

Chapter 676 of 2000 amended the zoning and planning article by ensuring that adequate public facilities and infrastructure are available or planned in planned growth areas under control of the respective local government. For further discussion, see Part K - Natural Resources and Agriculture of this *Major Issues Review*.

Smart Codes

Two administration bills were passed in the 2000 session that dealt with Smart Codes. ***Chapter 206 of 2000*** provided for the adoption of a new Maryland Building Rehabilitation Code, under the advisement of a new code advisory council. Another administration bill, ***Chapter 207 of 2000***, required the Maryland Department of Planning to draft model land codes for infill development and smart neighborhood development. For a more detailed discussion of these new laws, see Part C - State Government of this *Major Issues Review*.

Eastern Shore – Regional Planning and Development

Two bills established regional planning and development councils for the Eastern Shore. Each council is designated to serve as a regional planning organization that provides a forum for State, county, and municipal government officials to come together periodically to discuss issues of regional importance and set regional priorities. Each council operates as a cooperative planning and development agency to foster the physical, economic, and social development of regions of the Eastern Shore. The councils, however, do not have land use regulation or zoning authority.

Chapter 527 of 2001 established the Tri-County Council for the Lower Eastern Shore of Maryland representing Somerset, Wicomico, and Worcester counties. ***Chapter 528 of 2001*** established the Mid-Shore Regional Council representing Caroline, Dorchester, and Talbot counties.

Each county is required to provide $10,000 in annual funding to each council that represents the county. The fiscal 2002 State budget provided an appropriation in fiscal 2002 of $200,000 for support to the two councils.

Local Land Preservation Programs

Chapter 264 of 2002 authorized a county or municipal corporation to adopt a local land preservation program that provides funds for the local government to purchase interests in real property. Each program is to be funded by a continuing and dedicated local or private funding source that is not derived from State funds. A program is eligible for State matching funds. The legislation established several oversight and administrative tasks to be performed by the Department of Natural Resources.

The legislation declared, generally, that it is State public policy to preserve the waters and open spaces of the State. The legislation also declared that new funding sources designed to improve water quality and land preservation should be made available.

Charles County Planning Commission

The United States 301 Policy Oversight Committee (POC), established by the Maryland Department of Transportation, adopted recommendations designed to protect future transportation corridors and rights-of-way. State and local agencies are taking steps to protect future transportation corridors; however, the POC concluded that additional measures need to be put in place to strengthen the agencies' ability to protect these rights-of-way. ***Chapter 428 of 2000*** authorized the Charles County Planning Commission to provide for the reservation of land for traffic, recreation, or other public purposes. A reservation of land may not continue for more than three years without the written approval of all persons having a legal or equitable interest in the property. Property reserved for public use shall be exempt from State, county, and local property taxes. Further, ***Chapter 428*** required that regulations of the Charles County Planning Commission provide for public notice and an opportunity for a public hearing before a property may be reserved.

Pensions

Pension Benefit Program – Employees' and Teachers' Systems

Chapter 176 of 1999 authorized counties, municipal corporations, special taxing areas, and other specified local government units that participate in the Employees' Pension System to provide their employees with the enhanced pension benefits plan that was first provided to State employees in 1998. Participation in the enhanced program is at the discretion of the local employer. However, once an election is made, it is irrevocable. For a more detailed discussion of this Act, see Part C - Pensions and Retirement of this *Major Issues Review*.

Anne Arundel County Circuit Court Domestic Relations Division Employees – Pension and Retirement Health Benefits

Chapter 693 of 2001 allowed employees of the Domestic Relations Division of the Anne Arundel County Circuit Court who have transferred to the Child Support Enforcement Administration of the Maryland Department of Human Resources (DHR) as of July 1, 2002, to elect to continue membership in the Anne Arundel County pension system or become an enrollee of the State Employees' Pension System. For employees who elect to remain in the Anne Arundel County pension system, DHR will pay the county on a quarterly basis the amounts withheld from the employee's salary for pension contributions and any employee contribution. The Act also allows DHR to limit the employer contribution to the same employer contribution that is made by the department for State employees. Anne Arundel County applied to transfer its child support enforcement employees as of July 1, 2002.

Public Safety

Local Government Tort Claims Act – Indemnification of Law Enforcement Officers

Chapter 177 of 1999 expanded the authority of a local government to indemnify a law enforcement officer for a judgment for punitive damages entered against the officer based on an act or omission of the officer as long as the act or omission does not constitute a felony under the laws of this State. For a more detailed discussion of this Act, see Part F - Civil Actions and Procedures of this *Major Issues Review*.

Prince George's County Court Security Officers – Collective Bargaining

Chapter 532 of 2001 provided that court security officers in Prince George's County are subject to the county's personnel law and collective bargaining rules. The legislation required the officers to be included in the same bargaining unit as the county's sworn police officers.

Housing

Existing Rural Housing Stock – Use of Federal Funds

Chapter 726 of 2001 allowed the use of federal funds to help buy or rehabilitate existing single-family homes or multi-family projects in all areas of the State, rather than only in priority funding areas. Chapter 759 of 1997 established priority funding areas in the State. With certain exceptions, that Act prohibits State funds for growth-related projects outside designated areas. ***Chapter 726*** established that any project by the Department of Housing and Community Development in which federal funds are used to purchase or rehabilitate existing single- or multi-family housing is not a growth-related

project. This legislation enabled federal funds to be used for these purchases even if the residential unit is not in a priority funding area.

Financial Reporting

Local Governments – Financial Reports – Submission Date

Chapter 246 of 2002 allowed a county, municipal corporation, or special taxing district in the State with a population exceeding 400,000 persons to submit to the Department of Legislative Services the jurisdictions' annual financial reports by the first day in January following the end of the fiscal year and allow those jurisdictions to submit the jurisdictions' indebtedness reports 180 days following the end of the fiscal year. These time frames represent a two-month extension of time that was allowed before ***Chapter 246*** for the submission of these reports. Baltimore City and Anne Arundel, Baltimore, Montgomery, and Prince George's counties each have a population exceeding 400,000 persons.

Counties – Generally

Taxes

Recordation Tax

Chapter 639 of 2000 authorized county tax collectors, rather than the clerks of the circuit courts, to collect the recordation tax beginning in fiscal 2001. In fiscal 2001 only, if a county other than Prince George's County assumes responsibility for collection of the recordation tax, the county must remit to the State Comptroller the applicable percentage that the State would have otherwise received under the law had the clerk of the court collected the tax. For a more detailed discussion of this Act, see Part B - Taxes of this *Major Issues Review*.

Special Elections

Code Counties – Referendum – Special Election

Chapter 642 of 1999 authorized county commissioners, when a local law enacted by the county commissioners is petitioned to referendum, the option of scheduling a special election on the bill rather than delaying the effect of the bill until the next congressional election. The legislation affected Maryland's five code home rule counties: Allegany, Caroline, Kent, Queen Anne's, and Worcester.

Constitutional Officers

Residency Requirements for Chief Executive Officers – Baltimore City and Montgomery County

Chapters 8 and 9 of 1999 modified the minimum residency requirement for a candidate for the office of Mayor of Baltimore or County Executive of Montgomery County. Specifically, these Acts required a candidate to be a resident of the political subdivision for at least six months, rather than one year, preceding the general election. However, these Acts reserved to the local governing body the right to retain the one-year residency requirement should they choose to do so through enactment of a local ordinance effective no later than four weeks prior to the filing deadline under the State election law.

Frederick County and Garrett County – Ending Election of County Treasurers

Legislation passed for both Frederick and Garrett counties that ended the practice of electing treasurers. ***Chapter 207 of 2001*** made the county treasurer of Frederick County a regular county employee rather than an elected official. ***Chapter 220 of 2001*** required the County Commissioners of Garrett County to appoint a Supervisor of Tax Collection and repealed the requirement that the treasurer be an elected officer. The legislation also transferred some of the duties of the treasurer to the Director of Finance.

Courts and Public Safety

Circuit Court Funding

Most of the funding for circuit court masters is provided by the counties and Baltimore City. ***Chapter 652 of 2000*** required the State, beginning in fiscal 2002, to pay the salaries and benefits of standing circuit court masters and increased the State contribution to juror per diem expenses from $5 to $15.

Chapter 677 of 2001 required the State to assume funding for law clerks for circuit court judges beginning in fiscal 2003. Under the Act, the budget for the Administrative Office of the Courts must include funds to employ one law clerk for each circuit court judge. For a more detailed discussion of this Act, see Part F - Courts and Civil Proceedings of this *Major Issues Review*.

Local Government Tort Cap

Chapter 286 of 2001 clarified that the monetary limits on the liability of a local government under the Local Government Tort Claims Act apply to tort actions against a local government itself, as well as to actions against local government employees. The

legislation was intended to supercede a Maryland Court of Appeals decision that held that the limits on liability under the Local Government Tort Claims Act do not apply to a tort judgment directly against a local government agency. For a more detailed discussion of this Act, see Part F - Courts and Civil Proceedings of this *Major Issues Review*.

Sheriff Liability Issues

Chapter 735 of 2001 expanded the types of cases for which the State is responsible for payment of settlements or judgments against sheriffs or deputy sheriffs of a county or Baltimore City. For a more detailed discussion of this bill, see Part C - State Government of this *Major Issues Review*.

Eastern Shore Code Home Rule Counties – Juvenile Curfew Ordinance

Chapter 398 of 2001 authorized the Eastern Shore code home rule counties (Caroline, Kent, Queen Anne's, and Worcester counties) to adopt a juvenile curfew ordinance. A curfew applies throughout the county in which it was adopted and may be adopted by a municipal corporation in that county. The county commissioners may only adopt a juvenile curfew ordinance after making independent factual findings demonstrating a local need for a juvenile curfew. Current law grants municipalities the authority to prohibit minors from being on the streets and in public places at unreasonable hours of the night. For a more detailed discussion of this Act, see Part E - Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Anne Arundel County Department of Detention Facilities

Chapter 665 of 2001 created a home detention program in Anne Arundel County and abolished the county's farm labor program for inmates, which was dormant for 16 years. The home detention program is to be established and administered by the administrator of the county's local correctional facilities. An individual may be placed in the program in one of two ways: (1) when the individual is sentenced or at any time during the individual's confinement as an inmate, a judge may allow the individual to participate in the program; or (2) the administrator may place the inmate in the program.

Under this legislation, Baltimore City and the following 12 counties authorize local home detention programs: Allegany, Anne Arundel, Baltimore, Carroll, Cecil, Dorchester, Frederick, Harford, Howard, Kent, Washington, and Wicomico. In addition, a State home detention program is operated at the State level by the Division of Correction in the Department of Public Safety and Correctional Services.

Environment and Land Use

Anne Arundel and Calvert Counties – Stormwater Management Facilities

Chapter 337 of 2001 applied only in Anne Arundel and Calvert counties. This legislation prohibited a person from constructing a public or private stormwater management facility on a site in a residentially zoned district for the purpose of the treatment or management of stormwater discharged from a site that is located in a commercially or industrially zoned district that is located within one-half mile from the shoreline of the Chesapeake Bay or of its tidal tributaries, as indicated on the State wetlands map. The legislation did not apply to a public or private stormwater management facility the construction of which began on or before January 1, 2001, or to a stormwater management facility constructed by or on behalf of a State or county agency. The legislation became effective July 1, 2001, and terminated June 30, 2002.

Baltimore City Condemnation Powers

Chapter 36 of 2001 altered the condemnation powers of Baltimore City to authorize the city to acquire non-residential property by condemnation for purposes of industrial growth.

Shore Erosion Control in Carroll, Dorchester, St. Mary's, and Somerset Counties

The Department of Natural Resources at one time had a program that funded shore erosion prevention projects. Under the program, regulations were adopted that prevented the loss of benefit assessments due to the sale of property. Counties affected by shore erosion began funding their own shore erosion prevention projects when the department's program stopped providing funding to local projects.

After local shore erosion prevention works are completed in commission counties, the county commissioners may levy a benefit charge on real property. The commissioners determine the benefits accruing to each lot and levy the benefit charge to the extent the lot is benefitted. ***Chapter 355 of 2002*** required annual benefit assessments levied for shore erosion prevention projects in Carroll, Dorchester, St. Mary's, and Somerset counties to be paid in annual installments by property owners for 25 years, or any shorter time as directed by the county commissioners. The sale of the benefitted property does not extinguish the lien against the property for the shore erosion prevention works.

Right to Farm

Chapter 403 of 2001 authorized the County Commissioners of Garrett County, after a public hearing, to adopt an ordinance or regulation, or take any other action that

the commissioners consider necessary, to protect a person's right to farm or engage in agricultural or forestry operations. ***Chapter 35 of 2002*** authorized the County Commissioners of St. Mary's County to adopt an ordinance or regulation or take any other action that the county commissioners consider necessary to protect a person's right to farm or engage in agricultural or forestry operations. Similar legislation has been enacted for other counties, including Calvert, Caroline, Carroll, Dorchester, Frederick, Somerset, and Washington counties.

Zoning – Enforcement Actions Before District Court

Chapter 558 of 1999 addressed an anomalous situation under law in which a District Court judge could have included an abatement order in the adjudication of a citation issued by a municipal zoning official but not by a county zoning official. ***Chapter 558*** granted the District Court of Maryland the same power to enter an abatement order in an adjudication of a county zoning violation as the District Court has in a proceeding to adjudicate a municipal infraction.

Municipal Governments

From 1999–2002, the General Assembly legislated on a number of issues affecting some or all of the 156 municipal corporations in the State.

Urban Renewal for Slum Clearance

During the 1999 and 2002 legislative sessions, 12 municipal corporations sought and received from the General Assembly urban renewal authority for slum clearance under the provisions of Article III, § 61 of the Constitution of Maryland. Each of these laws adds an appendix to the charters of the 12 municipal corporations addressing that municipality's powers relating to urban renewal projects, creation of an urban renewal agency, approval of an urban renewal plan, disposal and condemnation of property in an urban renewal area, and the issuance of general obligation and revenue bonds. By way of separate legislation that amended the *Public Local Laws of Maryland - Compilation of Municipal Charters*, the official compilation of charters for all the municipal corporations in the State, the General Assembly granted urban renewal authority for slum clearance and redevelopment to the City of District Heights in ***Chapter 413 of 1999***, the Town of Landover Hills in ***Chapter 74 of 2002***, the Town of Cottage City in ***Chapter 75 of 2002***, the Town of Capitol Heights in ***Chapter 234 of 2002***, the Town of Marydel in ***Chapter 10 of 2002***, the Town of Henderson in ***Chapter 11 of 2002***, the Town of Goldsboro in ***Chapter 12 of 2002***, the Town of Greensboro in ***Chapter 13 of 2002***, the Town of Charlestown in ***Chapter 147 of 2002***, the Town of Preston in ***Chapter 181 of 2002***, the Town of Ridgely in ***Chapter 182 of 2002***, and the Town of Hillsboro in ***Chapter 183 of 2002***.

With the passage of these Acts, 62 out of 156 municipal corporations now have urban renewal powers under the Constitution. This type of legislation is one of the few exceptions to the otherwise broad home rule authority of municipal corporations under Article XI-E, adopted in 1954, which forbids the General Assembly from passing local laws for particular municipal corporations. The Urban Renewal Amendment to the Constitution, Article III, § 61, adopted in 1960, expressly provides that the General Assembly's power to adopt local urban renewal projects for slum clearance prevails over the restrictions in Article XI-E.

Once a municipal corporation has been granted urban renewal authority for slum clearance under the Constitution, the municipal corporation may exercise eminent domain powers for individual blighted properties under Article 23A, §2(b)(24) of the Annotated Code.

Effectiveness of Charter Amendment Resolutions and Annexation Resolutions

Chapter 417 of 2001 repealed provisions of law that provided that the effective date of municipal charter amendment resolutions and annexation resolutions are not effective until they are registered with the Department of Legislative Services (DLS). Prior to the legislation, a charter amendment resolution became effective 50 days after it was enacted, and an annexation resolution became effective 45 days after it was enacted. However, these resolutions had to be registered with DLS before taking effect. The legislation repealed the provision of law suspending the effective date of the resolution until the resolution was registered with DLS.

The legislation also required a municipal corporation to send charter amendment resolutions and annexation resolutions to DLS within ten days of the resolutions effective date. Finally, the legislation altered the means by which a municipal corporation must verify to DLS that copies of charter amendment resolutions and annexation resolutions enacted by the municipal corporation in the previous year have been sent to DLS. Under the new procedure, verification must be made by a signed and notarized statement.

Regulation of Alcoholic Beverages in Public Common Areas

In 1999 ***Chapter 411 of 1999*** was enacted which authorized the governing body of each municipal corporation to adopt ordinances or resolutions to regulate the possession or consumption of alcoholic beverages in public places located within the municipal corporation. A public place is defined as a parking lot, common area, or general common element in: (1) a leased residential property, including attached single-family homes or a multi-family dwelling unit; (2) a condominium; or (3) a homeowners association.

Nuisance Abatement

Chapter 528 of 2000 authorized a municipal corporation within whose boundaries a property is being used for specified offenses involving controlled dangerous substances to bring a nuisance abatement action in the District Court. Previously, the nuisance action could be brought by the State's Attorney, by the county attorney of the county in which the nuisance is located, or by a qualifying community association within whose boundaries the nuisance was located. The legislation added a municipal corporation to the plaintiffs authorized to file an action for abatement of the nuisance.

Audit Requirements

Chapter 463 of 2000 allowed the Legislative Auditor to authorize a municipal corporation or special taxing district with annual revenues of less than $50,000 in the past four fiscal years to have an audit conducted once every four years rather than on a biennial basis. Under the previous law, the biennial audit had to cover both fiscal years and be conducted by an independent certified public accountant. Since independent certified public accountants charge for each year audited, the municipal corporations did not save money under the statutory schedule. The legislation is intended to lower expenditures for municipal corporations since they will have to pay for an audit only once every four years. The legislation became effective in fiscal 2001.

Bi-county Agencies

During the 1999–2002 term, the General Assembly considered and passed a variety of legislation concerning the Maryland-National Capital Park and Planning Commission (MNCPPC) and the Washington Suburban Sanitary Commission (WSSC).

Maryland-National Capital Park and Planning Commission

Commission Organization and Procedures

Binding Arbitration for Commission Employees: ***Chapter 301 of 2001*** established binding arbitration for contract negotiation between the commission and the exclusive bargaining unit for the civilian employees. Collective bargaining is required to begin no later than September 1 before the beginning of a fiscal year for which an agreement has not been reached between the commission and the certified representative and conclude by February 1 preceding the fiscal year to be affected. Both parties must jointly name a "mediator-arbitrator," or allow MNCPPC's independent Labor Relations Administrator to pick one if the parties cannot.

Collective Bargaining for Park Police: ***Chapter 248 of 2002*** granted park police employees an expansion of their collective bargaining provisions by establishing

procedures requiring the appointment of a mediator-arbitrator and binding arbitration when there is an impasse in collective bargaining. These provisions are similar to those granted to other commission employees in 2001.

Mutual Aid Agreements: Police agencies in Maryland are authorized to enter into mutual aid agreements in nonemergency situations. ***Chapter 542 of 2002*** allowed the MNCPPC to expand its police force, in either Prince George's County or Montgomery County or both, beyond that which is needed to protect MNCPPC property and activities, if included in an express provision of a mutual aid agreement approved by the appropriate county.

Extension of Minority Business Enterprise (MBE) Utilization Program: An updated disparity study prepared for the MNCPPC and reported to the Prince George's and Montgomery counties' delegations in 2000 found sufficient evidence of underutilization in MNCPPC procurement to support extension of the MBE program through 2003. Accordingly, ***Chapter 40 of 2001*** extended the MBE program through September 30, 2003.

Use of Public Property

Change of Use: The MNCPPC is responsible for reviewing changes in the use of public property that is located in the Regional District. ***Chapter 276 of 2001*** required the MNCPPC to adopt uniform standards for the review of changes to public property use. MNCPPC is required to publish a notice of adoption of these uniform standards along with contact information in a newspaper or record in Montgomery and Prince George's counties.

Prince George's County – Rubble Landfills and Transfer Stations

The General Assembly made an unusual foray into local zoning matters in Prince George's County during the 2001 session in the area of solid waste management by passing restrictions on both the county council sitting as MNCPPC district council and the Secretary of the Environment. ***Chapter 686 of 2001*** ensured heightened scrutiny of rubble landfills by prohibiting the district council of Prince George's County from approving a special exemption to construct or operate a rubble landfill anywhere in the county without a three-fourths majority vote. Additionally, the district council was further prohibited from approving a special exemption for a site where an application for a special exception for a rubble landfill had been denied on or after October 1, 1981. Similarly, ***Chapter 304 of 2001*** prohibited the Secretary of the Environment from approving a solid waste permit to construct or operate a waste transfer station that is located in Prince George's County and within two miles of Bowie State University.

Infractions

Hunting on MNCPPC Land: In Maryland, a person must have a proper permit or license issued by the Department of Natural Resources in order to hunt. State wildlife regulations and laws apply throughout Maryland; however, locally owned properties within the State may restrict public access by their own authority. ***Chapter 86 of 2002*** established that hunting on MNCPPC property without prior written permission is a misdemeanor, punishable by a fine not exceeding $1,500 for a first violation, and by imprisonment not exceeding one year, or a fine not exceeding $4,000, or both, for subsequent violations.

Washington Suburban Sanitary Commission

Minority Business Enterprise Programs

Chapter 256 of 1999 extended the Minority Business Enterprise Programs of the Washington Suburban Sanitary Commission (WSSC) through July 1, 2002, and expanded the construction MBE program to apply to prime contracts as well as subcontracts. The law required the WSSC to establish a timetable for implementation of recommendations based on the disparity study commissioned by the WSSC that found that minority business enterprise participation continued to lag. The WSSC was required to report to the legislative delegations each year on the MBE programs for procurement in areas other than construction contracts.

Chapter 92 of 2001 conformed disparate graduation criteria for two MBE programs operated by the WSSC by replacing the time limits for participation in the WSSC's general MBE program with the flexible standard already codified for the WSSC's design/build and construction project MBE program. The WSSC is required to adopt regulations including graduation provisions for enterprises that WSSC determines no longer require the program's assistance or benefits.

Chapter 431 of 2001 authorized the WSSC to implement a local small business enterprise program in Montgomery and Prince George's counties. The program assists small businesses by establishing a sheltered market or other preference in WSSC's award of construction contracts and procurement of goods and services.

Chapter 387 of 2002 extended the authority of the WSSC to operate its MBE program through June 30, 2005. ***Chapter 387*** also extended the requirement for WSSC to submit an annual report on the implementation and administration of the program and any recommendations concerning the program to the Montgomery County and Prince George's County delegations to the General Assembly by September 15 of each year.

Commission Organization and Procedures

Police Force: The WSSC has "special police officers" authorized under Article 41 of the Annotated Code of Maryland assigned to its Security and Safety Services Group. These officers have full police powers on WSSC property and while in fresh pursuit of criminal suspects. However, special police do not constitute a separate "police force" under Maryland law and, therefore, are not allowed access to records and information on criminal history records check of individuals or motor vehicles.

Chapter 388 of 2002 formally established the WSSC police force as a discretely authorized force, capable of sharing and receiving federal and State criminal information. A WSSC police officer may exercise law enforcement powers on property owned, leased, operated by, or under the control of the WSSC and on non-WSSC property if the officer is: (1) engaged in fresh pursuit of a suspect; (2) requested or authorized to do so in a political subdivision; (3) needed for a traffic assignment involving WSSC property; or (4) ordered to do so by the Governor. The WSSC is required, in consultation with the Department of State Police and the Maryland Police Training Commission, to adopt regulations and standards to carry out the legislation's provisions. The legislation also includes the WSSC police force under the Law Enforcement Officers' Bill of Rights.

Nondiscrimination Policy: After several unsuccessful attempts in the area of nondiscrimination, the General Assembly gave the nod to ***Chapter 277 of 2001*** which prohibited the WSSC from discriminating against any person on the basis of sex, race, creed, color, age, mental or physical disability, sexual orientation, or national origin. Additionally, ***Chapter 277*** prohibited the WSSC from awarding a design/build or construction contract unless it contains provisions obligating the contractor not to discriminate and to include a nondiscrimination clause in all subcontracts.

Payment for Property Damage: ***Chapter 435 of 1999*** authorized the WSSC to pay for actual property damage caused by a water main break occurring on or after October 1, 1999, under regulations adopted by the WSSC. The law stipulates that payment is not an admission of liability and that the WSSC may not pay for property damage caused by a water main break that results from an intentional act or negligence of the owner or tenant of the property. Previously, the WSSC was authorized to pay for property damage caused by a sanitary sewer backup.

Plan of Scheduled System Repairs: In an effort to increase coordination of water and sewer repairs with road work and other infrastructure maintenance, ***Chapter 257 of 1999*** required the WSSC to submit an annual plan of system repairs scheduled for the next three years to the counties, municipal corporations, and qualifying homeowner corporations in the Washington Suburban Sanitary District. The legislation required the WSSC to submit to the county councils, county executives, and legislative delegations of Montgomery and Prince George's counties, each year through 2002, a list of all

nonemergency system repairs that were not included in the plan of system repairs scheduled for that year.

Construction and Development

Water and Sewer Main Extensions: The overall schedule for system development by the WSSC and the need for water and sewer service for private developments do not always coincide. In order to allow permitted development to move forward while minimizing the costs of delay, ***Chapter 149 of 2000*** authorized private developers to build sewer line extensions of up to 2,000 feet that are necessary to serve the development, or similarly necessary major projects that are included in the WSSC Capital Improvement Program. Privately built facilities must meet WSSC standards and the WSSC inspects and oversees the construction of the facility, and assumes ownership on completion. ***Chapter 149*** also conformed changes to the scope of major projects included in the Capital Improvement Program by excluding local water and sewer main extensions of 2,000 feet or less.

Infractions

Utility Construction Permits Water and Sewer Main Extensions: ***Chapter 405 of 2000*** instituted a civil infraction for failure to obtain a WSSC public utility construction permit. The infraction is subject to a civil fine of $250 for the first violation, $500 for a second violation, $750 for a third violation, and $1,000 for any subsequent violation. All civil fines are payable to the WSSC. ***Chapter 405*** also authorized the WSSC to adopt regulations governing permits required for public utility construction. ***Chapter 504 of 2001*** clarified that the exclusive criminal jurisdiction of the District Court over a WSSC infraction for required permits for utility construction by adding a corrective reference to those utility construction permits in the Courts Article.

Pretreatment Program: State law did not mirror WSSC regulations regarding pretreatment requirements for industrial users. The WSSC is required to issue a written complaint if it has reasonable grounds to believe that the person to whom the complaint is directed has violated any provision of the WSSC pretreatment program. ***Chapter 87 of* 2002** authorized the WSSC to adopt regulations governing the WSSC pretreatment program. The legislation also: (1) made violations of pretreatment standards a WSSC infraction under the exclusive jurisdiction of the District Court; (2) authorized the WSSC to issue a written complaint; and (3) changed the definition of a WSSC infraction to include regulations governing the pretreatment program.

Part E
Crimes, Corrections, and Public Safety

Criminal Law

Anti-Terrorism

In response to the tragic events of September 11, 2001, a package of legislation to address terrorism was introduced in the 2002 session to ensure that the State has an adequate and coordinated strategy for detecting, preventing, preparing for, responding to, and recovering from a terrorist attack. The legislation was recommended by a joint task force appointed by the Governor, President of the Senate, and Speaker of the House to study the State's laws in the area of terrorism and related topics. The task force consisted of three senators, three delegates, and four representatives of the Executive Branch and was chaired by Colonel David B. Mitchell, Secretary of State Police.

In order to provide a comprehensive review of the legislation dealing with anti-terrorism, this heading discusses all issues relating to this topic and is not limited to criminal legislation.

Maryland Emergency Management Assistance Compact

Chapter 2 of 2002 established a Maryland Emergency Management Assistance Compact to provide for mutual assistance in managing an emergency among local jurisdictions entering into the compact. The local jurisdictions eligible to join the compact are the 23 counties, Baltimore City, and Ocean City. The Act stated the intent of the General Assembly that the jurisdictions eligible to enter into the compact adopt it by June 1, 2003.

Access to Public Records – Public Security Documents

Chapter 3 of 2002 authorized a custodian of a public record to deny inspection of: (1) specified response procedures or plans prepared to prevent or respond to emergency situations; (2) specified building plans, blueprints, schematic drawings, diagrams, operational manuals, or records of other buildings or structures operated by the State or any of its political subdivisions; or (3) specified records prepared to prevent or respond to emergency situations. The custodian may deny inspection of a part of such a public record only to the extent that the inspection would: (1) jeopardize the security of a structure owned or operated by the State or any of its political subdivisions; (2) facilitate the planning of a terrorist attack; or (3) endanger the life or physical safety of an individual.

Governor's Emergency Powers

Chapter 5 of 2002 was an emergency measure that altered and clarified the powers of the Governor and other State and local officials during a state of emergency. This Act: (1) expanded the definition of "emergency" to include public health catastrophes and required all law enforcement officers and local public health officers to enforce all orders, rules, and regulations concerning acts of terrorism, enemy attacks, and public health catastrophes; (2) allowed the Governor to delegate authority to direct the Maryland Emergency Management Agency to other individuals employed in the Executive Branch; and (3) required the Adjutant General of the Militia and the Secretary of State Police to carry out the Governor's policies relating to emergencies.

The Act further expanded the authority of the Secretary of Health and Mental Hygiene beyond infectious and contagious diseases to deal also with any disease that endangers the public health of the State. The Secretary is empowered to investigate and act properly to prevent the spread of these diseases, including entering on private property in the course of an investigation.

Higher Education – Edward T. Conroy Memorial Scholarship Program – Eligibility

Chapter 99 of 2002 expanded the eligibility requirements of the Edward T. Conroy Memorial Scholarship Program to allow the child or surviving spouse of a victim of the September 11, 2001, terrorist attacks to receive an award under the program. The child of a victim must be at least 16 years old to receive an award. The combined value of scholarship awards received during a single year by a child or spouse of a victim through the Conroy Scholarship program and any other scholarship programs targeting the children and spouses of victims may not total more than the equivalent annual tuition and mandatory fees at the University of Maryland, College Park.

Agriculture – Infectious and Contagious Diseases – Administrative Search Warrants

Chapter 6 of 2002 authorized the Secretary of Agriculture, or the Secretary's designee, to apply to a judge for an administrative search warrant to enter specified premises to conduct an inspection to determine compliance with the laws relating to regulation and prevention of infectious and contagious livestock and poultry diseases. The Act was designed to allow the Secretary of Agriculture to take immediate action in the event of a possible disease outbreak, which might have the potential to devastate the livestock or poultry industry. The Act established procedures for filing and executing the search warrant, requirements for the contents of the warrant, and requisite conditions for a judge to issue the warrant. An applicant for a warrant must show probable cause of an existing violation of the laws relating to infectious and contagious livestock and poultry diseases. Any information obtained pursuant to a warrant shall be considered confidential and may not be disclosed except to the extent it is used in an administrative or judicial proceeding.

Maryland Security Protection Act of 2002

Chapter 100 of 2002 established a number of provisions to enhance State security, including:

- authorizing "roving wiretaps" by establishing procedures for the interception of communications involving a particular individual instead of a particular location or instrument of communication;

- authorizing a license holder of a nuclear power plant facility in the State, under a heightened level of security condition ordered by the federal government, to authorize a security officer to stop and detain an individual who commits a crime on facility property;

- authorizing the expanded emergency jurisdiction of the Maryland Transportation Authority Police to various transportation agency properties and adjacent areas when ordered by the chairman of the Maryland Transportation Authority with the approval of the Governor or when ordered to do so by the Governor on declaring a state of emergency;

- requiring the Maryland Aviation Administration to adopt rules and regulations requiring the use of security identification badges in airports and establishing penalties for misuse; and

- creating a new crime of knowingly or fraudulently obtaining a commercial driver's license by misrepresentation and enhancing penalties for existing commercial driver's license violations.

Catastrophic Health Emergencies

Chapter 1 of 2002 was an emergency measure that authorized the Governor to proclaim the existence of a catastrophic health emergency. The Act also authorized the Secretary of Health and Mental Hygiene to exercise certain duties in order to maintain a catastrophic health emergency disease surveillance and response program and required the Secretary to submit a report by December 31, 2002, on any plans, procedures, or protocols developed as a result of this Act. The report must be updated every three years or when any provision of this Act is used to detect a catastrophic health emergency.

The Act required the Governor, on issuance of an Executive Order proclaiming a catastrophic health emergency, to order the Secretary of Health and Mental Hygiene to take certain actions, including ordering individuals to obtain treatment and quarantine individuals to prevent the spread of disease. The Governor may order any health care practitioner to participate in disease surveillance and treatment. The Governor may order the evacuation and closure of facilities and order the public to remain indoors or refrain from congregating. The Secretary may also order treatment and quarantines when investigating actual or potential exposures to deadly agents. The Act provided various due process protections to individuals, including notice, the right to court-appointed counsel, and court hearings and determinations in the event that any of the above actions are taken. The Act provided penalties for failure to comply with orders made under the Act.

State Agencies, Offices, and Officials

The General Assembly considered several measures in the 2002 session to honor the victims and heroes of September 11 and to prevent or respond to any similar attacks in the future.

Maryland Day of Remembrance: ***Resolutions 5 and 6 of 2002*** designated September 11 as the Maryland Day of Remembrance of the September 11, 2001, terrorist attacks, recognizing the thousands of innocent Americans who were killed and injured as a result of these attacks, including the passengers and crew of the four aircraft, workers in the World Trade Center and in the Pentagon, rescue workers, and bystanders. The resolutions also provided that on September 11 and throughout the year, parents and educators are encouraged to teach their children and students that the ideal of liberty in the United States, which the terrorists attempted to destroy on September 11, 2001, remains unscathed.

Maryland Security Council: ***Chapter 4 of 2002*** established a 15-member Maryland Security Council within the Executive Department, to assist the Governor in ensuring that the State maintains an adequate and coordinated strategy for dealing with emergencies in the State. The Act redefines "emergency" as the threat or occurrence of any storm, flood, drought, explosion, or other catastrophe which requires State

emergency assistance to supplement local efforts in order to save lives and protect public health; or the threat or occurrence of an enemy attack, act of terrorism, or public health catastrophe whether or not beyond local control. The council is similar in concept to the federal Office of Homeland Security and offices created in other states after September 11.

National Guard

Approximately 2,500 Marylanders were on active duty outside Maryland or were called to active duty in the State due to security responses to the September 11 terrorist attacks. Additional military personnel were serving in Afghanistan, Bosnia, Germany, and the Philippines.

Maryland National Guard Readiness Act: ***Chapter 101 of 2002*** granted State death benefits of $100,000 to the surviving spouse, children, or dependent parents of Maryland National Guard members serving on State active duty who are killed in the performance of their duties on or after September 11, 2001. However, the death benefit may not be paid if the member is eligible to receive dependency and indemnity compensation under rules prescribed by the U.S. Department of Veterans Affairs. In addition, the Act adopted federal laws that grant members of the Maryland National Guard who are called to active duty by the Governor on or after September 11, 2001, reemployment rights under the Uniformed Services Employment and Reemployment Rights Act, and civil protections under the Soldiers' and Sailors' Civil Relief Act of 1940.

Service Bar: ***Chapter 103 of 2002*** required that individuals ordered into active service for the Maryland National Guard in response to the September 11 attacks receive a service bar depicting the State flag and "9-11."

Code Revision – Nonsubstantive

Between 1999 and 2002 three new articles of the Annotated Code of Maryland were enacted. They were produced as a result of the continuing revision of the Code by code revision article review committees based on revisions prepared by the staff of the Office of Policy Analysis of the Department of Legislative Services. The purposes of code revision are modernization, logical organization, and clarification of current law, not policymaking by way of new law.

Correctional Services Article

Chapter 54 of 1999 created the Correctional Services Article, which contains 11 titles that revise, restate, and recodify in a nonsubstantive manner the statutory laws relating to the State and local correctional systems. The new Correctional Services

Article replaced all of Article 31B of the Code and parts of Articles 1, 25, 27, 41, 78A, 87, and 88B of the Code.

The Correctional Services Article includes laws that relate to the Department of Public Safety and Correctional Services, the Division of Correction, the Patuxent Institution, the Division of Pretrial Detention and Services, the Division of Parole and Probation, the Maryland Parole Commission, local correctional facilities, standards for State and local correctional facilities, inmate grievances, sundry claims, inmate welfare funds, diminution credits, community adult rehabilitation centers, correctional farms, and alternatives to incarceration.

Criminal Procedure Article

Chapter 10 of 2001 created the Criminal Procedure Article. The Criminal Procedure Article revises, restates, and recodifies current law relating to various criminal procedure matters such as the arrest process, charging procedures and documents, pretrial procedures (including pretrial release), trial and sentencing procedures, sentence review, extradition, expungement, victims' rights, and property forfeitures involved in controlled dangerous substance violations and gambling and gun law violations.

Criminal Law Article

Without substantively changing the law, ***Chapter 26 of 2002*** created the new Criminal Law Article, which revises, restates, and recodifies current law relating to substantive crimes. Its provisions are derived primarily from Article 27 - Crimes and Punishments, and includes related provisions from the Agriculture, Commercial Law, Family Law, and other articles of the Code.

Code Revision – Substantive

The Committee to Revise Article 27 was appointed by the President of the Senate and the Speaker of the House in 1991. Unlike the code revision committees that make only stylistic, nonsubstantive revisions to the Code, the Article 27 Committee is charged with revising both substantively and stylistically the State's criminal law. In prior terms the Article 27 Committee proposed major legislation revising the State's laws on arson, assault, burglary, trespass, and victim's rights. Several significant enactments were proposed by the Article 27 Committee during the 1999–2002 term.

Escape Law Revision

Chapter 422 of 1999 revised and restated the law concerning escape, contraband, and related offenses. The major substantive changes included:

- adding a single section to cover all violations of the terms of release or home detention in local correctional facilities;

- establishing the felony offense of escape in the first degree, which included:

  - knowingly escaping from a place of confinement; and

  - knowingly violating a restriction on movement imposed under the terms of a temporary release order (e.g., work release), a pretrial release order or Division of Correction home detention order, or violating the terms of temporary release or home detention by failing to return to a place of confinement. A violator is subject to a maximum fine of $20,000 and up to ten years' imprisonment; and

- establishing the misdemeanor offense of escape in the second degree, which included knowingly departing from custody after a lawful arrest without the authorization of the custodian, knowingly failing to obey a court order to report to a place of confinement, and violating a restriction on movement under a non-Division of Correction home detention order. A violator is subject to a maximum fine of $5,000 and up to three years' imprisonment.

This legislation was prompted in part by a 1998 Court of Appeals ruling in *Farris v. State*, 351 Md. 24 (1998), that held that in Allegany County (and by implication in other counties) the failure of an individual to report for service of a weekend sentence was not escape or any other violation of criminal law. This Act addressed the *Farris* problem by making the failure to report to a correctional facility as required by a court order an escape in the second degree.

Chapter 422 further codified existing law concerning escape by inmates while on leave or otherwise temporarily released from a correctional facility (e.g., in a hospital or court).

Robbery Law Revision

Chapter 288 of 2000 repealed existing provisions dealing with penalties and charging documents for the common law offenses of robbery and robbery with a dangerous or deadly weapon. The Act established new provisions that describe various elements of the offense of robbery while maintaining robbery's judicially determined (case law) meaning. Definitions of "deprive," "property," "services," and "obtain" were taken from the definitions in the theft law. This meant that anything for which a theft prosecution could be brought will be the subject of a robbery prosecution if the theft was accompanied by force or threat of force. The Act established the following offenses and penalties:

- Robbery or attempted robbery is prohibited. Robbery also includes obtaining the service of another by force or threat of force. Robbery or attempted robbery is a felony subject to imprisonment not exceeding 15 years.

- Robbery or attempted robbery with a dangerous or deadly weapon is prohibited and is a felony subject to imprisonment not exceeding 20 years.

The Act also increased the threshold in the value of property or services involved in theft-related and other offenses from $300 to $500 for purposes of the distinction between lesser and greater offenses. These offenses included theft, extortion, malicious destruction of property, bad checks, and credit card fraud.

Health Plan Fraud

Chapter 259 of 2000 revised, restated, consolidated, and expanded the law concerning State health plan fraud. The Act repealed other laws that prohibited Medicaid fraud and added several provisions that prohibited fraud against any State health plan, which included Medicaid fraud. The prohibitions apply both to recipients and health care providers.

Among many other provisions, the Act also altered and clarified the law regarding welfare fraud. Provisions included prohibitions against false statements on welfare benefit applications, knowingly and willfully defrauding a State health plan, converting benefits or payments to others, making or receiving bribes, kickbacks, or rebates of fees, and fraud involving possession of drugs, obtaining medical care, or use of pharmacy cards.

Criminal penalties ranged from a felony with a maximum $200,000 fine or life imprisonment or both if a death results from the violation to a misdemeanor with a maximum fine of $50,000 or imprisonment for three years or both for the least serious violations. The Act also provided for treble civil damages for State health plan fraud.

Accessory Before the Fact

Chapter 339 of 2000 abrogated the common law distinction between an "accessory before the fact" (a person who counsels or orders a crime, but is not present at the crime's commission) and a "principal" (a participant in a crime who is present at its commission). The Act was introduced in response to the Court of Appeals decision in *State v. Sowell*, 353 Md. 713, 728 A.2d 712 (1999), which upheld the common law distinction, stating that it was in the General Assembly's prerogative to change it. The Act provided that except for death penalty proceedings, the distinction between an accessory before the fact and a principal is abrogated.

Accessory After the Fact

Chapter 167 of 2001 codified the common law crime of accessory after the fact. An accessory after the fact is a person who is aware of the commission of a felony and harbors and protects the felon or assists the felon's avoidance of capture or punishment. The Act provided that, unless another penalty is prescribed by law, a person who is found to be an accessory after the fact is guilty of a felony and is subject to the lesser of a penalty of imprisonment not exceeding five years or a penalty not exceeding the maximum penalty provided if the person had actually committed the crime.

Prostitution and Related Crimes

Chapter 674 of 2001 was a response to the recommendation of the Criminal Law Article Review Committee that the Article 27 Committee study the issue of prostitution-related laws. The Act revised and consolidated into a single subtitle the laws dealing with: abduction of individuals under the age of 16 years for prostitution or sex-related purposes; prostitution, bawdyhouses, and houses of ill fame; pandering and related crimes; and transportation for purposes of prostitution or lewdness.

Among other changes, the Act provided statutory definitions for terms relating to prostitution. "Prostitution" is defined as a sexual act, sexual contact, or vaginal intercourse for hire, as those terms are defined under the law applicable to rape and sexual offenses. The terms "assignation" and "solicit" are also defined. The Act generally prohibited engaging in prostitution, assignation, solicitation, and activities done in furtherance of these offenses. It set penalties of fines ranging from $500 to $10,000 and terms of imprisonment ranging from one to ten years.

Sabotage and Related Crimes

Another 2001 enactment also reflected a recommendation of the Criminal Law Article Review Committee that the Article 27 Committee review the sabotage laws. ***Chapter 166 of 2001*** revised the laws concerning: sabotage prevention, including the offenses of hindering, delaying, or interfering with defense-related activities; use of identification material; trespassing; and restricted use of highways under certain circumstances. Instead of a trespass provision applicable only to defense-related activities, the Act expanded the trespass law to allow the posting of any property, not just private property, to prohibit trespassing.

The penalties for sabotage-related offenses under the revision ranged from a maximum 90-day imprisonment and a $500 fine for a misdemeanor to a maximum of 10-year imprisonment and a $10,000 fine for a felony.

Sex Crimes

In addition to the revision of the prostitution laws discussed above in this subpart, the General Assembly considered other legislation concerning sex crimes.

Subsequent Sexual Offenders

Chapter 266 of 2002 provided that if a person who has a prior conviction from another incident of first or second degree rape or sexual offense is convicted of a subsequent offense of second degree rape or sexual offense, third degree sexual offense, or attempted second degree rape or sexual offense, the person is subject to imprisonment not exceeding life.

Chapter 187 of 2002 made a person subject to incarceration for life without the possibility of parole if the person is found guilty of rape or sexual offense in the first degree after having been previously convicted of one of the same offenses.

Juvenile Justice Facilities

Chapter 277 of 2000 prohibited an employee of the Department of Juvenile Justice or a licensee of the department from engaging in vaginal intercourse or a sexual act with an individual confined in a juvenile facility. A violator is guilty of a misdemeanor and subject to a maximum fine of $3,000 or maximum imprisonment for three years or both. The legislation was consistent with the existing law prohibiting a correctional employee from engaging in vaginal intercourse or a sexual act with an inmate incarcerated in a correctional facility.

Categories of Child Abuse

Chapter 273 of 2002 established the crime of sexual abuse of a minor as a separate offense from "child abuse." Under the Act, a parent or other person with permanent or temporary care or custody or responsibility for the supervision of a minor, or a household member or family member, may not cause sexual abuse to the minor. A violator is guilty of a felony and subject to maximum imprisonment of 15 years. This enables the State to distinguish and track sex offenders differently from physical child abusers in order to monitor them better.

Continuing Course of Conduct

Chapter 278 of 2002 prohibited a person from engaging in three or more acts in a continuing course of unlawful sexual conduct with a victim under 14 years of age and provided that a violation is a felony. In determining whether a continuing course of conduct existed, the trier of fact must determine only that the required number of acts

occurred, and need not determine which acts constitute the required number of acts. However, the person may not be additionally charged for a sexual offense involving the same victim in the same proceeding, unless the violation occurred outside the period of the continuing course of conduct. The Act was in response to a Court of Appeals decision, *Cooksey v. State*, 359 Md.1, 752 A.2d 606 (2000), in which the court held that third- and fourth-degree sexual offenses, as codified in Maryland, are single offenses involving a specific act on each occurrence, rather than crimes of a continuing character that may occur over time.

For a discussion of issues relating to registration of sex offenders, see the "Public Safety" subpart of this Part E.

New Crimes and Penalties

Assisted Suicide

In a 1993 opinion, the Attorney General concluded that assisted suicide, whether the assistance is rendered by a physician or someone else, may constitute a common law crime in Maryland, i.e., accessory before the fact to a felony or second degree principal to a felony. 78 Opinions of the Attorney General __ (1993) [Opinion No. 93-036 (September 8, 1993)]. However, the Maryland Court of Appeals has never addressed this issue.

As a result, ***Chapter 700 of 1999*** enacted the assisted suicide law, which prohibited assisting another to commit suicide. An individual who commits this offense is guilty of a felony and on conviction is subject to a fine not exceeding $10,000 or imprisonment not exceeding one year or both. The Act also gave protection to licensed health care professionals for administering medications and procedures in good faith, provided they do not have the intent to assist in a suicide.

A family member who provides medications and procedures to a patient in a licensed hospice program to relieve pain, even if it hastens or increases the risk of death, is also not subject to criminal liability under ***Chapter 700*** unless the medications or procedures are knowingly administered or dispensed to cause death.

Prison Inmates

Contact with Bodily Fluids: ***Chapter 345 of 1999*** prohibited an inmate from maliciously causing or attempting to cause any employee of the Division of Correction, the Patuxent Institution, the Baltimore City Detention Center, or any county jail, detention center, or sheriff's office to come into contact with seminal fluid, urine, or feces. Additionally, the Act prohibited contact with blood, provided that the contact is not the result of physical injury resulting from physical contact between an inmate and

employee. An inmate who is convicted under this provision is guilty of a misdemeanor and is subject to imprisonment not exceeding ten years or a fine not exceeding $2,500 or both.

Indecent Exposure: ***Chapter 160 of 2002*** prohibited an inmate from lewdly, lasciviously, and indecently exposing private parts of the inmate's body in the presence of a correctional officer or authorized personnel with the intent to annoy, abuse, torment, harass, or embarrass that person. A violator is guilty of a misdemeanor and subject to maximum penalties of a fine not exceeding $1,000 or imprisonment not exceeding three years or both.

Telecommunications and Electronic Crimes

Telecommunications Fraud: ***Chapter 596 of 2001*** repealed the "Telecommunications Act" under Maryland's criminal code and added provisions prohibiting the possession, use, or transfer of unlawful telecommunications devices and access devices, and the theft of telecommunication service.

The Act provided criminal penalties, authorized restitution, and allowed a court to require a convicted defendant to forfeit any unlawful device involved in the violation. In addition to criminal sanctions, the Act authorized any person aggrieved by a violation to bring a civil action seeking an injunction, impounding and destruction of equipment, and actual damages, including lost profits.

Electronic Security Systems for Retail Establishments: Professional shoplifters have made use of devices that circumvent or bypass the electronic or magnetic security systems used by retail establishments. The devices can also be used to demagnetize such an electronic security system. ***Chapter 480 of 2001*** makes it a misdemeanor for a person knowingly to possess:

- with intent to commit a theft, a device intended to shield merchandise from detection by an electronic security system; or

- a tool or device designed to deactivate or remove an electronic security system or device from merchandise with the intent to use the tool or device to deactivate or remove any electronic security system from merchandise without the permission of the merchant or person owning or lawfully holding the merchandise.

A person who violates the provisions of the Act is subject to a fine not exceeding $1,000 or imprisonment not exceeding one year or both.

Vulnerable Adults

The 2002 General Assembly passed legislation granting greater protection to vulnerable adults. A vulnerable adult is an adult who lacks the physical or mental capacity to provide for the adult's daily needs.

Financial Exploitation: ***Chapter 479 of 2002*** made it unlawful for a person to knowingly and willfully obtain by deception, intimidation, or undue influence the property of a vulnerable adult with the intent of depriving the adult of the property. A person convicted of this offense is subject to criminal penalties that vary depending on the value of the property taken, is disqualified from inheriting or otherwise benefitting from the property of the vulnerable adult, and is required to make restitution of the property or its value to the victim or the victim's estate.

Abuse or Neglect of Vulnerable Adults: ***Chapter 321 of 2002*** prohibited a caregiver, parent, or other person with permanent or temporary care or responsibility for the supervision of a vulnerable adult, or a household or family member, from causing the abuse or neglect of the vulnerable adult that results in death, serious physical injury, or sexual abuse. A person who victimizes a vulnerable adult in this manner is guilty of the felony of abuse or neglect of a vulnerable adult in the first degree and is subject to imprisonment not exceeding ten years or a fine not exceeding $10,000 or both. All other forms of abuse or neglect of a vulnerable adult are abuse or neglect in the second degree punishable by imprisonment not exceeding five years or a fine not exceeding $5,000 or both.

Fraud and Theft-related Crimes

Personal Identity Theft: Personal identity theft is believed to be one of the fastest growing crimes in the nation. Congress passed the Identity Theft Protection Act of 1998, which made it unlawful for anyone knowingly to transfer or use, without lawful authority, another person's identification with the intent to commit unlawful activity that constitutes a violation of federal law or a felony under State or local law. The new law set criminal penalties for first and subsequent offenses and provided for mandatory restitution for victims that may include payment of any costs, including attorneys' fees.

The General Assembly addressed this issue in 1999 and passed ***Chapter 331 of 1999***, which made it a crime to knowingly, willfully, and with fraudulent intent obtain or aid in obtaining another person's "personal identifying information" without the person's consent, for the purpose of using that information or selling or transferring that information to obtain any benefit, credit, goods, or services in that other person's name. The Act also prohibited a person from knowingly and willfully assuming the identity of another with specified fraudulent intent or to avoid prosecution for a crime.

During the 2002 session, the General Assembly revisited the issue of personal identity theft and passed ***Chapter 509 of 2002***. This Act significantly expanded offenses relating to the fraudulent use of personal identifying information. It included knowingly, willfully, and with fraudulent intent possessing (or aiding in possessing) personal identifying information under the prohibition against obtaining personal identifying information to commit fraud. The Act also established felony offenses for identity theft fraud involving goods or services, including credit, with a value over $500, and for committing the offense with intent to manufacture or distribute personal identifying information of another without consent. It provided statewide investigative and enforcement authority to any law enforcement agency to pursue violations of the Act if certain notice requirements are met, and granted the District Court concurrent jurisdiction over the felony offenses described in the Act.

Computer Piracy: In November 1999, the Maryland Information Technology Board (ITB) reported that recent enhancements in computer hardware and software had resulted in an increase in computer-related crime. As a result, computer intrusion cases had increased. Based on recommendations from the ITB report, the General Assembly passed ***Chapter 7 of 2000***, which established an enhanced penalty for offenses relating to: (1) willful and unauthorized access to computer programs or networks to cause malfunctions or to alter or destroy data or other computer programs; and (2) willful and unauthorized possession, identification, or distribution of valid computer access codes.

Subsequent Misdemeanor Theft Offenses: ***Chapter 161 of 2002*** increased the penalties for misdemeanor theft for persons with two or more prior theft convictions. For a person convicted of theft of property or services with a value of less than $500, the penalty was increased from imprisonment not exceeding 18 months or a fine not exceeding $500 or both, to imprisonment not exceeding five years or a fine not exceeding $5,000 or both. The convicted person must also restore or pay for the value of the property or services. A court may not impose these penalties unless the State's Attorney serves notice on the defendant or the defendant's counsel before the acceptance of a plea of guilty or nolo contendere or at least 15 days before trial that: (1) the State will seek the penalties under these provisions; and (2) lists the alleged prior convictions.

False Statements – Toxic Material

Chapter 377 of 1999 altered the definition of "toxic material" by including precursors of certain toxic chemicals and biological substances containing a disease organism or microorganism. In effect, it expanded the prohibitions on destructive devices to include devices containing precursors of these dangerous chemicals and biological substances containing a disease organism or microorganism. Persons who violate the laws on destructive devices are subject to a fine not exceeding $250,000 or imprisonment not exceeding 25 years or both. In addition, the Act prohibited a person from knowingly circulating or transmitting false statements or rumors concerning the location or possible release of these toxic materials. Violators are guilty of a felony and

subject to a fine not exceeding $10,000 or imprisonment not exceeding ten years or both. Persons convicted of violating these provisions may also be required to pay restitution.

School Safety Act of 1999

Chapter 561 of 1999 expanded the existing prohibition against molesting or threatening with bodily harm a student, employee, administrator, agent, or any other individual who is lawfully on school property to include those who are on a school vehicle, at an activity sponsored by a school that is held off school property, or on property that is owned by a county board of education and is used for administrative or other purposes.

Chapter 561 further prohibited a person from threatening with bodily harm any employee of any institution of elementary, secondary, or higher education at home by any means, including in person, by telephone, or by electronic mail. The prohibition applies only to threats arising out of the scope of the employee's employment. The Act also increased the maximum fine for these offenses from $1,000 to $2,500. The maximum term of imprisonment of six months was not changed.

Privacy – Visual Surveillance

Chapter 377 of 1999 expanded the prohibition against conducting or procuring another person to conduct any visual surveillance of another person in a private place without the consent of the person in the private place by broadening the definition of "private place" from a dressing room or rest room in a retail store to mean a dressing room, bedroom, or rest room in places of public use and accommodation. It also defined "visual surveillance" to mean deliberate, surreptitious observation of another by any means, including direct sight surveillance, the use of mirrors, and the use of cameras.

Chapter 377 prohibited placing a camera on real property for purposes of filming a person in a private residence and prohibited conducting visual surveillance with a prurient intent in dressing rooms, rest rooms, and bedrooms in places used by the public. Violators are guilty of a misdemeanor and subject to a fine not exceeding $1,000 or imprisonment not exceeding six months or both.

Cruelty to Animals

Chapter 592 of 2001 created the felony of "aggravated cruelty to animals." The Act stylistically updated the law and maintained some portions of the existing misdemeanor prohibitions and exemptions for activities where pain to animals is unavoidable or necessary. It also added a new exemption for animal research conducted in accordance with federal law.

Specifically, ***Chapter 592*** provided that the felony of aggravated cruelty to animals consists of any of the following acts: (1) intentional mutilation, torture, cruel beating, or cruelly killing an animal; (2) causing, procuring, or authorizing an act listed above; (3) using or allowing a dog to be used in or arranging or conducting a dogfight; (4) using or allowing to be used a bird, fowl, or cock to fight with another animal in a cockfight; or (5) except in the case of self-defense, intentionally inflicting bodily harm, permanent disability, or death on an animal owned or used by a law enforcement unit. These acts were previously misdemeanors. Violators are subject to a fine not exceeding $5,000 or imprisonment not exceeding three years, or both. In addition, as a condition of sentence, a convicted person may be subject to psychological counseling.

Controlled Dangerous Substances

"Ecstasy": 3, 4-Methylenedioxymethamphetamine (MDMA) is commonly referred to as "ecstasy" and is a "club drug" that works as a stimulant similar to methamphetamine and has hallucinogenic properties. Ecstasy is taken in a tablet form and can cause dehydration, increases in heart rate and blood pressure, and kidney and cardiovascular failure. Ecstasy has been reported to be fatal when combined with alcohol, and chronic use has been reported to have long-lasting detrimental effects.

Chapter 449 of 2001 increased the penalty for manufacturing, distributing, dispensing, or possessing with intent to distribute 750 grams or more of MDMA from imprisonment not exceeding five years and a fine not exceeding $15,000, or both to imprisonment not exceeding 20 years or a fine not exceeding $20,000, or both. For a second offence the penalty was increased from a sentence of not less than two years to a sentence of not less than ten years and a fine not exceeding $100,000. The Act provided sentences of not less than 25 and 40 years for a third and fourth offense, respectively. Distribution, manufacture, or possession with intent to distribute less than 750 grams of MDMA remains a felony with a maximum penalty of five years' imprisonment or a fine of $15,000 or both.

Drug Analogues: A controlled dangerous substance analogue is a substance that has the same or substantially similar effect on the human body as a controlled dangerous substance classified in Schedules I or II and a substantially similar chemical structure. Controlled dangerous substances, substances for which there is an approved new drug application, and substances exempted for investigational use under the federal Food, Drug, and Cosmetic Act are exempted from the definition of controlled dangerous substance analogue.

Maryland law, which mirrors federal law, places drugs into schedules numbered I through V depending on their potential for abuse, potential for addiction, and medical value. Schedule I substances have no legitimate uses while Schedules II through V are legal with certain restrictions. (Schedule II has the most restrictions, Schedule V the least.) However, ***Chapter 441 of 2001*** altered Schedule I to require controlled dangerous

substance analogues to be treated as Schedule I controlled dangerous substances to the extent that the analogues are intended for human consumption. As a result, the Act applied the criminal penalties for possession and distribution of Schedule I substances to analogues.

Possession of Portable Pagers on Public School Premises – Decriminalization

Under existing law, a "portable pager" is defined as any device used to receive or communicate messages. The term includes cellular telephones, laptop computers, and hand-held computers. In the 2001 session, ***Chapter 637*** made the statewide prohibition against the possession of portable pagers on public school property apply only in Baltimore City and Baltimore, Caroline, Dorchester, Somerset, Talbot, Wicomico, and Worcester counties. In the 2002 session, ***Chapter 402*** repealed the prohibition in Baltimore County. Both Acts stated that it was the intent of the General Assembly that the local boards of education work with the Maryland State Department of Education to develop a policy regarding the use of portable pagers and cellular telephones on school property. In those counties for which the prohibition remains in effect, an individual who possesses a portable pager on public school property is guilty of a misdemeanor and is subject to a fine not exceeding $2,500 or imprisonment not exceeding six months or both.

Criminal Procedure

Law Enforcement and Pretrial Procedures

Electronic Interception of Wire and Oral Communications

The General Assembly considered several proposals during the 1999–2002 term to expand the authority of law enforcement officials to intercept wire and oral communications and to introduce such communications into evidence under the Maryland Wiretap Act.

In particular, bills were introduced in response to *Perry v. State*, 356 Md. 37 (1999), in which the Court of Appeals reversed the convictions of an alleged triple murderer based on the use at trial of a wiretap interception that was inadmissible in Maryland, notwithstanding that it had been legally intercepted in California. Although these bills failed in the 2000 session, ***Chapters 370 and 371*** were enacted in 2001 to authorize a court to receive into evidence, subject to specified conditions, intercepted wire or oral communications where the interception was legally made in another jurisdiction.

Chapter 100 of 2002 established several provisions to enhance State security, including "roving wiretaps" for intercepting communications. For further discussion of this and other acts related to terrorism, see the "Criminal Law" subpart of this Part E.

Bail and Pretrial Release

Expansion of Restrictions on Pretrial Release: ***Chapter 403 of 1999*** prohibited a District Court commissioner from authorizing the pretrial release of a defendant charged with violating: (1) an ex parte order or the provisions of a protective order that order the defendant to refrain from abusing or threatening to abuse a person eligible for relief; or (2) a protective order issued by a court of another state or of a Native American tribe that orders the defendant to refrain from abusing or threatening to abuse a person eligible for relief. The Act authorized a judge to release a defendant described above pending trial on: (1) suitable bail; (2) any other conditions that will reasonably ensure that the defendant will not flee or pose a danger to another person or the community; or (3) both bail and other conditions described above. For additional discussion of the issue of domestic violence, see the "Family Law" subpart of Part F - Courts and Civil Proceedings of this *Major Issues Review*.

Chapter 184 of 1999 prohibited a District Court commissioner from authorizing the pretrial release of a defendant charged with any "crime of violence."

Representation at Bail Review Hearings: Senate Bill 335/House Bill 889 of 1999, Senate Bill 138 of 2000, Senate Bill 78/House Bill 703 of 2001, and ***Senate Bill 9 of 2002 (all failed)*** would have required the Public Defender to provide legal representation to an indigent defendant during a bail review hearing when the defendant had not been released on bail as set by a District Court commissioner.

Despite the failure of these bills, the General Assembly appropriated $300,000 in the fiscal 2000 budget for a pilot project to provide representation to indigent clients during bail review hearings in Baltimore City. The Office of the Public Defender provides this service in some jurisdictions (including Baltimore City), but not statewide. The office would have needed additional personnel to undertake this additional responsibility on a statewide basis.

Time for Trial

Chapter 657 of 2001 required that if a judge for good cause delays the start of a criminal trial after the statutorily required 180-day deadline, the county administrative judge or a designee may only approve subsequent delays in the trial date for good cause. The Act overturned a part of *State v. Brown*, 355 Md. 89 (1999), which held that once a case is postponed beyond 180 days, further postponement does not need to be justified by good cause.

Victims' Rights

During the 1995 interim, the Speaker of the House of Delegates and the President of the Senate appointed the Task Force to Examine Maryland's Crime Victims' Rights Laws. Since its creation, the objective of the task force has been to implement the 1994 amendment to the Maryland Declaration of Rights relating to the rights of victims of crime to be notified of their constitutional rights and to participate in criminal justice proceedings. During the 1999–2002 term, the General Assembly passed a number of legislative initiatives that were proposed by the task force.

Criminal Injuries Compensation

Chapter 622 of 1999 prohibited the Criminal Injuries Compensation Board from finding that a claimant fails to suffer serious financial hardship and is not eligible for an award because the claimant is indigent or judgment proof.

The Act also allowed Maryland residents who are injured in another state that operates, but does not fund, a criminal injuries compensation program to receive benefits in Maryland. Time requirements were also established for the Criminal Injuries Compensation Board to act on claims and maximum allowable counseling and funeral expenses were increased to $5,000.

Under ***Chapter 483 of 2001***, a parent, spouse, or child who resides with a crime victim is eligible for mental health counseling compensation from the Criminal Injuries Compensation Fund. The Act also allowed the fund to make awards to repair, replace, or clean property that is damaged or soiled in a crime.

The Act expanded the definition of "crime" for criminal injuries compensation purposes to include motor vehicle offenses involving fleeing or eluding police, leaving the scene of an accident involving bodily injury or death, and failing to give information or render aid. The Act eliminated the requirement that a claimant must demonstrate "serious financial hardship" to be eligible for an award. The Act also changed the workers' compensation schedule of benefits used to determine an award from the schedule of benefits of January 1, 1989, to the schedule of benefits of January 1, 2001.

Pretrial or Prehearing Release

Chapter 484 of 2001 required a court, a District Court commissioner, or a juvenile intake officer, if reasonable safety protections have been requested by the victim, to consider including reasonable protections for the safety of the victim as a condition of release, including "a condition of no contact" with the alleged victim or alleged victim's premises or place of employment. The Act eliminated the existing restriction

that the safety of the victim must only be considered in cases involving stalking or a felony.

Proceedings – Attendance and Notification

Juvenile Hearings and Dispositions: ***Chapter 619 of 1999*** authorized the victim of a juvenile offender to submit a victim impact statement to the court at a waiver hearing (including both a hearing in juvenile court and a reverse waiver hearing). The Act also authorized the court to consider the victim impact statement in determining whether to waive its jurisdiction.

Loss of Employment: ***Chapter 620 of 1999*** prohibited an employer from depriving an employee who is a victim of crime or a victim's representative of employment because of job time lost as a result of the employee's attendance at a criminal or juvenile proceeding where the employee has a right to attend the proceedings.

Posttrial Proceedings: ***Chapter 621 of 1999*** required the notification of victims or victims' representatives about motions for new trials in criminal cases and when an appeal is filed by any party in the Court of Special Appeals and the Court of Appeals. The Act allowed victims and victims' representatives to attend any postconviction proceedings that may be petitioned under current law.

Incompetency and Criminal Responsibility: ***Chapter 485 of 2001*** enhanced the rights of victims of serious crimes with regard to incompetency and not criminally responsible proceedings in criminal cases.

Postconviction, Sentencing, and Confinement

DNA Evidence – Posttrial Proceedings and Storage

In the late 1900s and early 2000s, a number of states and the federal government considered new laws and procedures dealing with postconviction review of serious offenses to account for advances in DNA identification testing, including laws providing courts with broader authority to order or admit DNA evidence in postconviction review proceedings.

Chapter 257 of 2001 authorized a person convicted of manslaughter, murder in any degree, or first or second degree rape or sexual offense to file a petition for postconviction DNA testing of scientific identification evidence in the possession of the State that is related to the judgment of conviction.

The Act required a court to order DNA testing of evidence if the court finds that: (1) the scientific identification evidence was not previously subjected to the test

requested for reasons beyond the control of the petitioner or the type of DNA test requested is different from tests previously conducted and would have a reasonable likelihood of providing a more probative result than tests previously conducted; (2) the evidence was secured in relation to the crime for which the petitioner was convicted; (3) the evidence to be tested has been subject to a chain of custody sufficient to establish that it has not been substituted, tampered with, replaced, or altered in any material respect; (4) identity was an issue at trial; (5) a reasonable probability exists that the DNA testing will produce results materially relevant to the petitioner's assertion of innocence; and (6) the requested DNA test employs a method of testing generally accepted within the relevant scientific community.

Chapter 257 required the State to keep DNA evidence for three years after the imposition of sentence. ***Chapter 465 of 2002*** expanded this requirement to the length of the sentence. The Act also expanded the list of persons required to submit a DNA sample upon conviction and established a DNA Technology Fund. ***Chapter 465*** was contingent on the receipt of a grant of at least $1.5 million from the federal government or a private agency and had a termination date of September 30, 2003.

Effective January 1, 2002, the Court of Appeals adopted changes to the Maryland Rules to allow a motion for a new trial based on DNA or other scientific evidence at any time after a conviction.

State Commission on Criminal Sentencing Policy

Since 1983 circuit court judges had been using sentencing guidelines in all cases involving crimes against persons, crimes against property, and drug crimes. The guidelines were adopted by a judicial sentencing guidelines board appointed under the authority of the Maryland Judicial Conference. The only voting members were judges, although the board also included members from the General Assembly, attorneys, and representatives from governmental criminal justice agencies.

Concern with sentencing practices and laws caused the enactment of legislation in 1996 creating a study commission to examine issues relating to sentencing. The recommendations of this study commission resulted in the enactment of ***Chapter 648 of 1999***, which made a number of changes to the State's sentencing and corrections laws and policies. The Act created a permanent 19-member State Commission on Criminal Sentencing Policy that was required to adopt existing sentencing guidelines for sentencing and to consider the recommendations for changes contained in the *Final Report of the Maryland Commission on Criminal Sentencing Policy* concerning those guidelines.

In addition, the Act required the commission to adopt guidelines to identify defendants who would be appropriate for participation in corrections options programs (i.e., electronic monitoring, home detention, boot camp prison programs, and community

supervision and drug treatment and rehabilitation programs). The commission must also report annually to the General Assembly regarding judicial compliance with the guidelines.

The Act also required judges to state the minimum amount of time the defendant will serve before being eligible for release on parole when sentencing for violent crimes. With the exception of life sentences and mandatory sentences a defendant is required to serve 50 percent of a sentence for a violent crime before being eligible for parole.

Finally, the Act allowed a three-judge sentence review panel to reduce a mandatory minimum sentence if the panel's decision is unanimous.

Chapter 559 of 2002 required the commission to include in its report a review of reductions or increases due to reconsideration of sentences for violent crimes.

Alternatives to Confinement

Chapter 356 of 2001 was enacted in response to *Bailey v. State*, 355 Md. 287 (1999), a ruling by the Court of Appeals that effectively limited home detention and other alternative sentencing methods as a condition of probation to a small number of counties. The Act authorized any court in the State to order "custodial confinement" as a condition of a suspended sentence or probation. The Act defined custodial confinement as home detention, a corrections options program, or inpatient drug or alcohol treatment. In addition, the Act clarified that in certain counties, the court may impose a sentence of imprisonment as a condition of probation.

Death Penalty

Political and social arguments for and against the use of capital punishment have persisted over many years both nationally and in Maryland. Although questions about the use of the death penalty previously focused on the morality of State-sanctioned killing, attention was later directed toward the ability of government to administer the system fairly – without racial, geographic, or socioeconomic inequities – and in a way that minimizes the risk of executing innocent persons.

Between July 1, 1978, when the death penalty was reinstituted in the State, and July 1, 2002, 55 persons were sentenced to death in Maryland. Three persons were executed – all in the 1990s – two African Americans and one white person. The issue of possible racial disparities in the implementation of the death penalty in Maryland was considered by various public commissions and task forces with the conclusion that more study was necessary.

The Department of Criminology of the University of Maryland, College Park, was conducting a two-year study of the death penalty to determine whether there was bias based on race, ethnicity, or economic status, and was expected to report the results of the study by the fall of 2002. The study included data collection from a wide variety of sources searching for and identifying certain case characteristics for all capital cases tried in the State since the reintroduction of capital punishment in 1978.

House Bill 388 of 2000 and ***Senate Bill 316/House Bill 563 of 2001 (all failed)*** would have provided for a moratorium to await the results of the University of Maryland study. ***House Bill 102 of 2001 (failed)*** would have abolished the death penalty.

In May 2002, the Governor, noting concerns as to possible racial and/or geographical influences, issued an Executive Order placing a one-year moratorium on executions in order to provide time to review the results of the study.

Juvenile Law

Initiatives and legislation during the previous term shifted the approach of the juvenile justice system from protecting juveniles from the consequences of criminal behavior to an overall approach that placed a greater emphasis on assuring public safety and offender accountability. Despite these efforts in1997 the Maryland Task Force on Juvenile Justice Reform reported that Maryland had the nation's fifth highest juvenile violent crime arrest rate, surpassed only by New York, Florida, New Jersey, and California. Measures to address the juvenile delinquency problem, therefore, continued to receive a significant amount of attention from the General Assembly during the 1999–2002 term.

Destructive Devices

Immediately prior to the 1999 session, primary and secondary schools throughout the State had been victimized by a number of false bomb threats, many of which had been made by children. As well as interfering with the students' education, the costs involved in responding to the threats was considerable.

Chapter 329 of 1999 established offender and parental restitution, and suspension or restriction of driving privileges for a child who is convicted or found to have committed a delinquent act for violations relating to destructive devices, false bomb threats, and constructing imitation destructive devices. The court was also authorized to order the child, the child's parent, or both to pay restitution.

School-related Legislation

Spotlight on Schools

Spotlight on Schools was a statewide initiative in which probation specialists were assigned to work on-site at local high schools monitoring attendance, office referrals, and suspensions. These persons also provided immediate intake services for students involved in delinquent activities and offered support services to specified students at elementary and middle feeder schools with parental permission.

The Spotlight on Schools initiative began as a pilot program in Prince George's County with two staff members. In fiscal 1999 it was expanded by 35 positions to cover 81 schools in 21 jurisdictions (all but Garrett, Harford, and Kent counties). The fiscal 2000 budget included $775,000 for expansion of the program, to be used to fund 35 additional positions.

Department of Juvenile Justice Summer Opportunity Program

Chapter 691 of 2001 established a three-year Summer Opportunity Pilot Program in up to three counties to provide summertime educational services to youths under the supervision of the Department of Juvenile Justice (DJJ) using faculty of the local school system. In consultation with the State Board of Education, DJJ is required to review program proposals submitted by local boards of education. Funds provided through the program may be used only to extend the contracts of participating teachers.

School Safety

Chapter 561 of 1999 broadened the School Safety and Support Act of 1995 by adding various offenses relating to controlled dangerous substances and destructive devices to the list of offenses for which, if a child enrolled in the public school system is arrested, the law enforcement agency making the arrest must notify the local school superintendent of the arrest and charges within 24 hours or as soon as practicable.

Chapter 561 also expanded the prohibition against molesting or threatening with bodily harm a person who is lawfully on school property and prohibited the threatening with bodily harm of school employees at home. For additional information on the School Safety Act of 1999, see the subpart "Criminal Law" of this Part E.

Commission on Juvenile Justice Jurisdiction

Report

The Commission on Juvenile Justice Jurisdiction was a 23-member commission formed in 1998 to study matters relating to juvenile court jurisdiction. In its report, the commission concluded that the amount of time that juveniles were detained in adult jails pending a court decision on whether their cases should be transferred to the jurisdiction of the juvenile court was "inexcusably long."

Juvenile Justice Jurisdiction Reform

Chapter 463 of 2001 attempted to address the problems identified by the commission by setting time frames within which courts are required to conduct hearings and determine whether a detained juvenile defendant is to be processed in the adult criminal or juvenile justice system. Additionally, the Act made several changes to provisions of law authorizing a court to transfer a case to the juvenile court.

To accelerate the time frame for the processing of detained juvenile defendants, the Act provided certain procedures that the District Court is required to carry out if a defendant who is under age 18 and whose case is eligible for transfer to the juvenile court remains in custody for any reason after a bail review hearing.

The Act also provided certain procedures that the circuit court is required to carry out when the circuit court receives a case involving a detained juvenile defendant from the District Court.

Juveniles Charged as Adults

The Maryland Justice Analysis Center

Chapter 227 of 2001 required the Criminal Justice Information System Central Repository to disseminate on a monthly basis certain nonidentifying information (including age, race, and gender) concerning a juvenile charged as an adult to the Maryland Justice Analysis Center (MJAC) of the Institute of Criminal Justice and Criminology of the University of Maryland. The central repository was prohibited from disseminating to the center any unique identifiers relating to the child, including name, fingerprint identification numbers, and record or file numbers. The information received by MJAC could be used only for the purposes of research, evaluation, and statistical analysis. MJAC was required to report to the Governor and the General Assembly twice each year on the results of its research, evaluation, and statistical analysis.

However, the prohibition on supplying unique identifiers inhibited the ability of MJAC to track individual cases, thus rendering it of limited value for the research purposes intended by the legislation. Accordingly, ***Chapter 252 of 2002*** was enacted in response to a recommendation of the Commission on Juvenile Justice Jurisdiction to authorize the Criminal Justice Information System Central Repository to disseminate to MJAC unique identifiers relating to the child, including name, fingerprint identification numbers, and recorder file numbers. Additionally, the Act prohibited MJAC from disseminating information received from the Central Repository except where required by State law.

Transfer of Jurisdiction

Another recommendation of the Commission on Juvenile Justice Jurisdiction resulted in the enactment of ***Chapter 159 of 2002***, which required a court when making a determination whether to transfer a case from criminal court to juvenile court to find by a preponderance of the evidence that transferring the case is in the interest of the child or society. The Act also required a criminal court to make a transfer determination at sentencing for a child charged as an adult if all charges that excluded jurisdiction from the juvenile court do not result in a finding of guilty, and the case was not originally transferred because of specified circumstances.

Mental Health and Substance Abuse

Early Identification of Mental Health and Substance Abuse Problems

Many of the children in the State's juvenile justice system have a diagnosable mental disorder or are substance abusers. To allow earlier identification of mental health and substance abuse problems and to prevent children from progressing further into the juvenile justice system, ***Chapter 446 of 1999*** required that, within 25 days after receipt of a complaint, the juvenile intake officer discuss with the child who is the subject of the complaint and the child's parent or guardian information regarding a referral for a mental health and substance abuse screening of the child.

Within 15 days of the date of the discussion with the child and the child's parent or guardian, the intake officer must document whether the child's parent or guardian made an appointment for a mental health and substance abuse screening of the child. If, as a result of the screening, it is determined that the child is a mentally handicapped or seriously emotionally disturbed child, or is a substance abuser, a comprehensive mental health or substance abuse assessment of the child must be conducted within five working days after the screening.

Expansion of Outpatient Drug Treatment Options for Juvenile Offenders (Break-the-Cycle)

The fiscal 2000 budget contained $991,000 for DJJ to expand outpatient drug treatment options for juvenile offenders. With these funds, DJJ intended to pilot an integrated public safety and health approach to deter drug abuse in Baltimore, Montgomery, and Anne Arundel counties. Approximately 550 youths were to be served.

The intent of the program expansion in an outpatient setting was to prevent offenders from progressing into more intensive, restrictive, and expensive treatment options within the juvenile justice system.

The Department of Juvenile Justice

Crisis at the Department of Juvenile Justice

News reports in December 1999 revealed that delinquent youths sent to three State boot camps in Western Maryland were beaten and abused. Reports also revealed that after boot camp attendees were sent back to their homes on supervised probation, little or no follow-up was provided by DJJ. Following these reports, the Governor removed five top officials of DJJ, including Secretary Gilberto de Jesus, and replaced them with a new management team, including Bishop L. Robinson as acting Secretary (he was subsequently named Secretary). The Governor also formed two task forces – one to study the reported violence at the boot camps and the other to study aftercare issues. Following the report from the boot camp task force, the Governor ordered the boot camps to be closed. The aftercare task force made a series of recommendations that were addressed in the fiscal 2001 budget, as discussed below.

Reform Initiatives

New Management Team: The new management team of DJJ began reformation through the reorganization of departmental units and the identification of specific areas of concern that required immediate action by the department. Some of the more significant reform initiatives included the implementation of an improved aftercare system, the creation of the Office of Professional Responsibility and Accountability, the drafting of a code of conduct for department staff, and the development of detention standards. To aid the reform efforts, ***Chapter 60 of 2001*** authorized the appointment of a second Deputy Secretary of Juvenile Justice. This appointment allowed one Deputy Secretary to oversee administrative functions within DJJ and the other Deputy Secretary to oversee the delivery of juvenile services.

Budget Initiatives: In addition to programmatic and departmental initiatives, the fiscal 2001 legislative appropriation for DJJ was $157 million, which was $21.2 million

over the department's fiscal 2000 budget, a 15.6 percent increase. This significant increase in funding was primarily a response to the serious and very public problems and the subsequent task forces' reviews discussed above. The major increases included funding for aftercare initiatives, sex offender programming at the Hickey School, program evaluation, information technology, and facilities' improvements. The fiscal 2002 budget provided a 7.5 percent budget increase for DJJ.

Employee Training: ***Chapter 483 of 2000*** required the Maryland Correctional Training Commission (MCTC) to develop and implement specific program design and appropriate course curriculum and training for employees of DJJ and entities under contract with DJJ. The Act stated the finding of the General Assembly that DJJ employees should have specific and appropriate training for that population.

In addition, ***Chapter 483*** added the Secretary of Juvenile Justice and an additional correctional officer or official of the State as members of MCTC. At least one of the correctional officers or officials must be a DJJ employee or official.

Chapter 396 of 2002 was enacted to reflect the "Maryland Standards for Juvenile Detention Facilities" issued by DJJ to provide guidance regarding administration/support services, admission processes, the provision of restorative services, residential operations, architectural design, and program responsibility and accountability. ***Chapter 396*** required DJJ to adopt an employee code of conduct and regulations that provide standards for juvenile detention facilities and nonsecure placement alternatives for committed children. The Act formalized existing DJJ guidelines to ensure that they will be followed regardless of any changes in the top positions of the department.

Independent Oversight: In September 2000, DJJ and the Governor's Office for Children, Youth, and Families established an independent juvenile justice monitor via a memorandum of agreement between the two agencies. ***Chapter 255 of 2002*** codified the Office of the Independent Juvenile Justice Monitor and its role to evaluate: (1) the child advocacy grievance process in DJJ operated facilities; (2) DJJ's monitoring process; (3) youth treatment and services; (4) the physical conditions of the facilities; and (5) the adequacy of staffing. Additionally, the Act required the office to make periodic reports of various findings.

Eastern Shore Juvenile Curfew

Chapter 398 of 2001 authorized the code home rule counties of Caroline, Kent, Queen Anne's, and Worcester to adopt a juvenile curfew ordinance. The Act also authorized a curfew to be adopted by a municipal corporation in those counties. A county may only adopt a juvenile curfew ordinance after making an independent factual finding that demonstrates a local need for a juvenile curfew.

Baltimore City Juvenile Justice Center

To address the issue of processing the 400 to 500 juveniles taken into custody every week by Baltimore City police at the Northern Precinct Station, a new facility was expected to be operational in September 2002, the Baltimore City Juvenile Justice Center (BCJJC). When fully operational, BCJJC will include an intake unit, DJJ support services, the city's juvenile court, space for the State's Attorney, Public Defender, and DJJ aftercare and probation, and other services necessary to process youth from detention through the judicial system. ***Chapter 554 of 2002*** codified the BCJJC and operating procedures for processing juveniles through the facility. The Act also required DJJ to provide medical and mental health assessment services in each of its residential facilities.

Community Detention

Chapter 406 of 2002 established "community detention" as a condition of probation or an alternative placement for children alleged or found to be delinquent. Community detention is defined as a program monitored by DJJ in which a delinquent child or a child alleged to be delinquent is placed in the home of a parent, guardian, custodian or other fit person, or in shelter care, as a condition of probation or as an alternative to detention.

Children Awaiting Placement

It has been reported that many adjudicated youths spend extended periods of time in juvenile facilities while awaiting placement into a court-ordered commitment program. In addition to concerns associated with the high costs of stays in secure confinement and overcrowded conditions at juvenile facilities, there is also a concern that juveniles awaiting placement may not be receiving the services that they need. ***Chapter 397 of 2002*** authorized a juvenile court to adopt a "treatment service plan" proposed by DJJ when the court has made its disposition in a delinquency or child in need of supervision proceeding. The Act required DJJ to ensure implementation of an adopted treatment service plan within 25 days after the disposition.

Firearms

Chapter 2 of 2000 applied restrictions and prohibitions relating to regulated firearms to individuals under the age of 30 years who had a juvenile delinquency adjudication for crimes of violence, felonies, and misdemeanors with a statutory penalty of more than two years. For additional discussed of this Act, see the subpart "Public Safety" of this Part E.

Sexual Offenses – Juvenile Facilities

Chapter 277 of 2000 prohibited employees of DJJ or licensees of DJJ from engaging in sexual relations with an individual confined in a juvenile facility. A violator is subject to a maximum three-year imprisonment, a $3,000 fine, or both.

Public Safety

Gun Control and Safety

Responsible Gun Safety Act of 2000

Following the 1999 legislative session, the tragic school shooting at Columbine High School and other reports of gun-related deaths at the hands of children sparked new concerns regarding children's access to and deadly use of firearms.

In June 1999, Governor Glendening established a Task Force on Childproof Guns. The recommendations of the task force were introduced as an Administration bill during the 2000 legislative session in the form of the Responsible Gun Safety Act of 2000. After adopting compromise amendments to the Administration's bill, the General Assembly passed ***Chapter 2 of 2000***, which consisted of the following major components.

Safety Locks: ***Chapter 2*** required that a handgun dealer provide an external safety lock for all handguns manufactured on or before December 31, 2002. For sales, rentals, or transfers by dealers on or after January 1, 2003, all handguns manufactured after December 31, 2002, must have an "integrated mechanical safety device." An "integrated mechanical safety device" is a "disabling or locking device that is both: (1) built into a handgun; and (2) designed to prevent the handgun from being discharged unless the device has been deactivated." Exemptions were provided for certain transactions involving the military or law enforcement; permanently inoperative or antique firearms; and dealer sales to out-of-state residents.

Handgun Roster Board: The number of citizens on the existing Handgun Roster Board in the Department of State Police increased from three to five, two of whom must be mechanical or electrical engineers. The board is required to review the status of personalized handgun technology (i.e., handguns that are only operable by the authorized user) and report its findings to the Governor and the General Assembly on an annual basis, beginning July 1, 2002.

Ballistic Fingerprinting: ***Chapter 2*** required any manufacturer (in- or out-of-state) who ships a handgun for sale or transfer in the State to include in a box with the handgun, a separate sealed container with a shell casing of a projectile discharged

from the gun, and any other identifying information required by the Department of State Police.

Upon receipt of a handgun from a manufacturer, a dealer must confirm to the department that the manufacturer complied with the above requirements. Upon the sale or transfer of a gun, a dealer is required to send the container to the State Police Crime Laboratory for entry into a database.

Juvenile Offenders: ***Chapter 2*** applied prohibitions relating to sale or possession of handguns to a person under 30 who was adjudicated delinquent for a crime of violence, a felony offense, or a misdemeanor offense carrying a statutory penalty of more than two years.

Firearm Possession by a Felon: Under ***Chapter 2***, if a person who was previously convicted of a crime of violence or serious drug offense illegally possesses a regulated firearm, the person is guilty of a felony, subject to imprisonment for a minimum of five years, and is not eligible for a suspended sentence or parole.

Forfeiture and Disposition of Handguns: ***Chapter 2*** provided for the seizure and forfeiture of illegally used or possessed handguns. If a handgun is forfeited to a law enforcement agency, the agency is required to either retain the handgun for official use, destroy the handgun, or sell, exchange, or transfer the handgun to another law enforcement agency for that agency's use. These requirements also apply to a law enforcement agency that disposes of its own handguns. A law enforcement agency disposing its own handguns may also: (1) sell the handgun to a retired State police officer; or (2) sell the handgun to the law enforcement officer who was previously issued the handgun.

Mandatory Safety Course for Purchasers: ***Chapter 2*** required an applicant for the purchase, rental, or transfer of a regulated firearm to have completed a certified firearms safety training course conducted by the Police Training Commission, or one provided by certain approved persons or organizations that meet standards established by the commission. A dealer is prohibited from selling, renting, or transferring a regulated firearm to a person the dealer knows or has reasonable cause to believe has not completed such a firearms safety training course.

The Act required a person to complete such a training course only once. It specified exemptions from the training course requirement for law enforcement officers; members, retired members, or honorably discharged members of the military; members of organizations required by federal law to maintain handguns; and persons who have a permit to carry a handgun.

The course offered by the commission is free and takes no longer than two hours. The course is conducted weekly and does not require any skills or knowledge testing.

Cease Fire Council: ***Chapter 2*** established a Cease Fire Council within the Department of State Police to administer a State grant program to support efforts designed to reduce gun violence.

Bulletproof Body Armor

In response to the increasing sophistication of the drug trade, including the wearing of body armor by drug dealers to protect themselves from law enforcement, legislation was passed to limit the use and possession of bulletproof body armor.

Chapter 108 of 2001 expanded the prohibition against wearing or possessing "bulletproof body armor" in the commission of a crime of violence to wearing or possessing it during and in relation to a drug trafficking crime. A violation is a misdemeanor subject to a fine of not more than $5,000 or imprisonment for not more than five years or both. Bulletproof body armor is defined to mean any material or object that is designed to cover or be worn on any part of the body to prevent, deflect, or slow down the penetration of ammunition.

In addition, ***Chapter 108*** prohibited the use, possession, or purchase of bulletproof body armor by a person who was previously convicted of a crime of violence or a drug trafficking crime. A violation is a misdemeanor subject to imprisonment not exceeding five years or a fine not exceeding $5,000 or both. The Act allowed the Secretary of State Police to issue a permit to possess bulletproof body armor to a person subject to this prohibition if the Secretary determines that the person has good cause and is likely to use and possess it in a safe and lawful manner.

Baltimore City Criminal Justice System

A 1998 Court of Special Appeals ruling regarding violations of speedy trial rules that resulted in the dismissal of cases against murder and armed robbery suspects drew attention to inefficiencies and other problems in the Baltimore City criminal justice system. The General Assembly took a number of budgetary actions during the 1999–2002 term to improve the delivery of justice in Baltimore City.

In the fiscal 2000 budget, the General Assembly appropriated $4.0 million and authorized 51 new permanent positions to assist State agency operations in the Baltimore City criminal justice system.

In addition, the General Assembly adopted budget language that withheld $17.8 million in State appropriations from the Judiciary, Office of the Public Defender, Department of Public Safety and Correctional Services, and Local Aid Law Enforcement Grants. The funds were released when the Baltimore City criminal justice system stakeholders submitted a plan to the General Assembly that addressed the substantive

policy and management reforms to resolve the criminal case processing crisis in the Circuit Court for Baltimore City. This plan included expanding the use of the courtroom at the Central Booking and Intake Facility (CBIF) to a full-time five-day-a-week schedule as a mechanism for expediting the processing of less serious criminal cases in an effort to free up resources for the processing of more serious criminal cases.

During the 2000 session, the plan was revised and the early disposition court was created. In the revised plan, defendants charged with certain nonviolent crimes were offered pleas within 48 hours of arrest. These pleas were supposed to be the lowest offer a defendant would receive during the life of the case. The fiscal 2001 budget included an additional $6.7 million and 85 new permanent positions to support the early disposition court and to assist State agency operations in the Baltimore City criminal justice system.

State funding for the reforms continued at approximately the same level in fiscal 2002 and 2003. However, because many of the stakeholders in the Baltimore City criminal justice system were dissatisfied with the outcomes of cases heard at the early disposition court, the program was redesigned in the spring of 2002. The revised program, called the early resolution program, comprised a number of separate programs including: (1) an early resolution docket at CBIF, in which pleas are offered and cases will be scheduled within seven days of arrest; (2) a citation docket, in which defendants who have received citations are offered community service in exchange for a dismissal of their cases; and (3) a diversion program, in which defendants charged with nonviolent, drug-related crimes are provided social services as part of their sentence. In addition, the General Assembly included budget language in the fiscal 2003 budget that withheld $1.9 million contingent on the stakeholders providing the General Assembly with a report on the early resolution program in Baltimore City by November 1, 2002.

Corrections

Diminution Credits and Sentences

Mandatory supervision is a nondiscretionary release from prison required by law after a criminal offender has served his or her sentence less diminution of confinement credits earned. Attention was focused on the issue of diminution credits when nine-year-old Christopher Ausherman was brutally raped and murdered in November 2000 by a recently released sex offender, Elmer Spencer. It was determined that Spencer had been released because of diminution credits earned not only on the current sentence, but also because he had earned and banked credits on a prior sentence. Spencer was released before he would have been entitled to release if he had no prior convictions, having the apparent effect of rewarding him for prior convictions.

Chapters 485 and 486 of 2002 required that if an inmate is sentenced to imprisonment for a violent crime committed while on mandatory supervision, and the mandatory supervision is then revoked, the inmate will automatically lose all credits on the prior sentence. The Acts thus abolished the discretion of the Parole Commission to revoke any or all of the diminution credits previously earned.

The Acts also required the Secretary of Public Safety and Correctional Services and the Chairman of the Maryland Parole Commission to establish a workgroup to study and make recommendations on issues relating to diminution credits, sentences, and mandatory supervision. A report from the workgroup was due by December 1, 2002.

Adult Offender Supervision

Chapter 123 of 2001 established the Interstate Compact for Adult Offender Supervision to replace Maryland's Uniform Act for Out-of-State Parolee Supervision. The uniform act, originally adopted in 1937, was inadequate and outdated. The U.S. Justice Department's National Institute of Corrections developed the new compact to provide a uniform means to track and supervise movement of adult offenders among the states.

The Act also created an interstate compact commission and a State council, specified the powers, duties, and membership of the commission and council, and provided for appointment of a compact administrator. The Act takes effect when 35 states have enacted the compact, or on July 1, 2002, whichever is later. As of June 1, 2002, 33 states had adopted the compact, while the legislation had passed in four other states and was awaiting the Governor's signature.

Law Enforcement

Racial Profiling

Chapters 342 and 343 of 2001 required each law enforcement agency in the State to adopt a policy against race-based traffic stops and to establish a reporting program on traffic stops.

Background: Racial profiling refers to the practice of police officers stopping motorists of color simply because they fit the "profile" of people who might carry contraband, drugs, or other illegal items.

According to the Office of the Attorney General, there were two cases brought against the State in the U.S. District Court in Baltimore concerning the use of race in instituting traffic stops and subsequent searches. The first case, *Robert Wilkins, et al. v. Maryland State Police, et al.*, was filed in 1993. It was settled in 1995, but the plaintiffs

returned to court in September 2000 over the implementation of the settlement. The second case, *The Maryland State Conference of NAACP Branches, et al. v. the Maryland State Police, et al.*, was brought in 1998 as a class action law suit.

Allegations of racial profiling also were an issue in Montgomery County. On January 14, 2000, a memorandum of understanding among the U.S. Department of Justice, Montgomery County, the Montgomery County Department of Police, and the Fraternal Order of Police, Montgomery County Lodge 35, Inc., was released in an effort to institute management practices by the police to promote nondiscriminatory law enforcement and community support for the police.

Legislative Response: ***Chapters 342 and 343*** required the State's law enforcement agencies to adopt a policy against race-based traffic stops that is to be used as a management tool to promote nondiscriminatory law enforcement. The policy also must be used in the training and counseling of officers. The Acts required law enforcement officers to record specified information in connection with each traffic stop, including the driver's race and ethnicity, to enable the evaluation of how the vehicle laws are being enforced. As defined, a "traffic stop" does not include: (1) a checkpoint or roadblock stop; (2) a stop for public safety purposes arising from a traffic accident or emergency situation; or (3) a stop based on the use of radar, laser, or VASCAR technology.

The Acts required the Police Training Commission, in consultation with the Maryland Justice Analysis Center at the University of Maryland, College Park, to develop a model format for the efficient recording of the traffic stop data on an electronic device, or by any other means, for use by a law enforcement agency. The commission was also required to develop guidelines that each law enforcement agency may use in data evaluation. Each law enforcement agency must compile the data collected by its officers and submit an annual report to the center by March 1 of each year reflecting the prior calendar year. The center must analyze the data based on a methodology developed in consultation with the Police Training Commission. By September 1 of each year, the center is required to issue a report to the Governor and the General Assembly as well as to each law enforcement agency.

The Acts phased in the law enforcement agencies covered by the law over a three-year period. Beginning on January 1, 2002, the Acts covered each agency with 100 or more officers. Effective January 2003, agencies with 50 or more officers are covered and, effective January 2004, every agency is covered. Data collection is required to continue for a five-year period, (until December 31, 2006) and a final report is required before September 1, 2007. Any law enforcement agency that enters into an agreement with the U.S. Department of Justice before July 1, 2001, to provide similar data may substitute the report to the Department of Justice for the Acts' reporting requirements.

The Acts terminate after August 31, 2007.

Aid for Local Law Enforcement

The municipal sworn officer allocation helps municipalities with the cost of providing police protection. The State pays the allocation to qualifying municipalities for each sworn police officer employed on a full-time basis. ***Chapter 444 of 1999*** raised the allocation from $1,200 to $1,800 annually. ***Chapter 444*** prohibited this increase from being used to supplant existing local funding for police protection.

Baltimore City Civilian Review Board

Chapters 196 and 197 of 1999 replaced the existing Complaint Evaluation Board of Baltimore City with a new 12-member Civilian Review Board to evaluate complaints made by the public regarding abusive language, harassment, or excessive force used by police personnel of the Baltimore City Police Department and to review the policies of the Baltimore City Police Department. The board comprises one member of the public from each of the nine police districts in Baltimore City, and three nonvoting members, including a representative of the Fraternal Order of Police, a representative of the Vanguard Justice Society, and either the Police Commissioner or the Commissioner's designee.

The Acts required the Internal Investigation Division to investigate each complaint and submit its report to the Civilian Review Board within 90 days of the complaint filing. The board must review all complaints and may investigate a complaint simultaneously with the review conducted by the Internal Investigation Division and report its recommendations to the division.

The Civilian Review Board reports its findings and recommendations to the Police Commissioner, who has final decision-making responsibility for appropriate disciplinary action.

Registration of Sexual Offenders

Background

The sexual offender registration statute, also known as Megan's Law, establishes registration requirements and procedures for certain offenders, sexual offenders, child sexual offenders, sexually violent offenders, and sexually violent predators. During the 1999–2002 term, the General Assembly made several changes to the State's registration statute. Many of the changes were to bring Maryland into compliance with the federal laws regarding sexual offender registration.

Expansion of Registration

Several of the Acts affected both the term of registration and the population of individuals required to register. ***Chapter 317 of 1999***, ***Chapter 314 of 2000***, ***Chapter 112 of 2002*****,** and ***Chapter 194 of 2002*** all expanded the term of registration for certain aggravated offenders and certain repeat offenders to life. As a result of these Acts, a registrant is required to register for life if: (1) the registrant is a sexually violent predator; (2) the registrant has been convicted of a sexually violent offense; (3) the registrant has been convicted of a violation of child abuse for commission of a sexual act involving penetration of a child under the age of 12 years; or (4) the registrant has been convicted of a prior crime as a child sexual offender, an offender, or a sexually violent offender.

Chapter 317 of 1999 and ***Chapter 221 of 2001*** expanded the population of offenders required to register under Maryland law. ***Chapter 317 of 1999*** required that the following additional persons register under the State's sexual offender registration program: (1) out-of-state residents who work or attend school in Maryland if they would be required to register as a resident of this State; and (2) persons convicted of sexual offenses in federal or military courts or Native American tribal courts. ***Chapter 221 of 2001*** required that the law requiring registration of convicted sex offenders be applied retroactively to include registrants convicted of an offense committed before July 1, 1997, and who were in the custody of a supervising authority on October 1, 2001, and child sexual offenders who committed the offense on or before October 1, 1995, and who were in the custody of a supervising authority on October 1, 2001.

Chapter 194 of 2002 expanded the class of people that can be required to register every 90 days for life by altering the definition of "sexually violent predator" to eliminate the requirement that a person designated a predator must have committed a prior offense and by including in the definition persons who are or were required to register every 90 days for life under the laws of another state or a federal, military, or Native American tribal jurisdiction.

Posting on the Internet

Chapter 402 of 1999 authorized the Department of Public Safety and Correctional Services to post on the Internet a current listing of each person who is registered with the department as a sexual offender, child sexual offender, sexually violent offender, or sexually violent predator. A listing may contain a registrant's name, offense, and other identifying information in accordance with regulations established by the department. The department is posting this information on the Internet, as authorized by this Act.

Campus Sex Crimes Prevention Act

Prior to the 2002 session of the General Assembly, the State was not in compliance with the federal Campus Sex Crimes Prevention Act. ***Chapter 194 of 2002*** addressed the compliance issue by: requiring registrants who commence or terminate employment or enrollment at an institution of higher education to note either the enrollment or employment on their registration statement or notify their supervising authority; and requiring the supervising authority to notify campus police or local law enforcement when registrants commence or terminate employment or enrollment at an institution of higher education.

Part F
Courts and Civil Proceedings

Judges and Court Administration

State Assumption of Circuit Court Costs

Following the failure of legislation introduced during the 1999 session that would have required the State to fund the first $15 of juror per diem reimbursements as well as the salaries of standing masters and additional circuit court personnel, committee narrative in the 1999 *Joint Chairmen's Report* required the Chief Judge of the Court of Appeals to submit a plan for increasing the State's role in circuit court funding. Accordingly, the Judiciary submitted the *Circuit Courts Action Plan* in November 1999. That document set forth an incremental four-year partial cost assumption plan that would have required the State to contribute an additional $50 million per year to the circuit courts by fiscal 2004. These estimates became outdated as the plan was put into effect. Heavier caseloads and normal cost increases led to higher costs for the State to absorb. Prompted by concern about this trend, committee narrative was included in the 2001 *Joint Chairmen's Report* requesting the Judiciary to supply a master plan with updated cost projections prior to the State considering the assumption of additional circuit court costs. While the resulting November 2001 report set forth State funding, local funding was not provided due to the lack of available information.

Exhibit F.1 shows the progress of the proposals set forth in the *Circuit Courts Action Plan* through the 2002 session.

Exhibit F.1
Implementation of the 1999 *Circuit Courts Action Plan*

Proposed State Fiscal Support of Circuit Court Administration	Year of Inclusion in State Budget Proposed by Plan	Actual Date of Inclusion in State Budget
Judicial master salaries and benefits	Fiscal 2001	Fiscal 2003
Five additional family division judges	Fiscal 2001	Legislation failed
Juror per diem increase to $15	Fiscal 2001	Fiscal 2002
Five additional family division judges	Fiscal 2002	Legislation failed
Law clerks	Fiscal 2002	Fiscal 2003
Leasing (clerk of court offices)	Fiscal 2002	Fiscal 2004
Leasing (five largest courts)	Fiscal 2003	No legislation proposed
Leasing (State support agencies)	Fiscal 2003	No legislation proposed
Leasing (Remaining circuit courts – 19)	Fiscal 2004	No legislation proposed
Security	Fiscal 2004	No legislation proposed

Source: 1999 *Circuit Courts Action Plan*
November 1, 2001, supplement to the 1999 *Circuit Courts Action Plan*
Department of Legislative Services

Funding of Masters and Juror Per Diems

Chapter 652 of 2000 required the State to appropriate funds to the circuit courts to pay the salaries and fringe benefits of standing masters and to increase the State contribution for juror per diems from $5 to $15, beginning July 1, 2001. Current masters were given the option of becoming State employees as of July 1, 2002, or remaining county employees with salaries funded by the State. All masters hired on or after July 1, 2002, were required to be State employees. All local fiscal savings resulting from the Act must be used by the local jurisdictions solely for the circuit courts or related public safety purposes.

Funding for Law Clerks

Another recommendation contained in the *Circuit Courts Action Plan* was that the State provide for the salaries and benefits of circuit court law clerks. ***Chapter 677 of 2001*** required each circuit court judge to have one law clerk, to be employed by the

State. The Act intended for the funds to flow through the budget for the Administrative Office of the Courts and applied only to law clerks beginning employment on or after July 1, 2002. However, during the 2002 session, the General Assembly passed ***Chapter 440***, which delayed the effective date of ***Chapter 677*** to January 1, 2003.

The counties and Baltimore City must use the savings resulting from the State's assumption of these costs solely to increase local expenditures for circuit court or related public safety purposes, which expenditures may not supplant existing local expenditures for the same purpose. In fiscal 2003–2010, each jurisdiction is required to report to the Department of Budget and Management (DBM) by November 1 on the expenditures to which the savings resulting from the bill have been applied. DBM must report these expenditures to the Chief Judge of the Court of Appeals and the General Assembly.

Rental Space for Circuit Court Clerks

The plan also recommended that the State, in fiscal 2002–2004, phase in assumption of leasing costs for the circuit courts. ***Chapter 453 of 2002***, effective July 1, 2003, required the State, to the extent provided in the State budget, to pay counties rent for space occupied in county facilities by the circuit court clerks at a rate per net useable square foot: (1) not to exceed $2.50 for fiscal 2004; (2) not to exceed $5 for fiscal 2005; and (3) of $10 for fiscal 2006 and thereafter. The Act mandated that no more than $250,000 in State general funds be used to carry out these provisions in fiscal 2004, and no more than $500,000 in State general funds be expended in fiscal 2005. Each county and Baltimore City must: (1) use the savings resulting from the bill solely to increase local expenditures for the circuit courts or related public safety purposes; and (2) in fiscal 2004–2011, report annually to the Department of Budget and Management on the expenditures made from the savings. This Act represented only the first phase of a multiyear plan for State assumption of circuit court leasing costs and rental of space proposed by the *Circuit Courts Action Plan*.

Baltimore City Criminal Justice System

A 1998 Court of Special Appeals ruling regarding violations of speedy trial rules that resulted in the dismissal of cases against murder and armed robbery suspects drew attention to inefficiencies and other problems in the Baltimore City criminal justice system. The General Assembly took a number of budgetary actions during the 1999–2002 term to improve the delivery of justice in Baltimore City.

In the fiscal 2000 budget, the General Assembly appropriated $4.0 million and authorized 51 new permanent positions to assist State agency operations in the Baltimore City criminal justice system.

In addition, the General Assembly adopted budget language that withheld $17.8 million in State appropriations from the Judiciary, Office of the Public Defender, Department of Public Safety and Correctional Services, and local aid law enforcement grants. The funds were released when the Baltimore City criminal justice system stakeholders submitted a plan to the General Assembly that addressed the substantive policy and management reforms to resolve the criminal case processing crisis in the Circuit Court for Baltimore City. This plan included expanding the use of the courtroom at the Central Booking and Intake Facility (CBIF) to a full-time five-day-a-week schedule as a mechanism for expediting the processing of less serious criminal cases in an effort to free up resources for the processing of more serious criminal cases.

During the 2000 session, the plan was revised and the early disposition court was created. In the revised plan, defendants charged with certain nonviolent crimes were offered pleas within 48 hours of arrest. These pleas were supposed to be the lowest offer a defendant would receive during the life of the case. The fiscal 2001 budget included an additional $6.7 million and 85 new permanent positions to support the early disposition court and to assist State agency operations in the Baltimore City criminal justice system.

State funding for the reforms continued at approximately the same level in fiscal 2002 and 2003. However, because many of the stakeholders in the Baltimore City criminal justice system were dissatisfied with the outcomes of cases heard at the early disposition court, the program was redesigned in the spring of 2002. The revised program, called the early resolution program, comprised a number of separate programs including: (1) an early resolution docket at CBIF, in which pleas are offered and cases will be scheduled within seven days of arrest; (2) a citation docket, in which defendants who have received citations are offered community service in exchange for a dismissal of their cases; and (3) a diversion program, in which defendants charged with nonviolent, drug-related crimes are provided social services as part of their sentence. In addition, the General Assembly included budget language in the fiscal 2003 budget that withheld $1.9 million contingent on the stakeholders providing the General Assembly with a report on the early resolution program in Baltimore City by November 1, 2002.

Creation of Judgeships

In 1979, the Chief Judge of the Court of Appeals began an annual procedure, suggested by the Legislative Policy Committee, of formally certifying to the General Assembly the need for additional judges in the State. The certification is prepared after a statistical analysis of the workload and performance of the circuit courts and the District Court of Maryland and consideration of the comments of the circuit administrative judges and the Chief Judge of the District Court.

During the 1999–2002 term, the certification of judgeships did not always have a direct correlation to the Judiciary's request for additional judgeships. Further, the Judiciary was not particularly successful in obtaining the additional requested judgeships.

Although the Judiciary certified the need for seven additional circuit court judges and four additional District Court judges for fiscal 2000, it requested only two new District Court judgeships. ***Chapter 339 of 1999*** created District Court judgeships in Prince George's and Frederick counties effective July 1, 1999. According to the certification of need report, the Judiciary's request was constrained in light of other budget priorities, including the expansion of family law services.

For fiscal 2001, the Judiciary certified the need for one additional circuit court judge in each of the following six counties: Calvert, Cecil, Charles, Frederick, Washington, and Worcester. Of these six, the Judiciary only requested the creation of one new judgeship in Worcester County. ***Senate Bill 69/House Bill 577 of 2000***, which also would have created circuit court judgeships in jurisdictions that operate a family division and one District Court judgeship that was not certified, failed.

The Judiciary certified the need for 14 additional circuit court judgeships and five additional District Court judgeships in fiscal 2002. All 19 judgeships were requested by the Judiciary, but legislation adding these positions (***Senate Bill 519/House Bill 658 of 2001***) failed.

An assessment done by the National Center for State Courts in 2001 identified a "judicial deficit" of 21.62 for the circuit courts and 13.99 for the District Court. However, the Judiciary refrained from requesting any judgeships for fiscal 2003 because of budgetary constraints and economic conditions.

Compensation in the Judicial Branch

Judicial Compensation

In 1980, the General Assembly created the Judicial Compensation Commission. The commission is required to review judicial salaries and pensions every two years and make recommendations to the Governor and General Assembly at least every four years. Joint resolutions to alter judicial compensation are introduced in a year in which there is a recommendation from the commission. The General Assembly may amend a joint resolution to decrease, but not increase, any of the commission's salary recommendations. However, the General Assembly may not reduce a judge's salary below its current level. Failure to adopt or amend the joint resolution within 50 calendar days after its introduction results in adoption of the salaries recommended by the commission.

The Judicial Compensation Commission issued a report in January 2000 recommending an across-the-board increase in annual judicial salaries of $10,000. ***Resolutions 2 and 11 of 2000***, which initially reflected the commission's recommendation, were amended to leave judicial salaries at their then current levels. However, the resolutions endorsed the statutory provision that required that judges automatically receive the same general salary increase provided to State employees. Once again, in 2002, ***Resolutions 11 and 12***, as introduced, reflected the commission's recommendation for an increase in judicial salaries of 5 percent. However, the resolutions, as amended by the General Assembly, maintained the then current level of judicial salaries.

Although the Judiciary received no base salary increase during the 1999–2002 term, there were increases in judges' overall salaries based upon the cost-of-living adjustment (COLA) awarded to State employees. **Exhibit F.2** shows the judicial salaries including the COLA increases over the four years.

Exhibit F.2
Judicial Salaries

	Number of Positions	Salary Fiscal 2000	Salary Fiscal 2001	Salary Fiscal 2002
Court of Appeals				
Chief Judge	1	139,200	144,800	150,600
Judge	6	121,600	126,500	131,600
Court of Special Appeals				
Chief Judge	1	117,200	121,900	126,800
Judge	12	114,400	119,000	123,800
Circuit Court				
Judge	143	110,500	115,000	119,600
District Court				
Chief Judge	1	114,400	119,000	123,800
Judge	107	103,000	107,200	111,500
Total	**271**			

Source: Department of Legislative Services; fiscal 1999–2003 budget and analysis

Circuit Court Clerks and Register of Wills

The minimum salary requirements for circuit court clerks and register of wills were repealed and the maximum salary was increased from $75,000 to $85,000 by ***Chapters 27 and 294 of 2002***, respectively.

Business and Technology Division

Chapter 10 of 2000 established a 19-member Business and Technology Division Task Force to study the feasibility of establishing of a business and technology division in appropriate circuit courts in the State.

The legislation stated the intent of the General Assembly that the Chief Judge of the Court of Appeals consider the feasibility of the establishment of a business and technology court division in Maryland, based on the study to be completed by the task force, in order to enable the circuit courts to handle business and technology matters in the most coordinated, efficient, and responsive manner, and to afford convenient access to lawyers and litigants involved in business and technology matters.

The legislation recognized the growing role of electronic commerce in Maryland and the rest of the country and the increasingly complex and technical issues involved. Delaware had demonstrated the advantage of having a designated court structure for business issues in attracting corporate headquarters to that state, and California had developed guidelines for handling complex legal issues in its courts. However, no state had set up a forum especially for the litigation of technology disputes.

The task force issued its final report on December 1, 2000, which recommended the creation of a statewide "Business and Technology Case Management Program" to be implemented through the Maryland Rules of Procedure. Upon receipt of the report, the Chief Judge of the Court of Appeals assigned the responsibility for implementing its recommendations to the Conference of Circuit Judges. The conference's Implementation Committee proposed the addition of a new rule 16-205 to the Maryland Rules of Procedure to establish the Business and Technology Case Management Program. As of June 1, 2002, the proposed new rule had been approved by the Court of Appeals Standing Committee on Rules of Practice and Procedure and was expected to be presented to the court in the Rules Committee's next report.

Jurors

Chapters 434 and 486 of 2000 expanded the sources from which all circuit courts are required to select prospective jurors to include individuals at least 18 years of age who have been issued a driver's license or identification card by the Motor Vehicle Administration (MVA). The MVA must provide lists to the circuit courts without cost.

Under previous statutory authorization, circuit courts were required to select jurors from voter registration lists and authorized to use other sources in accordance with a juror selection plan maintained by a court. Several jurisdictions (Baltimore City and Anne Arundel, Charles, Dorchester, Howard, Somerset, and Worcester counties) used MVA lists to help create their jury pools.

These Acts reflected one of the recommendations of the Commission on the Future of Maryland Courts. The use of MVA lists spreads jury duty among a broader group of individuals, makes juries more representative, and removes a disincentive for individuals who hesitate to register to vote in order to avoid jury duty.

Civil Actions and Procedures

Year 2000 Problem

The General Assembly started the term confronted by the so-called "Y2K" or "Year 2000 Problem" that threatened computer systems beginning on January 1, 2000. Most computer programs designed more than 9 to 14 years before the end of the twentieth century stored dates on a day/month/year format, using only two digits. For example, January 1, 2000, translated as 01/01/00. Without rewriting the codes to include the next millennium, computers would interpret 01/01/00 as January 1, 1900, or completely shut down. If not corrected, this problem could have affected government, private sector, and home computer operations, as well as machinery that contained process control equipment and imbedded chips, like elevators and traffic control systems.

Private Sector Remedies

In an attempt to induce businesses to alleviate Y2K problems and help them avoid the costs of numerous claims for damages resulting fromY2K problems, ***House Bill 8 of 1999 (passed)*** would have provided various protections for private entities and persons from liability for damages or losses proximately caused by the failure of information technology systems and products in year 2000. The bill would have established exclusive remedies and an affirmative defense to any action brought by a plaintiff against any person based on the failure of information technology in year 2000, but the bill was vetoed by the Governor on policy grounds.

State and Local Government Immunity

Chapters 533 and 534 of 1999 granted immunity to any governmental entity that took specific actions to become Y2K complaint. Specifically, the Acts gave the State or a local government or an official or employee of the State or a local government qualified immunity from suit and liability for damages arising out of a Y2K date data problem (that is, the failure of an information technology system, product, or process to accept correctly date data). The Acts did not provide immunity in wrongful death, survival, or personal injury actions, nor did they apply to intentionally tortious, wanton, reckless, or grossly negligent acts or omissions.

Evidence

Legislation enacted in the previous term made certain writings and records of health care providers and paid bills for goods and services admissible without authenticating testimony in civil actions in the District Court and circuit court proceedings transferred from the District Court. The General Assembly refined these evidentiary provisions in the 1999–2002 term.

Health Care Records and Writing

Definition of "Health Care Provider": ***Chapter 433 of 1999*** made records and writings of additional health care providers admissible, without the oral testimony of the health care provider, in specified civil trials in the District Court and circuit courts by expanding the definition of "health care provider" to include: (1) an ambulatory surgical facility; (2) an inpatient facility for the rehabilitation of disabled persons; (3) a home health agency; or (4) any health institution, service, or program for which a certificate of need is required.

Chapter 131 of 2000 further expanded the definition of "health care provider" to include persons who are regulated by another state or the District of Columbia to provide health care services and who are substantially similar to health care providers in this State.

Cases Filed Originally in Circuit Courts: ***Chapter 433*** made health care provider writings or records admissible without the testimony of the health care provider in a civil action filed originally in a circuit court, if the amount in controversy does not exceed $25,000. The Act also clarified that the finder of fact may attach whatever weight to the writing or record that the finder of fact deems appropriate. ***Chapter 433*** further provided that these evidentiary provisions do not apply to claims filed in the Health Claims Arbitration Office.

Notice of Service

Chapter 400 of 1999 altered the requirements that must be met by a party who intends to introduce in evidence, without the support of a health care provider's testimony: (1) a writing or record of a health care provider; or (2) a paid bill for goods or services. The Act required that a party file a notice of service with the court that all other parties have been notified of the party's intent and that they have been served with copies of the writing or record or paid bill, together with a list of the writings, records, or bills, within the required time frame. The Act also required a list of the health care writings and records and a list of the paid bills of providers of goods or services to be served on all the other parties.

Paid Bills for Goods or Services

Chapter 430 of 1999 established that a paid bill for goods or services is admissible as evidence of the authenticity of the bill and the fairness and reasonableness of the charges without the testimony of the provider of the good or services in any civil action filed originally in a circuit court, if the amount in controversy does not exceed $25,000. The Act also clarified that the finder of fact may attach whatever weight to a paid bill that the finder of fact deems appropriate.

Immunity and Liability

During the 1999–2002 term, the General Assembly limited the doctrine of parent-child immunity, created a cause of action against drug dealers, provided immunity from civil liability to child passenger safety technicians, amended the Local Government Tort Claims Act and the Maryland Tort Claims Act, and established a neutral case evaluation process for medical malpractice claims.

Abrogation of Parent-Child Immunity in Motor Vehicle Torts

The doctrine of parent-child immunity generally prevents parents and their children from suing each other for torts. ***Chapter 199 of 2001*** limited the doctrine and permitted a parent or child or the estate of a parent or child to sue each other for wrongful death, personal injury, or property damage arising from the operation of a motor vehicle up to the mandatory minimum liability insurance coverage required under the Maryland Vehicle Law, which is set at $20,000 for an individual claim for bodily injury or death, $40,000 for all claims arising from the same accident, and $15,000 for property damage. The Act, however, prohibited wrongful death actions arising from the operation of a motor vehicle for the benefit of a parent who caused the death of his or her child or for the benefit of a child who caused the death of his or her parent.

Chapter 199 also provided that motor vehicle torts involving a parent and a child may not be restricted by an insurance policy provision, such as a "household exclusion," up to the mandatory minimum liability coverage levels required by the Maryland Vehicle Law.

Drug Dealer Liability Act

Chapter 343 of 2000 made a person who is convicted of knowingly and willfully manufacturing, distributing, dispensing, transporting, or bringing into the State a controlled dangerous substance (CDS) liable for damages in a civil action brought by certain family members for the death of an individual proximately caused by the deceased individual's unlawful use of the CDS. The Act created a cause of action only for the decedent's parent, legal guardian, child, spouse, or sibling.

Child Passenger Safety Technicians and Sponsoring Organizations

In an attempt to encourage trained child passenger safety technicians to volunteer their services, ***Chapter 574 of 2001*** provided immunity from civil liability to a child passenger safety technician or sponsoring organization for an act or omission that occurs solely in the inspection, installation, or adjustment of a child safety seat in a motor vehicle, or in giving advice or assistance regarding the installation or adjustment of a child safety seat, if:

- the child passenger safety technician acts in good faith and within the scope of the training for which the technician is certified;
- the act or omission does not constitute gross negligence or willful or wanton misconduct;
- the inspection, installation, or adjustment of the child safety seat, or the advice or assistance, is provided without fee or charge; and
- the inspection, installation, or adjustment of the child safety seat is not provided in conjunction with the for-profit sale of the child safety seat.

Providing immunity for properly trained volunteers in this area was intended to encourage more organizations and individuals to participate in programs to inspect and install child passenger safety seats. Field experience at various safety seat inspections had shown that 80 to 90 percent of safety seats were not being used or installed correctly.

Local Government Tort Claims Act

Cap on Damages: ***Chapter 286 of 2001*** clarified that the monetary limits on the liability of a local government under the Local Government Tort Claims Act (LGTCA) apply to tort actions against a local government itself, as well as to actions against local government employees.

The LGTCA provides that the liability of a local government may not exceed $200,000 per individual claim and $500,000 per total claims that arise from the same occurrence. ***Chapter 286*** was enacted in response to a Court of Appeals decision, *Housing Authority of Baltimore City v. Bennett*, 359 Md. 356 (2000), which held that the limits on liability under the LGTCA did not apply to a tort judgment directly against a local government agency under some circumstances.

Indemnification of Law Enforcement Officers: ***Chapter 177 of 1999*** limited the prohibition against a local government indemnifying a law enforcement officer for a judgment for punitive damages if the officer has been found guilty in a disciplinary hearing under the Law Enforcement Officer's Bill of Rights as a result of the act or

omission giving rise to the judgment. Under the Act, the prohibition applies only to an act or omission that constitutes a felony under State law.

Interest on Judgment: ***Chapter 637 of 1999*** established that the interest accrued on a judgment is excluded from the monetary caps on liability of a local government for the tortious acts or omissions of its employees.

Definition of Local Government

Two Acts expanded the definition of "local government" in the Local Government Tort Claims Act: ***Chapter 556 of 2000*** included Lexington Market, Inc., in Baltimore City and ***Chapter 194 of 1999*** included a regional library resource center or a cooperative library corporation.

Maryland Tort Claims Act

Chapter 639 of 1999 increased, from $100,000 to $200,000, the limit on the liability of the State and its units for injuries to a claimant arising from a single incident or occurrence.

Health Care Malpractice – Neutral Case Evaluation

Chapter 458 of 1999 allowed courts to refer health care malpractice claims to the Health Claims Arbitration Office within six months after the case is filed for a neutral case evaluation if the parties mutually agree. The director of the office must appoint an evaluator after a screening of candidates by the parties. Upon appointment, the evaluator must schedule a session within 45 days to pursue the neutral case evaluation of the claim or to resolve any issues to which the parties agree to stipulate before trial. Within ten days after the session, the evaluator is required to make a written report to the director and the court of the results of the neutral case evaluation.

Awards, Damages, and Other Payments

Personal Injury Claims – Subrogation

Chapter 590 of 1999 allowed the amount that may be recovered by a payor (i.e., subrogee) in certain subrogation claims to be reduced by up to one-third for attorney's fees. The Act applied to claims against an injured person for health care benefits or services paid or payable by a payor on behalf of the injured person who recovers in a claim for personal injury against a third party. The amount due to the subrogee is reduced only if the injured person voluntarily pays the subrogee's claim from the injured person's recovery in the third-party claim for personal injury.

Chapter 590 applied to any right of subrogation for payment of health care benefits paid or payable by a payor under a policy of health insurance or any system of self-insurance or indemnification for health care expenses. However, the amount due to the subrogee is not reduced if the subrogee files a petition to intervene in the personal injury action and is independently represented by counsel in that action.

Under the Act, a payor has no obligation to advise an injured person or an attorney for the injured person of the injured person's right to a reduction of the subrogation claim for attorney's fees. Also, if an injured person or an attorney for the injured person demands a reduction of the subrogation claim, the injured person must provide to the payor, if requested by the payor, a certification that states the amount of the attorney's fees incurred by the injured person for services rendered in connection with the injured person's claim.

The amount of the subrogee's claim is reduced according to the injured person's attorney's fees (i.e., a percentage) that applies to the recovery for personal injury against the third party. The percentage used to reduce the subrogee's claim my not exceed one-third.

Transfer of Structured Settlement Payment Rights

A "structured settlement" is an arrangement for periodic payment of damages for personal injury established by a settlement or judgment resolving a tort claim.

Chapter 366 of 2000 established that a direct or indirect transfer of structured settlement payment rights is not effective unless a person applies for and obtains a court order authorizing the transfer based on a finding that:

- the transfer is necessary, reasonable, or appropriate;
- the transfer is not expected to subject the payee, the payee's dependents, or both to undue or unreasonable financial hardship in the future;
- the payee received independent professional advice regarding the legal, tax, and financial implications of the transfer; and
- the transferee disclosed to the payee the discounted present value.

Civil Procedure

Legislation passed during the 1999, 2000, and 2001 sessions made it easier to locate and serve defendants in civil actions, to identify the appropriate person to serve

in an action against a governmental entity, and to serve a subpoena for public records on a governmental entity.

Disclosure of Defendant's Whereabouts by Insurers

Chapter 434 of 1999 required a defendant's insurer, or a person who has a self-insurance plan, on written request of a party to a civil action, to provide to the party the defendant's last known home address. This requirement applies only if the plaintiff certifies that: (1) the defendant had applicable insurance coverage at the time the alleged liability was incurred; (2) the plaintiff made a reasonable effort, in good faith, to locate the defendant; and (3) the defendant evaded service of process or the whereabouts of the defendant are unknown to the plaintiff.

Chapter 330 of 2000 expanded the disclosure requirement to include the last known business address of the defendant.

"Dwelling House" Service of Process

Chapter 434 also allowed a party to effect service of process by leaving copies at the defendant's dwelling house or usual place of abode with a person of suitable age and discretion residing there instead of delivering a copy of the summons and the complaint to a defendant personally or delivering a copy to an agent.

Service of Process – Governmental Entities

Chapter 608 of 2000 authorized local governmental entities and State agencies not represented by the Attorney General to file resident agent designations with the State Department of Assessments and Taxation (SDAT).

The Act permitted a local entity to designate a Maryland citizen who resides in this State, a Maryland corporation, or an officer of the local entity as a resident agent for acceptance of service of process on behalf of the local entity. Under the Act, a local entity may designate a resident agent by filing with SDAT a certification identifying the person designated by the charter of the local entity to accept service of process. If the charter of a local entity does not designate a person to accept service of process, the Act allowed a certified copy of a resolution of the local entity's governing body authorizing the designation to be filed with SDAT.

The Act also permitted a State agency not represented by the Attorney General to designate a Maryland citizen who resides in this State, a Maryland corporation, or an officer of the State agency as a resident agent by filing with SDAT a certified copy of a resolution by the agency's governing body authorizing the designation.

Chapter 506 of 2001 made it mandatory for counties, municipalities, and other local entities, and those State agencies that are not represented by the Attorney General to designate a resident agent on whom process may be served.

Subpoenas – Public Records

Chapter 506 also provided that if the custodian of public records is not known and cannot be ascertained after a reasonable effort, a party in a legal proceeding may request a court to issue a subpoena for the custodian to be served on:

- the designated resident agent for a local entity;
- the designated resident for a State agency that is not represented by the Attorney General; or
- the Attorney General or an individual designated by the Attorney General for State agencies that are represented by the Attorney General.

District Court Jurisdiction – Small Claims Actions

In a small claim action, court forms are used to file pleadings, and the rules of procedure and evidence are relaxed to make it easier for parties to represent themselves without hiring an attorney. An officer or employee of a corporation or other business entity may appear on behalf of the entity in a small claim action.

House Bill 546 of 2001 and ***House Bill 70 of 2002 (both passed)*** would have increased the maximum amount of a small claim over which the District Court has exclusive jurisdiction from $2,500 to $5,000; however, both bills were vetoed by the Governor on policy grounds.

Administrative Appeals and Orders

Chapter 651 of 1999 concerned administrative appeals in the circuit courts from boards of appeal decisions in home rule counties. The Act allowed a party to seek a three-judge in banc appeal at the circuit court level, as an alternative to an appeal to the Court of Special Appeals. An in banc appeal in a circuit court generally allows a case to proceed faster and more economically than an appeal to the Court of Special Appeals.

In a measure to provide a mechanism for enforcement of an administrative order if no appeal has been filed, ***Chapter 377 of 2000*** authorized a circuit court to order civil enforcement on the timely petition of a party to a contested case if another party is in violation of the administrative order. The Act specified the following relief that the court

may grant: (1) declaratory relief; (2) injunctive relief; (3) mandamus; or (4) any other civil remedy provided by law.

Comparative Negligence

Attempts to change Maryland from a contributory negligence state to a comparative negligence state continued during the 1999–2002 term.

House Bill 551 of 1999, ***Senate Bill 779 of 2000***, and ***Senate Bill 483 of 2001 (all failed)*** would have established comparative negligence as the method for awarding damages in negligence actions, prohibited contributory negligence of the claimant from barring all recovery, and altered the rule of joint and several liability, except in certain categories of cases.

Specifically, the bills would have provided that in an action for damages based on negligence resulting in death or injury to person or property, contributory negligence of the plaintiff or, in a wrongful death action, the decedent does not bar recovery if the contributory negligence was less than the combined negligence of: (1) the persons against whom recovery is sought; and (2) all persons with whom the plaintiff has entered into a release, covenant not to sue, settlement, or similar agreement.

Damages would have been diminished in proportion to the percentage of negligence attributable to the plaintiff or, in a wrongful death action, the decedent.

Family Law

Domestic Violence

During the 1999–2002 term, the General Assembly passed two major legislative proposals that significantly increased access to the court system for victims of domestic violence. Additionally, several other important measures were enacted during the term to strengthen the laws that protect victims of abuse.

Peace Orders

The categories of "persons eligible for relief" under the domestic violence statute are limited to the following individuals: (1) a current or former spouse of the respondent; (2) a cohabitant of the respondent; (3) a person related by blood, marriage, or adoption to the respondent; (4) a parent, stepparent, child, or stepchild of the respondent or person eligible for relief who resides or resided with the respondent or person eligible for relief for at least 90 days within one year before the filing of the petition; (5) a vulnerable adult; or (6) an individual who has a child in common with the respondent.

The proposal that captured most of the attention in the domestic violence arena during the early part of the term sought to extend the protections of the domestic violence statute to those in a "dating relationship" (***Senate Bill 146 of 1999 (failed)***). Citing problems with the application of the definition of "dating relationship" and limitations on eligibility under the domestic abuse laws, the General Assembly rewrote the measure to create a new form of civil relief that was significantly broader than that proposed by ***Senate Bill 146***. ***Chapter 404 of 1999*** allowed any individual who was not eligible for relief under the domestic violence statute and who could show a legitimate reason to fear harm from another individual to apply for a civil order, called a "peace order" requiring that other individual to stay away.

Specifically, an individual could file with the District Court a petition for a peace order based on any of the acts that would constitute "abuse" under the domestic violence statute as well as harassment, stalking, trespass, or malicious destruction of property. The legislation authorized a court in a peace order to order the respondent to refrain from threatening to commit or committing a prohibited act, end all contact with the petitioner, or stay away from the petitioner's home, place of employment, or school. The legislation was modeled on both the domestic violence statute and the former legal remedy in Maryland known as the "peace bond," which fell into disuse and was repealed in 1973.

Prior to the enactment of ***Chapter 404***, the only remedy available to an individual who did not fall within one of the familial relationships specified in the domestic violence statute and who was being assaulted, harassed, stalked, or otherwise threatened with harm, was through the criminal system. The Act provided civil relief that was intended to deter abusive criminal conduct before it escalated.

In response to concerns raised as to the appropriateness of District Court jurisdiction over peace order petitions filed against juveniles, the General Assembly passed ***Chapter 404 of 2000***, which transferred from the District Court to the juvenile court jurisdiction over peace order proceedings in which the respondent is under the age of 18 years. Pursuant to the Act, peace order proceedings in juvenile court are similar to the peace order proceedings in District Court, except that a juvenile intake officer or the State's Attorney institutes the peace order proceedings in court instead of the victim. In addition, violation of a peace order by a juvenile respondent is deemed a delinquent act, and a law enforcement officer is required to take the juvenile into custody if the officer has probable cause to believe that a violation has occurred.

Interim Domestic Violence Orders and Peace Orders – Issuance by District Court Commissioners

During the 2002 session, the General Assembly passed another significant measure to increase access to the court system for victims of domestic violence. By expanding the authority of District Court commissioners to include the issuance of interim domestic violence orders and interim peace orders when the courts are closed,

Chapters 235 and 587 of 2002 afforded victims of domestic violence access to protection 24 hours a day, seven days a week.

Under the prior law, domestic violence orders and peace orders could be issued only by a judge. While District Court commissioners were available at all times, they had only the authority to issue arrest warrants and set terms for pretrial release. ***Chapter 587*** proposed an amendment to the Maryland Constitution to grant District Court commissioners the authority to issue civil interim domestic violence orders and civil interim peace orders within the jurisdiction of the District Court when the office of the clerk of the District Court is closed. The proposed constitutional amendment will be submitted to the voters of the State in the 2002 general election. ***Chapter 235*** made the statutory changes necessary to implement ***Chapter 587***.

Pretrial Release

Chapter 403 of 1999 prohibited a District Court commissioner from authorizing the pretrial release of a defendant charged with violating the provisions of an ex parte order or the provisions of a protective order that order the defendant to refrain from abusing or threatening to abuse a person eligible for relief under the domestic violence statute. Under the Act, only a judge may release the defendant pending trial on suitable bail or other conditions that will reasonably ensure that the defendant will not flee or pose a danger to another person or the community.

Maryland Domestic Violence Unit Pilot Program Fund

Prompted by the case of Richard Spicknall, who was charged in 1999 with two counts of first degree murder after he allegedly shot his two children during the time that a civil protective order was in effect against him, the General Assembly passed emergency legislation in the 2000 session to assist local law enforcement agencies in one or more counties in establishing a separate domestic violence unit dedicated to the service and data entry of domestic violence orders.

Sheriff's offices and certain police departments in the State are required to serve temporary ex parte and protective orders. Additionally, these law enforcement agencies are responsible for the entry, maintenance, and prompt validation of domestic violence orders into the Maryland Interagency Law Enforcement System (MILES), which is the law enforcement computer system used to store data on the status of domestic violence orders in the State. MILES is also used to conduct background checks on prospective purchasers of regulated firearms.

An individual against whom a protective order has been issued may not possess or purchase a regulated firearm. However, in the Spicknall case, the record of the protective order issued against Richard Spicknall was removed from MILES because of

a clerical error, allowing him to purchase the gun that he allegedly used to kill his two young children.

The Spicknall case sparked news reports that as many as half of the individuals subject to protective orders in Maryland were not listed in MILES. The reports, which prompted legislative hearings, also indicated that many protective orders were not being logged into the computer system for several weeks or months. In addition, a State Police audit found that 86 percent of the protective orders entered into MILES had errors.

Chapter 572 of 2000 established a two-year Domestic Violence Unit Pilot Program Fund to provide grant money to the sheriff's department or police department in one or more counties for the creation of a separate domestic violence unit dedicated to the service and data entry of domestic violence orders.

Out of State Ex Parte Orders

Chapter 458 of 2001 was introduced in response to a recommendation made in an Opinion of the Attorney General issued the previous year (*85 Opinions of the Attorney General* ____ (2000) [Opinion No. 00-009 (April 22, 2000)]). The Attorney General suggested that the Maryland domestic violence statute should be clarified in two respects. First, because the Maryland law spoke only in terms of the criminal enforcement of an out-of-state "protective order," the statute might reasonably be interpreted to address only the criminal enforcement of an out-of-state domestic violence order issued after an opportunity for an adversarial hearing and not the enforcement of an out-of-state *ex parte* order. Therefore, a criminal prosecution based on an out-of-state *ex parte* order alone could be subject to legal challenge because the Maryland statute applied by its terms only to "protective orders."

Second, the Attorney General recommended clarification of the then current Maryland requirements for "authentication" of out-of-state domestic violence orders.

Chapter 458 made several changes in the prior law to facilitate enforcement of out-of-state orders for protection from domestic violence, in accordance with the suggestions of the Office of the Attorney General. First, the Act clarified that *ex parte* orders from other jurisdictions may be criminally enforced in Maryland. Second, the Act repealed the requirement that an out-of-state order for protection be "authenticated" and instead allowed a law enforcement officer to enforce an order that appears "valid on its face." Finally, the Act granted immunity to law enforcement officers who act reasonably and in good faith in enforcing out-of-state orders for protection.

Child Support

As part of welfare reform and in response to federal mandates, the General Assembly passed legislation during each session of the 1999–2002 term designed to enhance child support enforcement in the State. Additionally, several other child support proposals were enacted during the term, including measures precluding a deadbeat parent from inheriting from a deceased minor child and allowing the continuation of child support beyond the age of minority.

Child Support Enforcement Privatization Pilot Program

Background: Since 1995, Maryland has reformed child support enforcement by experimenting with different approaches to increasing child support collections. Employing private vendors and comparing results to traditional state-run and innovative state-run approaches has been part of the framework for deciding on the best approach to maximize child support enforcement and collections.

Chapter 491 of 1995, which was primarily a welfare reform measure, established within the Department of Human Resources (DHR) a four-year Child Support Enforcement Privatization Pilot Program for Baltimore City and Queen Anne's County. Under the pilot program, the Secretary of Human Resources was authorized to enter into contracts with private companies to privatize all aspects of child support enforcement functions of the department in an effort to improve child support collections in those counties. The department was also required to establish a child support enforcement demonstration site in one unnamed jurisdiction to compete against the privatized contractors by developing innovative practices by which child support services are delivered. Washington County was designated as the demonstration site to compete against the privatized jurisdictions of Baltimore City and Queen Anne's County.

1999 Session: The Child Support Enforcement Privatization Pilot Program established by Chapter 491 of 1995 would have terminated on June 30, 1999. ***Chapter 486 of 1999*** extended the program to October 31, 2002, in order to further evaluate its effectiveness. Additionally, the Act authorized the expansion of child support enforcement demonstration sites that compete against privatized contractors from one to not more than six jurisdictions. Calvert, Howard, and Montgomery counties were selected as the additional demonstration sites.

2002 Session: House Bill 495 (passed) was a continuation of the General Assembly's efforts to improve child support enforcement by fostering competition between demonstration sites and the privatized sites. The bill would have extended the privatization of child support enforcement in Baltimore City and Queen Anne's County until June 30, 2005, with an option for two additional one-year extensions. The bill also would have required the Secretary of Human Resources to establish child support

demonstration sites on a phased-in basis in all jurisdictions that were not currently privatized.

House Bill 495 was vetoed by the Governor. According to the veto message, the decision was based on findings derived from an independent review of the pilot program that indicated that the state-run demonstration sites had improved their overall performance at a faster rate, compared to the privatized sites. Additionally, the review failed to produce evidence that privatizing child support services improved the State's overall performance. Instead, the research projected that state-run sites would continue to outperform privatized sites into the foreseeable future. In anticipation of the gubernatorial veto, the General Assembly included language in the fiscal 2003 budget specifically restricting certain funds for the purpose of privatizing child support organizations in Baltimore City and Queen Anne's County.

Garnishment of Accounts

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 required State support enforcement agencies to perform certain functions using administrative processes instead of the judicial system in an effort to streamline the child support process. Additionally, new federally mandated time frames and performance standards necessitated that states move toward more expedited case processing. Failure to comply with federal mandates could have caused the State to lose a portion of federal funding for its child support enforcement program.

Chapter 536 of 2002 required financial institutions, upon notice from the Child Support Enforcement Administration, to seize funds in certain accounts subject to garnishment for child support arrears. Under the Act, an obligor must be $500 or more in arrears of a child support obligation and must have not paid child support for more than 60 days before the administration may institute an action to attach and seize the amount of the arrearage. The administration must apply the amount seized to the obligor's child support arrears. If the obligor has more than one child support case with arrears, the administration must allocate the amount among the cases. An obligor may challenge the administration's actions by filing a request for investigation or a motion with the circuit court.

Earnings Withholding

To bring the State into compliance with another federal mandate, ***Chapter 299 of 2001*** authorized the Child Support Enforcement Administration to issue a wage withholding notice on a standard federal form, provided that there is an underlying court order, and to include a payment toward arrears that have accrued. Additionally, the Act required employers to remit all wage withholding to the State Disbursement Unit in cases in which the administration is providing support enforcement.

Failure to Pay Child Support – Intestate Succession

Chapter 582 of 2001 precluded a surviving parent from inheriting by intestate succession from a minor child of the parent if the parent abandoned the child or willfully failed to contribute to the support of the child for at least three consecutive years immediately preceding the death of the child or for the life of the child, whichever is less. Under the Act, a parent is deemed to have abandoned a minor child if the conduct of that parent demonstrates a settled purpose willfully and intentionally to relinquish all parental rights and duties with respect to the child and to renounce and forsake the child entirely.

Continuation of Support through High School

The parents of a minor child are both responsible for their child's support, welfare, and education, and each parent has the same powers and duties as the other parent in relation to the child. However, under the law prior to 2002, once a child reached the age of majority, the duty to support the child ended.

In the first three sessions of the term, unsuccessful attempts were made to ensure that a child who turns 18 while still in secondary school continue to receive financial support until graduation. (***Senate Bill 242 of 1999***, ***House Bill 312 of 2000***, and ***House Bill 65 of 2001 (all failed)***). Proponents of these measures argued that high school students incur numerous additional expenses during their senior year (e.g., senior pictures, yearbooks, proms, graduation caps and gowns, senior banquets, announcements, and college application fees) and that terminating child support before graduation can result in financial hardship for the student and the custodial parent.

To address these concerns, during the final session of the term, the General Assembly passed ***Chapter 180 of 2002***, which altered the definition of "minor" under the law to provide that a person who is 18 and enrolled in secondary school has the right to receive support and maintenance from both parents until the person dies, marries, is emancipated, graduates from or is no longer enrolled in secondary school, or turns 19, whichever occurs first.

Marriage and Divorce

Marriage

Marriage of Minors: ***Chapter 231 of 1999*** was introduced in response to the marriage of a 13-year-old girl to a 29-year-old man in Anne Arundel County in 1998. The then current law prohibited an individual 16 or 17 years of age from marrying unless: (1) the individual had parental consent; or (2) either party to be married submitted a certificate from a licensed physician that the woman to be married was pregnant or had given birth to a child. The law prohibited an individual under the age of 16 from

marrying unless: (1) the individual had parental consent; and (2) either party to be married submitted a certificate from a licensed physician that the woman to be married was pregnant or had given birth to a child. However, there was no stated age below which an individual was prohibited from marrying.

The provisions of law authorizing an individual under the age of 16 to marry conflicted with provisions of the criminal code prohibiting sexual offenses against a child. For example, vaginal intercourse between a person younger than 14 and someone four or more years older is second degree rape, which is a felony punishable by a maximum 20-year prison term. Additionally, it is a third degree sexual offense for a person 21 years of age or older to engage in vaginal intercourse with another person who is 14 or 15 years old. It is a fourth degree sexual offense for a person to engage in sexual intercourse with another person who is 14 or 15 years old if the perpetrator is four or more years older than the other person.

Under the State's then existing marriage laws, a person who had committed any of the crimes specified above could marry the victim. After marriage, the victim spouse could claim a privilege from testifying against the perpetrator spouse, making prosecution of any premarital sexual offense difficult. ***Chapter 231*** prohibited the marriage of an individual under the age of 15.

Marriage Licenses: ***Chapter 336 of 1999*** made several changes to provisions of law concerning the duties of circuit court clerks regarding marriage licenses and the contents of marriage licenses. Most significantly, the Act provided "one stop shopping" for marriage license applicants by authorizing a clerk to deliver a marriage license at the time of the application. However, the license does not become effective until 6:00 a.m. on the second calendar day after the license is issued. Under the prior law, a clerk could not deliver a marriage license until 48 hours after the time an application was made.

Marriage Ceremonies: Sitting and retired judges are authorized to perform marriage ceremonies starting June 1, 2002, under ***Chapter 207 of 2002***. Before passage of this Act, a marriage ceremony could be performed in the State only by an official of a religious order or body authorized to perform a marriage ceremony, a clerk of a circuit court, or a deputy clerk of a circuit court designated by the county administrative judge. Maryland was one of only four states (North Carolina, South Carolina, and Massachusetts were the other three) that did not permit judges to perform marriage ceremonies.

Unlawful Marriages: ***Chapter 424 of 2002*** modified penalties for an unlawful marriage to one's grandmother or grandfather, father or mother, son or daughter, brother or sister, or grandson or granddaughter. The Act removed banishment from the State as a penalty for an unlawful marriage.

Divorce

Chapter 391 of 1999 authorized a court, in proceedings involving absolute divorce, limited divorce, and property disposition in annulment and divorce, to award to either party the reasonable and necessary expenses of prosecuting or defending the proceeding. Before ordering the payment, the court must consider the financial resources and financial needs of both parties and whether there was substantial justification for prosecuting or defending the proceeding.

The prior law permitted a court to award costs and counsel fees only in cases involving alimony, child support, custody, and visitation. Therefore, a party involved in a divorce action that may or may not involve issues of property was not entitled to an award of fees unless the case involved children or a claim for alimony. The Act expanded the proceedings in which a court could award the reasonable and necessary expenses of prosecuting or defending the proceeding to include proceedings involving divorce alone or divorce in combination with property disposition.

Child Care, Family Day Care, and Residential Facilities

The deaths of two infants in a family day care home on Kent Island in 1998 raised concerns about the safety of children in child care settings. In response to these safety concerns, ***Chapter 68 of 1999*** directed the Department of Human Resources to adopt regulations requiring that: (1) each registered family day care provider hold current certificates in approved basic first aid training and CPR training; and (2) each child care center have in attendance at all times at least one individual who holds current certificates in approved basic first aid training and CPR training. The Act also required that child care centers serving more than 20 children have at least one certificate holder in attendance for every 20 children. ***Chapter 410 of 1999*** authorized DHR to make unannounced inspections of each family day care home in any year that an initial or renewal inspection has not taken place. Additionally, this Act required an inspection of a family day care home prior to the issuance of an initial registration and at least once every two years thereafter prior to the issuance of any renewal registration.

Further Acts were passed in subsequent years to help ensure that child and day care facilities are safe places for children. ***Chapter 169 of 2001*** authorized specified employees of the Social Services Administration to serve a civil citation on a person who has not registered a family day care home as required by law. The Act provided for a civil penalty of $250 for the first violation, $500 for the second violation, and $1,000 for the third and subsequent violations. ***Chapter 192 of 2001*** expanded the number of childcare providers who are statutorily required to obtain criminal history records checks by expanding the definition of "employee" and "employer." The Act authorized the creation of pools of persons to work on a substitute or temporary basis in certain child

care facilities, but required each of those persons to complete a criminal history records check as a prerequisite.

Chapters 539 and 540 of 1999 required a "residential educational facility" to be licensed by the Social Services Administration for the residential portion of its programs by January 1, 2000, and authorized DHR to adopt regulations relating to licensing of these facilities. As defined by the Acts, a residential educational facility included the Benedictine School, the Linwood School, the Maryland School for the Blind, and the Maryland School for the Deaf.

Infant Abandonment

Prompted by well-publicized cases involving the disposal of newborns in trash dumpsters and other unsafe locations, the General Assembly considered a number of proposals during the 2001 session (***Senate Bill 32/House Bill 252, Senate Bill 82/House Bill 74, Senate Bill 704/House Bill 363, House Bill 312, and House Bill 515***), all of which ultimately failed, designed to prevent future incidents of unsafe abandonment of newborns by providing parents with a safe and anonymous alternative. Generally, the bills would have established immunity from prosecution for a parent who relinquished a newborn to a "safe haven" such as a hospital, police station, or fire station. The issue of safe havens for relinquishing newborns resurfaced in the 2002 session and was addressed by ***Chapters 441 and 442 of 2002***. These Acts provided immunity from criminal prosecution and civil liability for a person who leaves an unharmed newborn with a responsible adult within three days after the birth of the newborn.

Child Abuse and Neglect

Citizen Review Panels

In 1996, Congress amended the federal Child Abuse Prevention and Treatment Act (CAPTA) requiring that states, in order to receive funding under the Child Abuse and Neglect State Grants Program, establish at least three citizen review panels by July 1999. Following the tragic child abuse death of an eight-year-old child in Worcester County, the General Assembly passed ***Chapters 355 and 356 of 1999***, which established citizen review panels to provide independent oversight of child protective services. The Acts: (1) renamed the existing State Citizen Board of Review of Foster Care for Children to be the State Citizens Review Board for Children; (2) authorized the creation of local citizens review panels; (3) codified the Governor's Council on Child Abuse and Neglect and renamed it the State Council on Child Abuse and Neglect; (4) created a State Child Fatality Review Team in the Department of Health and Mental Hygiene; and (5) required the establishment of a multidisciplinary and multiagency child fatality review team in each county.

Hearing Rights and Maintenance of Data

On April 9, 1998, the Court of Appeals ruled in *Montgomery Co. Dept. of Social Services v. L.D.*, 349 Md. 239 (1998), that the Automated Master File (AMF) and Client Information System (CIS) databases operated by DHR and local departments of social services are "central registries." The AMF and CIS databases contain records of all suspected cases of child abuse or neglect. Upon determining that these databases were central registries, the court held that anyone suspected of child abuse or neglect is entitled to a full contested case hearing and the right to judicial review before the person's name may be entered into these databases. Accordingly, ***Chapter 214 of 1999*** established streamlined hearing procedures for persons who challenge child abuse or neglect findings and set forth requirements for the maintenance of data regarding abuse and neglect investigations. The Act eliminated the more limited record review and oral argument appeal process that formerly existed.

Child in Need of Assistance (CINA) Proceedings

Criminal History Records Checks of Parents and Other Adults

In accordance with Chapter 539 of 1998, in a petition alleging that a child is in need of assistance, a local department of social services may request the juvenile court to find that the local department is not required to make reasonable efforts to reunify the child with the child's natural parent if the natural parent has been convicted of a crime of violence against the child, the other natural parent, another child of the natural parent, or any person residing in the household of the natural parent. To assist local departments and the courts in obtaining knowledge of convictions for the purpose of implementing the reunification waiver statute in appropriate cases and assessing the risk of returning a child from foster care to a parent or guardian, ***Chapter 284 of 2000*** required the following individuals to obtain a national and State criminal history records check, if requested by a local department of social services: (1) a parent or guardian of a child who is committed to the local department and is or has been placed in an out-of-home placement within the past year; and (2) any adult known by the local department to be residing in the home of the parent or guardian.

Revision of the CINA Statutes

In 1997, the Foster Care Court Improvement Advisory Committee completed an assessment of the Judiciary's processing of child abuse and neglect cases. One of the findings of the assessment was that the CINA statute, which was combined with the delinquency and Children in Need of Supervision (CINS) provisions, was interpreted and applied in many different ways throughout the State. The differing policies and procedures among the various jurisdictions were found to cause disparate treatment of litigants and confusion for practitioners and agencies. Also, it was considered

inappropriate to have CINA provisions intertwined with delinquency provisions in one statute. To correct these problems, the CINA subcommittee within the Foster Care Court Improvement Project (FCCIP) of the Maryland Judicial Conference recommended that a separate statute be written.

The first set of bills to revise the CINA statutes was introduced in the General Assembly in the 1999 session. Similar legislation was introduced in the 2000 session. These bills (***Senate Bill 474/House Bill 562 of 1999*** and ***Senate Bill 642/House Bill 849 of 2000***) failed. However, ***Chapter 415 of 2001*** was enacted to separate the laws pertaining to CINA proceedings from those pertaining to delinquency and CINS. This Act also made a number of significant substantive changes to the CINA provisions.

Following enactment of ***Chapter 415***, FCCIP received feedback from judges, masters, and attorneys involved in CINA cases regarding provisions that needed clarification. Bills proposed by FCCIP in response to those suggestions were subsequently enacted. ***Chapter 399 of 2002*** provided that unless a court finds good cause, a CINA case must be terminated after the court grants custody and guardianship of a child to a relative or other individual. If the court finds good cause not to terminate the case, the court is required to conduct a review hearing every 12 months until the case is terminated. ***Chapter 151 of 2002*** made a number of technical and clarifying changes in the laws governing CINA proceedings in juvenile court.

Adoption and Foster Care

Adoption Subsidies for Special Needs Children

All states have programs to facilitate the adoption of children with special needs. Special needs children include those with disabilities, emotional disturbance, or special medical conditions. In the absence of adoption subsidies, many special needs children would not be adopted because the costs of meeting the needs of these children are far greater than those of caring for normal, healthy children who are available for adoption.

According to DHR, a significant limitation on the effectiveness of Maryland's adoption assistance program has been the inability to assure prospective adoptive parents that they will receive the contemplated assistance, particularly medical coverage, when they live in other states or move from Maryland to another state. The Interstate Compact on Adoption and Medical Assistance, which the majority of states has joined, provides a mechanism for interstate assistance delivery. ***Chapter 320 of 1999*** authorized the Social Services Administration of DHR to develop, participate in development of, negotiate, and enter into one or more interstate compacts on behalf of this State to provide procedures for interstate adoption assistance payments, including medical payments.

Chapter 346 of 2001 raised the maximum monthly payment for adoption subsidies to $2,000 for a medically fragile child living in a treatment foster care home.

Foster Parents' Rights and Obligations

In the 1999 session, legislation was adopted to restrict a person's ability to be a foster parent to other children until the person first provides support for his or her own children. ***Chapter 358 of 1999*** required the Social Services Administration to adopt regulations that authorize the administration to: (1) conduct a background check of child support arrearages on an applicant for foster home approval who is also a biological or adoptive parent; and (2) consider any child support arrearage of an applicant in determining whether to approve or disapprove the application.

Chapter 283 of 2001 granted foster parents certain rights (with delineated exceptions), including the right to: (1) receive full information from the caseworker on the physical, social, emotional, educational, and mental history of a child which may affect the care provided by the foster parent; (2) be notified of and, when applicable, be heard at scheduled meetings and staffings concerning a child; (3) be informed of decisions made by the courts or a child welfare agency concerning the child; (4) provide input concerning the plan of services for the child and to have that input given full consideration by the local department of social services; and (5) be given reasonable written notice of plans to terminate the placement of a child with the foster parent.

Birth Certificates for Children Born in Foreign Countries

Chapter 516 of 2002 required the Department of Health and Mental Hygiene, upon request, to prepare and register a birth certificate for a person born and adopted in a foreign country who received an IR-3 visa from the United States Immigration and Naturalization Service and whose adopting parent is a Maryland resident. The Act also established that a final decree of adoption granted by a judicial, administrative, or executive body of a jurisdiction or country other than the United States will be given full recognition and effect in Maryland if the adopting parent is a Maryland resident and the child has received an IR-3 visa. This Act allows Maryland residents who adopt a child in a foreign country to obtain a birth certificate without having to readopt the child in Maryland.

International Child Abduction

Chapter 505 of 2001 established a separate offense and increased the maximum penalties to three years imprisonment and a $5,000 fine for child abduction when the child is taken outside of the United States, a territory of the United States, the District of Columbia, or the Commonwealth of Puerto Rico.

Human Relations

Discrimination on Basis of Sexual Orientation

On September 26, 2000, Governor Parris N. Glendening issued an Executive Order creating a Special Commission to Study Sexual Orientation Discrimination in Maryland. After completing its study, the 23-member commission found that discrimination based on an individual's sexual orientation does occur in Maryland and recommended that legislation be introduced to amend the State human relations law. ***Chapter 340 of 2001***, the Antidiscrimination Act of 2001, introduced as a result of the commission's findings, prohibited discrimination based on sexual orientation in public accommodations, employment, and housing. The Act defined "sexual orientation" as the identification of an individual as to male or female homosexuality, heterosexuality, or bisexuality.

Chapter 340 granted an employer immunity from liability arising out of the employer's reasonable acts to verify the sexual orientation of any employee or applicant in response to a charge filed against the employer on the basis of sexual orientation. In addition, the Act exempted: (1) religious organizations, the Boy Scouts of America, and the Girl Scouts of America from provisions of the Act relating to employment discrimination; and (2) the rental of rooms or apartments in an owner's principal residence from provisions of the Act relating to housing discrimination.

Finally, ***Chapter 340*** specified that it: (1) may not be construed to authorize or validate same-sex marriage; (2) may not be construed to require or prohibit an employer from offering health insurance benefits to unmarried domestic partners; (3) does not mandate that an educational institution promote any form of sexuality or sexual orientation or include such matters in its curriculum; and (4) is intended to ensure specific defined rights and not to endorse or confer legislative approval of any form of sexual behavior.

Genetic Information – Nondiscrimination in Employment

To address concerns that some individuals were opting not to be tested for various diseases or refusing to participate in genetic research studies because of the fear that their genetic information would be used to discriminate against them in the work place, ***Chapters 11 and 12 of 2001*** made it an unlawful employment practice for an employer to fail or refuse to hire an individual, or otherwise discriminate against an individual, based on genetic information or the individual's refusal to submit to a genetic test or make available the results of a genetic test. The Acts prohibited an employer from requesting or requiring genetic tests or genetic information as a condition for hiring or determining benefits. In addition, an employer may not limit, segregate, or classify its

employees or applicants for employment based on an individual's genetic information or an individual's refusal to submit to a genetic test or make genetic test results available.

Related legislation enacted in 1999, ***Chapters 50 and 51***, prohibited discrimination in health insurance coverage based on genetic information. For additional discussion of these Acts, see the "Health Insurance" subpart of Part J – Health of this *Major Issues Review*.

Human Relations Commission

Efforts this past term to resolve issues pertaining to the jurisdiction of the Maryland Human Relations Commission (MHRC) and remedies in employment discrimination cases were not successful.

The MHRC does not have jurisdiction in employment discrimination cases over employers with less than 15 employees. In *Molesworth v. Brandon* (1996), the Maryland Court of Appeals held that an at-will employee of an employer with less than 15 employees has a common law cause of action for wrongful discharge. The court held that small employers are merely excluded from the administrative process of the MHRC law, but not from the public policy underlying the law. The effect of the *Molesworth* case is that small employers may be exposed to greater liability in wrongful discharge cases than large employers.

Several bills were introduced in 1999 (***Senate Bill 140/House Bill 186 (both failed)***) and 2000 (***House Bill 208 (failed)***) that would have expanded: (1) the MHRC's jurisdiction in employment discrimination cases to include any employer with one or more employees; and (2) the remedies in these cases. Similar bills introduced in the 2001 (***Senate Bill 104 (failed)***) and 2002 (***Senate Bill 479/House Bill 808 (both failed)***) sessions would have expanded the remedies available under the Maryland Human Relations Commission law in employment discrimination cases, but would not have affected employers with fewer than 15 employees. In addition to other damages, the commission would have been authorized to award compensatory damages in maximum amounts graduated according to the number of employees employed by an employer.

Real Property

Landlord and Tenant

Revision of Landlord-Tenant Laws

Chapter 649 of 1999 revised Title 8 of the Real Property Article relating to the laws governing landlords and tenants. The Act was the result of the recommendations of the Commission to Review Landlord-Tenant Laws and was intended to enhance the

equity, efficiency, and effectiveness of the State's landlord-tenant laws. Its major provisions included the following.

Protective Orders: ***Chapter 649*** clarified that rent under a protective order commences with the rent next due after an action for nonpayment of rent is filed. It also allowed the rent normally paid into escrow with the court to be paid directly to the landlord if the landlord and tenant agree or at the discretion of the judge.

Lease Option Agreements: A lease may contain a lease option agreement, which gives the tenant the right to buy the leased property. If a lease option agreement is defective, both the lease and the lease option agreement are void. ***Chapter 649*** authorized a lease option to be a separate document from the lease and required the lease to contain specified information, including that it is not a contract to buy. Under the Act, the party that did not draft the lease option agreement may void the lease or the lease option agreement, or both, if the agreement is defective.

Security Deposits: Under the prior law, landlords were required to deposit security deposits into a Maryland bank or savings institution and pay 4 percent simple interest on security deposits. ***Chapter 649*** authorized landlords to hold security deposits in a broader range of insured financial instruments, including certificates of deposit and federal and State government issued securities. The Act clarified that the damages that may be assessed against a security deposit include not only damage to the leased premises but also damage to common areas, major appliances, and furnishings owned by the landlord.

Receipt for Rent: Under the previous law, a landlord was only required to provide a residential tenant with a receipt if the tenant made payment in person by means other than a check. As a result, landlords whose tenants paid by money order or who did not pay in person were not required to provide those tenants with a receipt. The Act required all landlords to provide tenants with a receipt for rent if the tenant made the payment in cash or requested a receipt. In addition to any other penalty, a landlord is liable to the tenant for $25 if the landlord does not provide the required receipt.

Written Leases: ***Chapter 649*** required landlords who own five or more rental units throughout the State to use a written lease that includes certain information and is prohibited from containing other specified provisions. For instance, the lease may not include a provision whereby the tenant waives any legal rights, agrees to a shorter notice to quit than is provided by law, or agrees to pay late fees in excess of 5 percent of the rent due for the rental period for which the payment was late.

Retaliatory Evictions: The law provides that a tenant who successfully asserts a retaliatory eviction defense may be awarded judgment against the landlord by the court for reasonable attorney fees and court costs. ***Chapter 649*** further provided that if the court finds that the tenant's retaliatory eviction defense was brought in bad faith or

without substantial justification, it may award reasonable attorney fees and court costs against the tenant.

Failure to Pay Rent: Prior to enactment of ***Chapter 649***, most courts required that each time a tenant failed to pay rent, the landlord had to file a separate case against the tenant, rather than amend an existing filing. As a result, if a tenant failed to pay rent and the case was heard after the next month's rent was due, the court was only authorized to consider the rent due from the month for which the case was filed, although additional rent might then be owed to the landlord. The Act authorized a landlord seeking eviction of a tenant for nonpayment of rent to request the court to include in the judgment all rent due as of the court date.

Jury Demands: Any party in a landlord-tenant action that meets a certain monetary threshold may request a trial by jury. The Act clarified how the District Court is required to process jury demands, including filing requirements, notification requirements, and review of demands for jury trials.

Breach of Lease – Notice Period

A landlord is required to give a tenant who has breached the lease one month's notice before filing an action for repossession of the leased premises. ***Chapter 689 of 2001*** established an exception to this time period when the tenant or a person on the premises with the tenant's permission breached the lease by behaving in a manner that demonstrates a clear and imminent danger of doing serious harm to the tenant, the landlord, the landlord's property, other tenants, or other persons on the premises. In such an instance, ***Chapter 689*** reduced the required notice period from one month to 14 days.

Real Property "Flipping"

Real estate or property "flipping" is a practice in which distressed houses are bought very cheaply and then resold for inflated amounts by the use of an inflated appraisal and fraudulent loan documents to support a loan for a buyer. During the summer of 1999, investigations by local news media revealed that thousands of properties in Baltimore City had been turned over for quick profits using questionable practices designed to secure loans in excess of the property's value. Legislation was introduced in the 2000 session to address these predatory real estate practices.

Chapter 633 of 2000 expanded the investigative and enforcement powers of the Commissioner of Financial Regulation in several areas. The Act authorized the commissioner to investigate whether any person has violated any law, regulation, rule, or order over which the commissioner has jurisdiction and, for the purpose of an investigation or proceeding, to: (1) administer oaths and affirmations; (2) subpoena

witnesses and compel their attendance; (3) take evidence; and (4) require the production of books and records that the commissioner considers relevant.

If the commissioner determines that a person has violated a law, regulation, rule, or order over which the commissioner has jurisdiction and that immediate action is in the public interest, ***Chapter 633*** authorized the commissioner to issue, without a prior hearing, a summary cease and desist order. The Act further enhanced the commissioner's enforcement powers by authorizing the commissioner, after proper notice and a hearing, to: (1) issue a final cease and desist order; (2) suspend or revoke a person's license; or (3) issue a civil penalty order. The Act also authorized the commissioner to bring an action in court to obtain remedies that include: (1) a temporary restraining order; (2) a temporary or permanent injunction; (3) civil penalties; (4) a declaratory judgment; (5) rescission; and (6) restitution.

Other legislation prompted by the flipping scandal was unsuccessful, including ***Senate Bill 876/House Bill 786 of 2000 (both failed)***, which would have required all appraisers who provide real estate appraisal services to be licensed or certified by the State.

Since the year 2000, fraudulent and predatory lending practices by individuals and companies have been addressed in individual and class action law suits and in criminal prosecutions by State and federal prosecutors.

Drug Nuisance Abatement

Chapters 301 and 528 of 2000 made several changes to improve the effectiveness of existing provisions of law governing an action by a State's Attorney, county attorney, or community association to abate a nuisance where the nuisance is the use of property for illegal drug activity.

Owner-Occupants

Chapter 301 clarified that the relief afforded by the law is available against owner-occupants, as well as against tenants and landlords.

Knowledge Standard

Under the previous law, in order for a court to order a tenant to vacate the property or an owner to submit a plan of correction to ensure that the property would not be used again for a nuisance, the court was required to find that the tenant or owner knew of the existence of a nuisance on the property. ***Chapter 301*** altered the legal standard applied by a court to include not only actual knowledge of the nuisance but also constructive knowledge of the nuisance (i.e., the person knew or "should have known").

Remedies

Chapter 301 specified the relief that a court may order if an owner fails to comply with an order to abate a nuisance. Under the Act, the court may order that the property be demolished if the property is unfit for habitation and the estimated cost of rehabilitation significantly exceeds the estimated market value of the property after rehabilitation.

Plaintiffs

Chapter 528 of 2000 authorized a municipal corporation within whose boundaries a drug nuisance is located to bring an action to abate the nuisance.

Condominiums and Homeowners Associations

Condominiums – Unit Owner Liability

A condominium council of unit owners must maintain comprehensive general liability and property insurance coverage on the common elements and units. Each unit owner is an insured person under the policy with respect to liability arising out of the owner's interest in the common elements. The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense. The fund for payment of current common expenses and for the creation of reserves is obtained by assessments against the unit owners.

Chapter 694 of 2001 authorized a condominium council of unit owners, if provided for in its bylaws, to hold the owner of a unit where the cause of any damage to or destruction of any portion of the condominium originates responsible for up to $1,000 of the council's property insurance policy deductible. The Act required that a deductible in excess of $1,000 be assessed as a common expense.

Homeowners Associations – Family Day Care Homes

Chapter 352 of 1999 prevented homeowners associations from prohibiting the use of a residence as a family day care home until the lot owners, other than the developer, have 90 percent of the votes in the homeowners association. Under the prior law, a homeowners association could include in its declaration, bylaws, or recorded covenants and restrictions a provision that expressly prohibited the use of a residence as a family day care home.

The Act also specified that the approval of provisions that expressly prohibit the use of a residence as a family day care home must be made by a simple majority of the total eligible voters of the homeowners association, excluding the developer. Previously,

the law had allowed the developer, who often initially holds the majority of votes in a homeowners association, to prohibit family day care homes in the community at the outset.

In addition, the Act repealed the ability of a homeowners association to include in its governing documents a provision that regulates the number or percentage of family day care homes operating in the homeowners association.

Estates and Trusts

Inheritance Tax

Chapter 497 of 2000 repealed the inheritance tax on property that passes from a decedent to certain relatives, or, if all the stockholders are relatives, a corporation. The inheritance tax repeal applied to property inherited by the children, stepchildren, grandchildren, spouse, parents, grandparents, siblings, spouses of children or lineal descendants, or the family corporation of a decedent who dies on or after July 1, 2000. For a more detailed discussion of ***Chapter 497***, see the "Miscellaneous Taxes" subpart of Part B – Taxes of this *Major Issues Review*.

Small Estates

An estate that qualifies for administration as a "small estate" is subject to a streamlined probate process that involves less paperwork and less time to complete than a regular estate. In addition, small estates are exempt from the inheritance tax. ***Chapter 118 of 2000*** raised the maximum value of an estate which may be considered a "small estate" from $20,000 to $30,000. The Act also allowed an estate with a value not exceeding $50,000 at the time of the decedent's death to be eligible for administration as a small estate if the surviving spouse is the sole heir.

Uniform Principal and Income Act

Trustees and personal representatives are required, in the course of their duties, to make proper allocations of assets either to principal or to income. The identification of principal and income, their allocation, and the apportionment of assets between income and principal are often unclear. The National Conference of Commissioners on Uniform State Laws promulgated the first Uniform Principal and Income Act in 1931 to guide fiduciaries in making identification and allocation decisions. The second Uniform Principal and Income Act was promulgated in 1962 and adopted in Maryland in 1965.

In the 2000 session, the General Assembly passed ***Chapter 292***, which adopted the revised Uniform Principal and Income Act promulgated by the National Conference of Commissioners on Uniform State Laws in 1997 (UPIA 1997). The Act established

default rules for the trustee of a trust or the personal representative of a decedent's estate to follow in determining whether receipts and disbursements should be classified as principal or income when the governing will or trust instrument is silent. Old rules for identification and allocation of principal and income were refined and new rules were added to deal with new investment opportunities not available in 1962 (e.g., derivatives, options, deferred payment obligations, and asset-based securities), disbursements made due to environmental laws, and adjustments between principal and income for tax purposes.

However, consideration of a major provision of UPIA 1997, Section 104, which would have allowed a trustee to adjust principal and income to the extent made necessary by prudent investment rules when a trust provides for a fixed income for the income beneficiary, was deferred. The General Assembly revisited this issue in 2001 (***Senate Bill 662/House Bill 956 (both failed)***) and 2002.

Chapter 478 of 2002 enacted a modified version of Section 104 that allows a trustee to convert a trust to a "unitrust" or make an adjustment between principal and income if a written request is received from a beneficiary and all beneficiaries consent to or a court approves of a proposed conversion or adjustment. "Unitrust" was defined in the Act as a trust from which the income beneficiary is entitled to receive annually a fixed percentage (4 percent) of the fair market value of the assets.

Intestate Succession

The General Assembly acted during the 1999–2002 term to prevent surviving parents who have engaged in certain types of misconduct from benefitting from the death of a child.

Incest

Chapter 685 of 1999 prohibited a parent who has been convicted of child abuse, a sexual offense, or incest with a child of that parent, or committed any of these acts with a child of that parent, from being a beneficiary in a wrongful death action or inheriting through intestate succession if the decedent was born as the result of incest between the parent and a child of the parent.

Abandonment or Failure to Support Minor Child

Chapter 582 of 2001 prohibited a surviving parent from inheriting through intestate succession from a minor child if the parent abandoned the child or willfully failed to contribute to the support of the child for at least three consecutive years immediately preceding the death of the minor child or for the life of the child, whichever is less. A minor child is considered to be abandoned under the Act if the conduct of the

surviving parent demonstrates a settled purpose to willfully and intentionally relinquish all parental rights and duties toward the child and to renounce and forsake the child entirely.

Guardians

Chapter 189 of 2001 expanded the list of guardians who may be authorized by a court to make health care decisions involving a substantial risk to the life of a disabled person to include a friend or any relative who is determined by the court to be familiar with the disabled person's personal beliefs, values, and medical situation. Under the prior law, the court could only grant this authority if the guardian was the disabled person's spouse, parent, adult child, adult sibling, or adult grandchild.

Part G
Transportation and Motor Vehicles

Transportation

Overview

During the 1999–2000 term, transportation services and policy in Maryland saw several major changes. One such change, the addition of $500 million over six years to increase transit services statewide beginning in fiscal 2002, could make significant progress towards the Maryland Transit Administration's goal of doubling transit ridership by 2020. Another major change involves the beginning of the construction of a new Woodrow Wilson Bridge connecting Maryland and Virginia on the eastern side of the Washington (Capital) beltway. The new bridge is estimated to cost $2.4 billion and promises to help alleviate traffic congestion and to improve safety for the 200,000 vehicles that use the bridge daily. However, the time line for completion of this large regionally significant project is threatened by the need to rebid the bridge structure contract.

Other significant developments in transportation policy during the term include:

- expansion of Baltimore-Washington International Airport terminal facilities, parking, and roadways with an additional $1.5 billion;

- authorization for the Maryland Department of Transportation (MDOT) to issue special revenue bonds thereby assisting in financing large transportation projects with revenues other than cash;

- increase in debt capacity from $1.2 billion to $1.5 billion in recognition of significant future transportation priorities such as transit spending; and

- creation of a bicycle and pedestrian access program to provide sources of funding for sidewalks and bicycle pathways and to incorporate pedestrian and bicycle access in State highway construction.

Mass Transit

Services to the Disabled and Elderly

Chapter 161 of 1999 repealed the June 30, 1999, termination date on a provision of the law requiring MDOT to provide annual grants to offset the local costs of providing paratransit services that are complementary to fixed route service as required under the federal Americans with Disabilities Act. Paratransit service offers transportation for the elderly and disabled.

Farebox Recovery

Chapter 211 of 2000 lowered the farebox recovery requirement for the Baltimore transit systems from 50 to 40 percent, while also requiring the Mass Transit Administration (MTA) to establish a cost recovery goal of 50 percent. The 50 percent recovery level was chosen because the Baltimore bus service had historically recovered about 50 percent of its costs. Over time the fare box recovery mandate was updated to include additional transit services including Baltimore Metro subway, light rail services, and the Maryland Rail Commuter (MARC) train service. Due to the low recovery rate for rail services the Baltimore transit service had been unable to meet farebox recovery goals.

In addition, ***Chapter 211*** lowered from 50 to 40 percent the percentage of costs used to calculate "service deficits" for purposes of providing annual grants from the Maryland Department of Transportation to the Washington Suburban Transit District and to Prince George's and Montgomery counties for eligible local bus service.

The farebox recovery rate changes were in line with recommendations made by the Commission on Transportation Investment in December of 1999. The commission recommended that the 50 percent farebox recovery requirement be replaced with performance indicators and management audits. The commission also recommended that should the farebox recovery change, State financial support and service policies should be applied equitably to the Baltimore and Washington transit areas.

Mass Transit Initiative

Chapter 568 of 2001 implemented a $500 million mass transit initiative. The transit initiative sought to increase operating and capital expenditures for mass transit while reducing fares. To fund the transit initiative, under the Act, monies from the State's general fund were transferred to the Transportation Trust Fund (TTF). The Act also allowed the TTF to keep some of the uninsured motorist fees, security interest filing fees, and special license tag fees that would have been transferred from TTF to the general fund. Uninsured motorist fees, part of which had been used to support the

Maryland Automobile Insurance Fund and the Vehicle Theft Prevention Fund, were required to be credited to TTF for six years. Sales tax revenue on rental cars was also transferred to TTF for the mass transit initiative for six years. The fiscal 2002 budget addressed concerns about the use of toll revenues for transit programs by precluding the use of toll revenues to fund any MDOT operating expenditures, including the transit initiative. The fiscal 2002 budget also required that TTF reimburse the Maryland Transportation Authority for any toll revenues used to support transit capital projects.

Exhibit G.1 lists transit initiative services.

Exhibit G.1
Transit Initiative Services

Type of Service	Region	Service
Operating	Baltimore	Improved maintenance
Operating	Baltimore	New bus lines
Operating	Baltimore	Sunday Metro service
Operating	Baltimore	More buses on current lines
Operating	Baltimore	Additional paratransit services
Operating	Washington	Expanded local bus service
Operating	Washington	Expanded Metrobus service
Operating	Washington	Expanded commuter bus service
Operating	Washington	Parking lot shuttle service
Operating	Statewide	Additional paratransit grants
Operating	Statewide	Additional access to job grants
Operating	Statewide	Additional senior service grants
Operating	Statewide	New marketing initiatives
Capital	Baltimore	Neighborhood shuttles
Capital	Baltimore	Paratransit service improvements
Capital	Baltimore	Bus and rail study
Capital	Baltimore	Talking buses
Capital	Washington	Montgomery & Prince George's buses
Capital	Washington	Metrorail railcars
Capital	Washington	Repair Metrorail red line tunnel leaks
Capital	Washington	Largo garage
Capital	Statewide	Locally operated transit services
Fare Reduction	Baltimore	Free transit services for State employees
Fare Reduction	Baltimore	Reduction in weekly and monthly passes

Source: Maryland Department of Transportation

Chapter 568 also allowed the Maryland Department of Transportation to exempt new mass transit service from the 40 percent farebox recovery for a period of up to 36 months.

Due to changing fiscal conditions, ***Chapter 440 of 2002*** (the Budget Reconciliation and Financing Act) altered the way that the mass transit initiative was to be financed. Revenue streams that had been transferred from the general fund to the Transportation Trust Fund to fund the transit initiative enacted in 2001 were transferred back to the general fund. Revenues from registration plates, security interest filing fees, vehicle rental tax, and uninsured motorist penalties were returned to the general fund. In addition, revenues were transferred back to fund the Maryland Automobile Insurance Fund and the Vehicle Theft Prevention Fund. The mass transit initiative was continued on a more modest scale, however. In part to continue the implementation of the transit initiative, ***Chapter 440*** increased the limit of allowable debt outstanding for MDOT, established by statute, from $1.2 to $1.5 billion.

Job Access Program

Chapter 146 of 2001 created the Jobs Access and Reverse Commute Program. The Act required MDOT to identify funds in the annual budget to ensure that low-income persons can travel to employment or job-related activities. The program is part of the goal of the Mass Transit Administration to double mass transit ridership by 2020. MDOT started the job access program in fiscal 2000 with a $4.2 million budget funded with federal, State, and local funds.

Use of Maglev Technology

Chapter 573 of 2002 created a task force to evaluate the development and construction of a Magnetic Levitation Transportation System (Maglev). The Act required the task force to consider: (1) potential funding mechanisms; (2) possible private/public partnerships; (3) modifications to the procurement system; and (4) recommendations regarding the establishment of a State or multijurisdictional authority. Estimates made in 2002 indicated that a Maglev system in the Baltimore-Washington area could cost between $3.5-$4.0 billion. Federal funding was expected to be awarded to either Pennsylvania or Maryland in fiscal 2004. The federal government authorized $950 million for Maglev in one of the two states; however, that amount was subject to revision pending the re-authorization of Transportation Equity Act of the 21st Century (TEA-21) funds.

The fiscal 2003 budget also included language to study Maglev. The budget language study called for a determination of what the State's share of the construction cost could be, the financial and non-financial costs and benefits to the State and the local jurisdictions through which Maglev could travel, and what actions the Mass Transit Administration has taken to address concerns of communities that would be affected by

Maglev's path. The budget language required the report to be submitted to the budget committees by January 1, 2003.

Highways

Bicycle and Pedestrian Access

In 1995, the General Assembly established the Bicycle and Pedestrian Access 2000 Program in the State Highway Administration to incorporate bicycle and pedestrian access in State planning and construction.

Chapter 223 of 1999 repealed the limitation on the State's share of the cost of sidewalk construction and reconstruction projects that otherwise would have remained in effect through fiscal 2001. Prior to enactment, State funding for sidewalk construction was capped at $2 million per fiscal year. Since local governments initiate sidewalk construction and reconstruction projects, MDOT does not control when projects begin and end or when expenses are incurred. As a result, project expenditures may be carried over from one fiscal year to the next. The elimination of the $2 million dollar cap allowed MDOT more flexibility in cash flow changes.

Chapter 670 of 2000 provided for a Director of Bicycle and Pedestrian Access in the Office of the Secretary of Transportation. The Act required the director to develop and coordinate policies and plans for the provision, preservation, improvement, and expansion of access to transportation facilities in the State for pedestrians and bicycle riders, including the development of a statewide bicycle-pedestrian 20-year master plan before October 1, 2002. Each fiscal year, MDOT is required to budget an amount sufficient to fund projects and programs determined by the Secretary to be necessary to achieve the bicycle and pedestrian transportation goals detailed in the master plan.

Chapter 678 of 2001 created the Maryland Pedestrian Safety Program, funded by the Highway Operating Program in the State Highway Administration and any other monies accepted for the benefit of the fund. The Secretary of Transportation must award grants from the program to counties, municipalities, and nonprofit organizations to:

- educate drivers and pedestrians about ways to increase pedestrian safety;
- enhance efforts to enforce State and local motor vehicle laws that protect pedestrians;
- design or redesign intersections to increase pedestrian safety and access; and
- enhance safe pedestrian access to transit facilities.

The Act also required the Bicycle and Pedestrian Advisory Committee to designate two counties, or Baltimore City and a county, as target areas for a pilot project that focuses on child pedestrian safety, particularly on school routes. The committee was required to develop an action plan that includes suggestions for improving safety and encouraging the use of child pedestrian routes to schools. The Act required MDOT to implement the plan by September 1, 2002.

Chapter 347 of 2002 increased the State's share of construction and reconstruction costs for sidewalks or bicycle pathways if the adjacent roadway is not being concurrently built or repaired. The Act increased the State share from 50 percent to 75 percent if the State Highway Administration determines that a substantial public safety risk exists and that construction would not otherwise occur due to insufficient local funding.

Intercounty Connector

Resolution 15 of 2002 urged the Governor to restart and conclude the process for an environmental study of the Intercounty Connector, a proposed 17-mile controlled access highway that would connect Montgomery County to Prince George's County. The proposed roadway was intended to alleviate traffic congestion on the Capital Beltway and secondary roads. In July 1997, a federal draft report was issued that evaluated potential environmental and socio-economic impacts of the proposed road. The State Highway Administration estimated in 1997 that construction of the Intercounty Connector would cost $1.1 billion. Citing concerns over its potential environmental impact, the Governor halted all action on the project in September 1999.

Woodrow Wilson Bridge

When the Woodrow Wilson Bridge opened in 1961 it was designed to accommodate 75,000 daily vehicle crossings between Maryland and Virginia. Forty years later, the bridge carries over 190,000 vehicles daily. The bridge also suffers an accident rate twice as high as other area interstates and traffic backups average three to five miles daily. Over the next 20 years, daily traffic on the new bridge is expected to increase from 200,000 cars and trucks to 300,000 vehicles.

The replacement design of the bridge calls for a 12-lane, 70-foot high draw bridge that is parallel to the existing structure, as well as the reconstruction of four Maryland and Virginia interchanges on the Capital Beltway. The new bridge will contain two lanes for some form of mass transit and will offer bicycle and pedestrian access that is not currently available. The total project was initially estimated to cost $2.2 billion over six years.

The U.S. Congress waived a provision that blocked the use of federal aid until the bridge was completely funded, which allowed Maryland to begin the dredging necessary

for construction of the bridge foundation. When Congress approved the requested federal appropriation of $900 million, it stipulated that no more federal funds would be available for the project. Under the financing agreement, Maryland will be responsible for all cost overruns associated with the bridge structure and the two interchanges (I-210 and I-295). Cost overruns associated with the construction of interchanges on the Virginia side of the bridge will be the responsibility of Virginia.

When the State Highway Administration (SHA) requested bid proposals for the bridge structure it received only one bid. The consortium of Kiewit/Tidewater/Clark (KTC) submitted the lone bid. SHA estimated the construction cost of the bridge's super structure to be $487 million; however, KTC's bid was $860 million. Thus the sole bid was $373 million, or 75 percent, higher than expected. Bids for dredging for the project and for the bridge's foundation were at or below SHA estimates.

In January 2002, SHA rejected the bid and created an Independent Review Commission (IRC) to examine ways to rebid the project in order to reduce cost. The IRC did four simultaneous studies: (1) a value engineering study; (2) a review of contract documents to find ways to increase competition; (3) interviews with contractors that did not bid on the project along with the sole contractor that did bid; and (4) reconfiguring the contract into smaller projects in order to increase competition.

SHA accepted the IRC recommendation to break up the super structure contract into smaller contracts and rebid the project. This is expected to delay the project by six months to a year. Completion of the bridge project was initially projected to be achieved by late 2006 or early 2007.

Aviation

Regional Air Service

Chapter 325 of 2000 required the Maryland Aviation Administration (MAA) to implement a Regional Air Service Development Program in fiscal 2001. The Act authorized MAA to grant to any person the privilege of operating scheduled regional air service to and from any community in the State that is determined by MAA to be in need of, and capable of supporting, such air service. If MAA determines that financial assistance is warranted, it may grant or loan funds to the person operating the air service.

In June 2001, MAA entered into a contract with Boston-Maine Airways for subsidized air service between BWI, Hagerstown Regional Airport, and Greater Cumberland Regional Airport. As of February 2002, round-trip air fare between Baltimore and Hagerstown averaged $125 including taxes per passenger. The fiscal 2001 and 2002 appropriation provided $2.25 million to subsidize the costs of air service by Boston-Maine. The fiscal 2003 appropriation provided $2 million to subsidize this

service. Under ***Chapter 325*** the regional air service development program is a pilot program and is scheduled to terminate June 30, 2003. The MAA is required to submit a report evaluating the program, including recommendations for continued State financial support.

Baltimore-Washington International Airport (BWI)

BWI has seen significant increases in the volume of passenger traffic, in part due to the arrival of low-fare airlines. Between calendar 1990 and 2000, passenger use of BWI grew at an average annual rate of 7.2 percent. The Maryland Aviation Administration's forecast shows total passenger traffic continuing to grow at an average annual rate of 3.4 percent to an estimated 24.1 million total passengers in 2005.

In August 2000, the Maryland Department of Transportation announced plans for a $1.3 billion capital expansion program at BWI. The plans called for increased spending in the short term for additional parking, terminal expansion, and improved access to terminal buildings. Several projects have been added to the capital expansion program at BWI since its initial announcement. The revised estimated cost of the expansion is $1.5 billion.

Parking improvements account for 26 percent of the program, or approximately $379 million. BWI also expects to expand the size of the current terminal building with $438 million for two new concourses and other related facilities. The largest share of the expansion program, 42 percent, or approximately $621 million, will improve passenger access to the terminal building, including improved roads, pedestrian bridges between the terminal and the parking garage, and moving walkways.

As of January 1, 2002, seven projects had begun construction. Projects under construction are the surface parking lot on Elm Road, consolidated rental car facility, Concourse A taxiway and ramps, Concourse A terminal building, moving walkways, upper level roadway curbside extension and access roadways, widening of the upper level roadway, and installation of pedestrian overpasses. Projects to begin construction in fiscal 2003 are the Elm Road parking garage, upgrades to the central utility plant, installation of common use terminal equipment for the international terminal, build out of electronic parking guidance system (Smart Park) in the existing garage, and installation of new roadway signage.

General Transportation Issues

Financing

Resolution 11 of 1999 requested the Governor, the President of the Senate, and the Speaker of the House to establish a 25-member Commission on Transportation

Investment. The commission was to examine needs of the State, receive input from the public, and review the transportation funding system. The commission also was charged with making recommendations on: (1) the magnitude of system preservation and unmet transportation needs that must be funded; (2) the appropriate level of funding necessary to support a viable transportation system that is within the abilities of MDOT to administer; and (3) the development of a comprehensive, long-term solution that would generate sufficient revenues to maintain a viable transportation system and meet the long-term funding needs of mass transit. The report ultimately issued by the commission raised concerns over the potential for under funding future transportation needs, given the projections of revenue streams and transportation expenditures.

Chapter 470 of 2002 allowed MDOT to use a broader range of financing mechanisms by allowing it to participate in the federal Grant Anticipation Revenue Vehicle Bonds program and the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) program to fund transportation projects. The bonds are issued for projects to be funded with federal funds. The anticipated federal funds are pledged to secure the bonds. TIFIA financing consists of loans, loan guarantees, and lines of credit for up to 33 percent of eligible construction costs from the federal Department of Transportation. TIFIA-financed projects must be of national or regional significance and must be estimated to cost over $100 million. As of April 2002, MDOT had not identified any projects which would use these financing authorities.

Chapter 386 of 2001 allowed Baltimore City to continue to use part of its share of highway user revenues, approximately $3.65 million annually, to provide discounted Mass Transit Administration fares for eligible public school students through fiscal 2006.

Parking Facilities

Chapter 569 of 2001 authorized the Maryland Transportation Authority to finance, construct, and operate parking garages and lots if they are located in priority funding areas. The transportation authority is expected to use this authorization to assist local governments in paying for transit-related parking facilities. Revenues from such a facility must be used to pay all operating and maintenance costs and debt service for each year that the debt is unpaid. Once revenue bonds held by the authority are repaid, ownership of the garage reverts to the local government.

Regional Transportation Authority

Traffic congestion for Maryland and the Washington Metropolitan region is a problem that is projected only to worsen. By 2025, daily vehicle trips are estimated to increase by almost 40 percent, while highway lane miles will increase by 13 percent over the same time period. By 2020, traffic volumes across existing bridges in the Washington region are expected to reach more than 400,000 trips above design capacity.

Chapter 632 of 2001 established the Virginia-Maryland-District of Columbia Joint Legislative Commission on Interstate Transportation to study the creation of a regional transportation authority. Among the issues that the commission was required to consider in developing its study were transportation project funding, projected travel demands, transit alternatives, Potomac River crossings, and environmental policies. The 26-member commission was also charged with reviewing the organizational structures, powers, and responsibilities of a regional transportation authority. A report of its findings and recommendations is required to be submitted to the legislatures and governors of Maryland and Virginia and the Mayor and Council of the District of Columbia, as well as local government officials of the affected counties and municipal corporations, by December 1, 2002.

Performance Measurement

Chapter 303 of 2000 required the Maryland Department of Transportation to establish measurable transportation goals and benchmarks on alternatives to automobile transportation in priority funding areas and to report annually on the attainment of the goals and benchmarks. Beginning with the 2002 Consolidated Transportation Program (CTP) and the Maryland Transportation Plan, MDOT was required to report to the General Assembly on: (1) the establishment of measurable performance indicators or benchmarks in priority funding areas designed to quantify the goals and objectives specified in the Maryland Transportation Plan; and (2) the degree to which the projects and programs contained in the CTP and approved Maryland Transportation Plan attain those goals as measured by the performance indicators or benchmarks. The Act specified the types of indicators that MDOT should use to establish and measure goals and benchmarks. The report must be submitted each year prior to the legislature's consideration of the proposed CTP and Maryland Transportation Plan. The Act also established a 13-member advisory committee to advise MDOT on the establishment of transportation goals, indicators, and benchmarks.

Motor Vehicles

Drunk and Drugged Driving

Background

While deaths attributable to drunk driving have declined dramatically over the past 20 years, the issue of drunk and drugged driving continued to be a matter of significant concern to the General Assembly. Issues relating to lowering the blood alcohol content level, repeat offenders, open containers in a motor vehicle, and admissibility of test refusals were among the issues addressed this term.

Transportation Equity Act of the 21st Century

The federal Transportation Equity Act of the 21st Century (TEA-21) was enacted in 1998 to provide federal funds to the states for transportation projects. The federal law included an incentive to encourage conforming legislation and monetary sanctions for the failure of states to enact alcohol-related driving legislation that conformed to the national standards:

- TEA-21 created incentive grants to encourage states to establish a blood alcohol content level (BAC) of .08 grams per specific unit of blood or breath as the standard for driving while intoxicated or driving under the influence of alcohol and for the administrative per se offense;

- federal legislation was subsequently enacted in 2000 which established a penalty of 2 percent withholding of a state's share of federal highway funding without a state standard of .08 BAC by October 1, 2003;

- states that did not pass legislation prohibiting possession of open containers of alcohol or consumption of alcohol in motor vehicles by passengers, as well as drivers, would be subject to a mandatory diversion of 1.5 percent federal funds from highway to safety projects beginning October 1, 2000, with the diversion increasing to 3 percent as of October 1, 2002; and

- states that did not pass legislation to increase penalties for drivers convicted of serious drunk driving offenses more than once within a five year period would be subject to a mandatory diversion of 1.5 percent of federal funds from highway to safety projects beginning October 1, 2000, with the diversion increasing to 3 percent as of October 1, 2002.

By October 1, 2001, Maryland had not complied with federal standards for open container and repeat offender legislation. A combined total of $7 million was transferred from highway construction to safety projects. Compliance was achieved, however, in the 2002 session.

State Standard for Blood Alcohol Content (BAC)

Maryland had a two-tiered law for drunk-driving penalties. A person was guilty of "driving while intoxicated" or "intoxicated per se" if the person's BAC was 0.10 grams or greater per specific count of blood or breath, and a person was considered "driving under the influence" (DUI) if the person's BAC was between 0.07 and 0.10. Based on the results of blood or breath testing for BAC levels, various criminal and administrative licensing sanctions were imposed.

Armed with the promise of federal incentive funds of approximately $2.5 million a year for five years upon enactment of an 0.08 BAC standard and evidence that a lower BAC would save lives, proponents set out to reduce from 0.10 to 0.08 the alcohol concentration standard for the offense of driving while intoxicated per se.

The imposition of financial sanctions by the federal government beginning in October 2003 provided an even greater incentive for compliance with the national BAC standard and resulted in the enactment of legislation. ***Chapters 4 and 5 of 2001*** reduced the alcohol concentration for a violation of driving under the influence of alcohol or under the influence of alcohol per se from a BAC level of 0.10 to 0.08 at the time of testing. The Acts reduced to 0.08 the BAC that creates a presumption of a violation of drunk or drugged boating.

The Acts also altered the terms used for alcohol-related offenses, adopting the new term "driving under the influence of alcohol or under the influence of alcohol per se" in place of "driving while intoxicated or intoxicated per se." Similarly, the term "driving while impaired" was substituted for the term "driving under the influence."

Open Containers in Motor Vehicles

During the 2002 session, ***Chapter 109 of 2002*** was adopted to prohibit an occupant of a motor vehicle from possessing an open container that contains any amount of an alcoholic beverage or consuming an alcoholic beverage in the passenger area of a motor vehicle while driving, stopped, standing, or otherwise located on a highway in the State. A violation by a vehicle occupant was designated a civil offense, subject to a maximum fine of $25, which could be charged as a civil citation by a police officer. ***Chapter 109*** established procedures for prepayment of fines and District Court trial procedures to challenge the citation. It also clarified the existing prohibition against consumption of an alcoholic beverage while driving. To prohibit a driver of a motor vehicle from consuming an alcoholic beverage on a highway the driver offense was designated a misdemeanor subject to a fine not exceeding $500.

The prohibition did not apply to an occupant, other than the driver, of a motor vehicle that is designed and used to transport a person for compensation, including a bus, taxicab, or limousine, or the living quarters of a motor home, motor coach, or recreational vehicle.

Passage of this Act prevented the TEA-21 sanction of diverting federal highway construction funds to safety projects.

Repeat Drunk Driving Offenders

The federal Transportation Equity Act of the 21st Century TEA-21 established certain minimum criminal and administrative penalties for an individual convicted of a second or subsequent offense of driving while under the influence of alcohol. These penalty requirements included a mandatory driver's license or privilege suspension for at least one year, the impoundment or immobilization of the offender's motor vehicle, mandatory terms for imprisonment or community service, and an assessment of the offender's degree of alcohol or drug abuse, leading to appropriate treatment.

Chapters 347 and 511 of 1999 increased from two months to one year the term of imprisonment that could be imposed on a person convicted of a second or subsequent offense of driving while under the influence of a drug, a combination of drugs, one or more drugs and alcohol, or a controlled dangerous substance. The laws also provided that a prior offense of driving under the influence of drugs or drugs and alcohol or driving under the influence of a controlled dangerous substance qualified as a prior conviction for the purpose of the subsequent offender penalty provisions.

In the 2002 session, repeat offender legislation was a significant issue. However, the General Assembly was able to agree on appropriate sanctions for repeat offenders that also met compliance with TEA-21. ***Chapter 110 of 2002*** required the Motor Vehicle Administration to suspend for one year the driver's license of a person convicted of driving or attempting to drive while under the influence of alcohol or under the influence of alcohol per se more than once within a five year period.

At the conclusion of the mandatory one year suspension period, ***Chapter 110*** required repeat offenders to maintain an ignition interlock system (which prevents the operation of a motor vehicle based on an alcohol breath tester installed in the vehicle) on each motor vehicle owned by the offender for a period between three months and one year as a condition of license restoration or reinstatement. Notice and hearing requirements for the administrative sanctions were established under the bills, as well as additional license restrictions based on an inability to maintain an ignition interlock system due to financial hardship.

A person convicted of a violation of driving while under the influence of alcohol or under the influence of alcohol per se within five years of a prior conviction for one of those offenses was also subject to a mandatory minimum penalty of imprisonment, including inpatient rehabilitation or treatment or home detention, for at least five days or subject to community service for at least 30 days. The court must also order the offender to undergo alcohol abuse assessment and to participate in an alcohol program if ordered by the court based on the results of the assessment. A person convicted of a third or subsequent offense within five years was subject to a mandatory minimum penalty of imprisonment for at least ten days or community service for at least 60 days.

Admissibility of Blood or Breath Test Refusal

Without a BAC test result in a drunk or drugged driving case, it is more difficult to obtain a guilty plea or verdict for the more serious drunk and drugged driving offenses that impose penalties based on a specific BAC level. ***Chapters 1 and 2 of 2001*** repealed the law that no inference or presumption concerning the guilt or innocence of a defendant could arise because of the defendant's refusal to submit to a blood or breath test in the prosecution of certain drug-related or alcohol-related driving offenses. The Acts allowed evidence of refusal to submit to a BAC test to be admissible to determine the guilt or innocence of the defendant in drunk or drugged driving cases.

Homicide or Life-threatening Injury by Motor Vehicle

Prior to 2000, if a person was convicted of homicide by motor vehicle while intoxicated, intoxicated per se, or under the influence of alcohol, drugs, or a controlled dangerous substance, that person received a 12 point assessment against the driving license and the Motor Vehicle Administration (MVA) was required to revoke the license. However, the person could appeal the revocation and the MVA was then required to stay its decision for up to 120 days. To remedy this ***Chapter 666 of 2002*** required the MVA to revoke the license of any person convicted of homicide by motor vehicle while intoxicated or under the influence of alcohol, drugs, or a controlled dangerous substance and prohibited the issuance of a temporary license pending an administrative appeal.

Chapter 420 of 2002 expanded the existing prohibition against the repeated use of probation before judgment in drunk and drugged driving cases by applying the prohibition to cases involving homicide or life-threatening injury. The law prohibited a court from placing a defendant on probation before judgment for causing the death of or life-threatening injury to another person as a result of negligent driving while under the influence of alcohol, while impaired by alcohol, or while impaired by combinations of alcohol, drugs, and controlled dangerous substances, if within the previous five years, the defendant was convicted of, or placed on probation before judgment for, a drunk or drugged driving offense.

Ignition Interlock Systems

The General Assembly routinely considers legislation affecting the way the Ignition Interlock System Program operates. Most bills encourage drunk and drugged driving offenders to use the program either by rewarding those who voluntarily participate or requiring offenders to participate as a condition of driver's license reinstatement. ***Chapter 3 of 2001*** authorized the MVA to modify a driver's license suspension for driving offenses involving alcohol, drugs, or controlled dangerous substances or issue a restrictive license to a licensee if the licensee participated in the Ignition Interlock System Program.

As an incentive to use the program, the MVA had discretion to reduce periods of license suspension for participating drivers. ***Chapter 254 of 2001*** repealed the MVA's authority to reduce the period of suspension of an individual's driver's license for drunk or drugged driving offenses when an individual participated in the Ignition Interlock System Program and, instead, authorized the MVA to issue a restrictive license to an individual participating in the program during the entire period of license suspension.

Rules of the Road

Aggressive Driving

Throughout the 1999 to 2002 term, the General Assembly attempted to address growing concerns with aggressive and negligent driving. ***Chapter 520 of 2001*** established the offense of aggressive driving. Under the Act, a person is guilty of aggressive driving if the person commits three or more of the following offenses at the same time or during a single and continuous period of driving: (1) failure to stop at a traffic light with a steady indication; (2) improper overtaking and passing of a vehicle; (3) unsafe passing on right; (4) driving outside of lane; (5) following another vehicle too closely; (6) failure to yield right-of-way; or (7) exceeding a maximum speed limit or posted speed limit.

For a violation of aggressive driving, a person is subject to a fine not exceeding $500 and the assessment of five points against the person's license.

Leaving the Scene of an Accident

In 2002, the General Assembly increased penalties for drivers who "hit and run" by leaving the scene of an accident where serious bodily injury or death may have occurred. ***Chapters 461 and 462 of 2002*** established felony penalties for a driver of a motor vehicle involved in an accident resulting in the death or serious bodily injury of another and who leaves the scene of the accident, if the driver knew or reasonably should have known that the accident might result in the death or serious bodily injury of another.

Leaving such an accident resulting in a serious bodily injury is a felony subject to a maximum of five years' imprisonment and a maximum fine of $5,000, while the penalty for leaving the scene of an accident resulting in the death of another is a maximum of ten years imprisonment and a maximum fine of $10,000.

Child Booster Seats

In recent federal studies regarding child safety restraint requirements, the National Highway Traffic Safety Administration found that 71 percent of children's deaths and 66 percent of their injuries in car accidents could be eliminated if every child under the

age of 15 used an appropriate restraint device. ***Chapters 338 and 339 of 2002*** expanded the definition of "child safety seat" to include a child booster seat designed for larger children that is certified by the manufacturer to meet applicable federal safety standards. The Acts also required that a person transporting a child in a motor vehicle registered in Maryland must secure the child in a child safety seat if the child is under the age of six years, regardless of the child's weight, or if the child weighs 40 pounds or less, regardless of the child's age.

For vehicles registered out-of-state but traveling Maryland roads, a transported child must be secured in a child safety seat if the child is under the age of four years, regardless of the child's weight, or if the child weighs 40 pounds or less, regardless of the child's age.

A violation is punishable by a fine of $25. However, if the number of children in the vehicle exceeds the number of seatbelts suitable for securing a child either in a seat belt or in a child safety seat, there is no violation.

Race-based Traffic Stops

Chapters 342 and 343 of 2001 addressed concerns about law enforcement officers using race or ethnicity as the sole basis for conducting traffic stops to investigate criminal activity. The Acts required a law enforcement officer to report various factual information to the officer's law enforcement agency for each traffic stop made by the officer. That information includes the time, place, and reasons for the traffic stop, whether a search was conducted, the disposition of the stop, and factual information about the driver, such as gender, age, address, and race or ethnicity. For a more detailed discussion of racial profiling and race-based traffic stops, see the "Public Safety" subpart of Part E - Crimes, Corrections and Public Safety of this *Major Issues Review*.

Distracted Driving

In 2001, New York became the first state to enact a law prohibiting the use of hand-held telephones while driving. Throughout the 1999–2002 term, the General Assembly considered various restrictions on hand-held telephone use while operating a motor vehicle. Despite the widespread attention given to proposed legislation in this area, the General Assembly did not pass legislation restricting the use of hand-held telephones while driving.

Speed Monitoring Systems

In 1997, the General Assembly passed legislation authorizing law enforcement agencies to mail a citation to the owner of a motor vehicle recorded driving through a solid red light by a camera at an intersection. In subsequent sessions, legislation was introduced that would have allowed the use of similar technology to identify speeding

drivers. The proposed legislation would have authorized local governments and the State to issue citations or warnings to vehicle owners for speeding based on evidence collected by speed monitoring radar cameras. Although various proposals have been before the legislature, the General Assembly did not pass legislation establishing a citation system based on evidence collected by speed monitoring radar cameras during the 1999–2002 term.

Motor Vehicle Registration

Suspension Based on Outstanding Arrest Warrants

Chapter 683 of 2000 required the MVA to suspend the driver's license or privilege to drive of a person who is named in an outstanding arrest warrant upon notification by a law enforcement agency that has met the criteria established by the MVA and entered into an agreement with the MVA. The Act also required the MVA to refuse to register or transfer a vehicle if the applicant is named in an outstanding arrest warrant. These requirements only apply to an arrest warrant that is at least 31 days old, and which the law enforcement agency attempted but failed to serve on the person named in the warrant because of an inability to locate the person.

On receipt of notice of an outstanding warrant, the MVA must notify a person of any action that will be taken and give that person the opportunity to contest the action. However, the only issue in a hearing to contest an action is mistaken identity. Under the Act, once a person's license has been suspended, or a registration refused, the MVA may not reverse that action until it has been ordered to do so by a court or until a law enforcement agency informs the MVA that the person named in the warrant has been arrested or that the warrant has been otherwise satisfied.

As a part of the anti-terrorism measures adopted during the 2002 legislative session, ***Chapter 100 of 2002***, license suspension was extended to include outstanding arrest warrant notification by federal law enforcement agencies. For an additional discussion of the anti-terrorism provisions of ***Chapter 100***, see the "Criminal Law" subpart of Part E – Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Chesapeake Bay Commemorative Plates and Plates Honoring State Agriculture

In 1990, the General Assembly authorized the MVA to issue a special commemorative license plate for any geographical, historical, natural resource, or environmental commemoration of statewide significance. The MVA has since issued the popular Chesapeake Bay plate, benefitting the Chesapeake Bay Trust. The Chesapeake Bay plate appears on more than 600,000 vehicles. For each $20 purchase of a Chesapeake Bay plate, $12 goes to the trust while $8 is retained by the MVA to cover production and administration costs. Since its inception, the Chesapeake Bay plate has

raised over $8 million for the trust. The trust, in turn, awards grants to various civic and community groups, environmental organizations, schools, and public agencies. Because of the Chesapeake Bay plates' continuing popularity, ***Chapter 34 of 2002*** extended the termination date of the Chesapeake Bay commemorative license plate until July 1, 2007.

Based in part on the popularity of the Chesapeake Bay plate, the General Assembly chose also to offer special plates honoring Maryland's agricultural history. ***Chapter 251 of 2000*** established a special vehicle registration plate to honor Maryland Agriculture and to benefit the Maryland Agricultural Education Foundation. The Act authorized the MVA to set an additional registration fee to benefit the Maryland Agricultural Education Foundation. The provisions authorizing the special agricultural plate terminate June 30, 2006.

Surcharge on Vehicle Registration to Fund the Emergency Medical Systems Operations Fund

Chapter 33 of 2001 raised the annual motor vehicle registration surcharge from $8 to $11. The motor vehicle registration surcharge is dedicated to the Emergency Medical System Operations Fund, which among other uses, provides funding for agencies and programs such as the Med-Evac helicopter program, the Emergency Medical Services System, the Shock Trauma Center at the University of Maryland, the Maryland Fire and Rescue Institute, the State Fire, Rescue, and Ambulance Fund, and the Low Interest Revolving Loan Account under the Volunteer Company Assistance Fund.

The Act also established a 15-member panel to study the potential funding needs of the network of trauma centers that participate in the State's Emergency Medical Services System and do not receive funding from the Emergency Medical System Operations Fund. The study panel was required to submit a report and recommendation by December 1, 2002.

Access to Motor Vehicle Administration Records

In 1994, in response to a number of well-publicized cases in which personal information was obtained from motor vehicle records and then used to stalk and harm individuals, Congress adopted the Driver's Privacy Protection Act as part of the Violent Crime Control and Law Enforcement Act of 1994. The states were given a three-year period to bring their laws into compliance with the federal legislation under threat of civil penalties.

During the 1997 session, the General Assembly passed legislation that brought Maryland law into compliance with the federal statute. Rather than closing access to MVA records, the General Assembly granted individuals the right to protect their personal information from disclosure. Access to MVA records continued to be available

if individuals did not affirmatively opt to close access to their records. Between September 1, 1997, the date the law took effect, and March 7, 1999, 943,182 of Maryland's approximately 3.5 million drivers had requested that personal information held by the MVA be blocked from public access.

During the 1999–2002 term, the General Assembly reversed the policy on access to personal information held by the MVA from one allowing disclosure in the absence of an election to protect such information to one prohibiting disclosure unless the subject of the record consents to its release. Specifically, ***Chapters 349 and 350 of 1999*** amended the Public Information Act and the Maryland Vehicle Law to prohibit MVA from disclosing personal information without the written consent of the person in interest. This prohibition applies to requests for individual records and requests for lists of information for purposes of surveys, marketing, and solicitations. The Acts allowed individuals who are willing to make their personal information available for public disclosure to do so by notifying the MVA in writing.

Vehicle Emissions Inspection Program

In response to requirements of the federal Clean Air Act (CAA), Maryland has operated a vehicle emissions inspection and maintenance (I/M) program in various parts of the State since 1984. Maryland's Vehicle Emissions Inspection Program (VEIP) was reauthorized in 1991 through legislation requiring the MVA and the Maryland Department of the Environment to establish an expanded and enhanced I/M testing program in compliance with the 1990 Amendments to CAA. As amended in 1990, CAA requires all areas of the country to achieve specific air quality standards for ozone and 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.

Repeal of Termination and Repair Waiver

In addition to repealing the December 31, 2001, termination date for VEIP, ***Chapter 456 of 1999*** altered the monetary threshold for a VEIP repair waiver for vehicles that fail to meet emissions standards. Under the Act, an owner who makes at least $450 worth of repairs to a vehicle within 120 days of the initial emissions test and who fails a subsequent test may be granted a waiver from additional testing.

Age/Disability Waiver

Chapter 480 of 1999 established a VEIP waiver for motor vehicle owners with disabilities who drive less than 5,000 miles per year and owners who are over the age of

70 who drive less than 5,000 miles per year. Under the Act, those individuals' motor vehicles are eligible for a waiver from VEIP requirements if such a waiver is allowed by federal law.

Diesel Vehicle Emissions Control Program

Although diesel vehicles were exempt from original VEIP testing requirements because the emissions from diesel vehicles are generally not the type regulated under CAA, the General Assembly continued to have concerns regarding the particulate matter emitted by diesel powered vehicles. ***Chapter 41 of 1999*** required the Maryland Department of the Environment, the Department of State Police, and the Maryland Department of Transportation to create jointly a separate diesel vehicle emissions control program in an effort to reduce the particulate matter emitted by diesel powered vehicles. The program applies to diesel vehicles with a manufacturer's gross vehicle weight rating or gross combination weight rating over 10,000 pounds. Testing procedures include conducting an emissions test when a diesel vehicle is required to submit to weighing and measuring or to a motor carrier safety inspection under existing law and at any roadside location or time when a police officer has reasonable cause to believe that an individual diesel vehicle is violating emission standards.

If a Maryland-registered diesel vehicle fails an emissions test, the owner is issued a safety equipment repair order, directing the owner to repair the vehicle to comply with emissions standards. The owner is required to repair and retest the vehicle. If the owner fails to comply with the repair order within 30 days, the MVA may suspend the registration of the vehicle and the owner may be subject to a maximum $1,000 fine. ***Chapter 41*** provided that if a foreign-registered diesel vehicle fails a test, the driver is to be provided notice of noncompliance with Maryland emissions standards. The owner of the vehicle must repair the vehicle and provide evidence of compliance with emissions standards within 30 days of receipt of the notice. If the owner fails to comply, the Department of State Police notifies the Federal Highway Administration that the owner has violated State laws in violation of federal regulations and is subject to a maximum $1,000 fine.

Part H
Business and Economic Issues

Business Occupations

During the 1999–2002 term, the General Assembly reestablished and required future sunset evaluations of numerous licensing boards. Further, for many business occupations and professions regulated under State law, specific changes were made to licensure requirements.

Occupational and Professional Licensing Boards – In General

Program Evaluation – Sunset Review

The Maryland Program Evaluation Act, enacted over 20 years ago, provides for a system of periodic legislative review of the regulatory, licensing, and other governmental activities of various units of State government. The Act is informally referred to as the "sunset law" and the associated review process as "sunset review" or "sunset evaluation" because governmental units subject to the Act are scheduled to terminate unless affirmatively reestablished by the General Assembly. The goal of the sunset review process is to promote accountability in government operations.

1999 Legislation: The State Board of Barbers licenses individuals who practice barbering in Maryland and establishes health and safety standards for the operation of barber shops. Similarly, the State Board of Cosmetologists licenses individuals who practice cosmetology in Maryland and establishes health and safety standards for the operation of beauty salons. ***Chapter 328 of 1999*** and ***Chapter 405 of 1999*** extended the termination date for the State Board of Barbers and the State Board of Cosmetologists, respectively, from July 1, 2001, to July 1, 2011.

2001 Legislation: Prior to the 2001 legislative session, several occupational and professional licensing boards underwent sunset review. ***Chapter 73 of 2001***

reestablished six boards with the requirement that the boards undergo a sunset evaluation before July 1, 2012. The six boards affected are the State Board of Architects; State Board of Examiners of Landscape Architects; State Board of Plumbing; State Board for Professional Engineers; State Board for Professional Land Surveyors; and State Board of Heating, Ventilation, Air-Conditioning, and Refrigeration Contractors.

The State Real Estate Commission also underwent sunset evaluation. ***Chapter 143 of 2001*** reestablished the commission with the requirement that the commission undergo another sunset evaluation before July 1, 2011. The commission must also have in place, before January 1, 2003, regulations for accepting continuing education credit through alternative instructional media. The sunset review made several other nonstatutory recommendations related to the guaranty fund, the fee structure for the commission, and complaint resolution. The commission was required to submit a report on implementation of these recommendations to the Senate Education, Health, and Environmental Affairs Committee and the House Economic Matters Committee by December 1, 2001.

2002 Legislation: During the 2001 interim, several boards and commissions underwent evaluation as part of the third cycle of the sunset review process. Because of the large number of evaluations during the 2001 interim, an effort was made to smooth the workload for the next (fourth) cycle of evaluations by staggering the termination dates for some of the boards and commissions rather than using the typical ten-year extension.

Four preliminary evaluations resulted in legislation to extend termination dates and require evaluations in the future:

- The licensing and regulation of security systems technicians (under the Maryland Security Systems Technicians Act) by the Maryland State Police began in 1996. ***Chapter 134 of 2002*** extended the termination date for the program to July 1, 2016, and required an evaluation to be completed by July 1, 2015.

- The State Board of Law Examiners was established in 1898 to regulate admissions to the bar in Maryland. ***Chapter 211 of 2002*** extended the termination date for the board to July 1, 2010, and required an evaluation to be completed by July 1, 2009.

- Because of its unique responsibility in certifying certain financial records, public accountancy is licensed in all 50 states, the District of Columbia, and various U.S. territories. ***Chapter 133 of 2002*** extended the termination date for the State Board of Public Accountancy to July 1, 2015, and required an evaluation to be completed by July 1, 2014.

- With the State Board of Foresters, which was established in 1972, Maryland is one of 16 states that license the forestry profession. ***Chapter 212 of 2002*** extended the board's termination date to July 1, 2015, and required an evaluation to be completed by July 1, 2014.

Five boards or commissions that were subject to preliminary evaluations during the 2000 interim underwent further review during the 2001 interim.

Chapter 163 of 2002 extended the termination date for the State Board of Master Electricians to July 1, 2013, and required an evaluation to be completed by July 1, 2012. In addition, ***Chapter 163*** required each local jurisdiction that licenses master electricians to report disciplinary actions to the board for dissemination to every local jurisdiction and submit to the board an annual report by December 1 on complaints against master electricians licensed in the local jurisdiction.

Chapter 523 of 2002 extended the termination date for the State Board of Pilots to July 1, 2013, and required an evaluation to be completed by July 1, 2012. In addition, ***Chapter 523*** clarified that the board is supported by the general fund and codified certain fiscal practices of the board related to disability payments to pilots and the maintenance and repair of major equipment owned by the Association of Maryland Pilots.

Chapter 226 of 2002 extended the termination date for the State Commission of Real Estate Appraisers and Home Inspectors to July 1, 2013, and required an evaluation to be completed by July 1, 2012. In addition, ***Chapter 226*** altered the composition of the board between the different types of appraisers, eliminated specific geographic membership requirements, and established certain fees by statute. Because of budgetary concerns, the requirement for licensing home inspectors was delayed until July 1, 2003.

The Board of Boiler Rules and the Board of Examining Engineers were evaluated together because the boards impact the same industry. The recommendations and resulting legislation for the boards were combined, but distinctly different. ***Chapter 316 of 2002*** extended the termination date for the Board of Boiler Rules to July 1, 2014, required an evaluation to be completed by July 1, 2013, and expanded the membership of the board. ***Chapter 316*** extended the termination date of the Board of Examining Engineers to July 1, 2005. Because the Board of Examining Engineers licenses examining engineers (also known as stationary engineers) only in Baltimore City, the board and the Department of Labor, Licensing, and Regulation must report to the Senate Education, Health, and Environmental Affairs Committee and the House Economic Matters Committee by October 1, 2003, on a proposed structure and implementation of a statewide licensing program for stationary engineers.

Scope of Practice

There was a long-standing disagreement among the five design boards (State Board for Professional Engineers, State Board of Architects, State Board of Certified Interior Designers, State Board of Examiners of Landscape Architects, and State Board for Professional Land Surveyors) on the nature of their respective "scopes of practice," resulting in some incidental activities being unregulated or doubly regulated. The design boards cooperated in a two-year effort to carefully define the respective scopes of practice, including the use of commonly defined terms such as "public use" and "residential use." ***Chapter 193 of 2001*** incorporated the definitions and terms related to the scopes of practice for the five design boards, in particular "design coordination."

Penalties

A workgroup of the House Economic Matters Committee began meeting in November 1999 to study the feasibility of increasing the uniformity and consistency among the State's occupational and professional licensing boards with respect to penalties. At that time, 12 boards had the authority to impose civil penalties on licensees who violate any licensing provision. Six of these boards were also authorized to impose civil penalties on individuals practicing a regulated occupation or profession without a license. In addition, the maximum civil penalties varied among the boards with the authority to impose civil penalties. ***Chapter 187 of 2001*** increased the uniformity of penalty provisions among the boards by extending to five boards the authority to impose civil penalties for licensee violations and by extending to ten boards the authority to impose civil penalties on unlicensed practitioners.

Chapter 187 also increased the maximum civil penalty for seven boards and expanded the grounds for disciplinary action by the State Board of Plumbing and the State Board of Heating, Ventilation, Air-Conditioning, and Refrigeration Contractors to include activities performed beyond the scope of each licensee. ***Chapter 187*** did not change the penalty provisions for individuals regulated by the Maryland Home Improvement Commission, the State Board of Master Electricians, the State Board of Pilots, the State Board of Docking Masters, or the Office of Cemetery Oversight.

Occupational and Professional Licensing Boards – By Specific Occupation

Accountants

Chapter 525 of 1999 altered the degree requirements for licensure as certified public accountants. ***Chapter 525*** included members of the Association of Collegiate Business Schools and Programs among those institutions having degree programs in

accounting that meet the educational requirements of the Board of Public Accountancy for certified public accountancy licensure.

In an effort to make Maryland Certified Public Accountants (CPAs) "substantially equivalent" to CPAs in 49 states and jurisdictions that required work experience for licensure, ***Chapter 438 of 1999*** was enacted to require an applicant for a CPA license in Maryland to satisfy a practical work experience requirement. As a result, Maryland CPAs have the opportunity to be licensed by reciprocity in other jurisdictions.

To make Maryland law consistent with the recognized national accounting professional standards, ***Chapter 44 of 2001*** authorized an individual who is not a certified public accountant to have an ownership interest in an accountancy firm if: (1) a simple majority of the ownership, in terms of financial interests and voting rights, is held by individuals licensed to practice certified public accountancy in Maryland or another state; and (2) the individual is an active participant in the partnership, limited liability company, or corporation.

Also consistent with a growing national consensus, ***Chapter 196 of 2002*** required the State Board of Public Accountancy to offer licensing examinations at least twice a year and authorized the board to select an examination that is equivalent to the examination prepared by the American Institute of Certified Public Accountants.

Architects

Chapter 25 of 1999 was intended to clear up some confusion in the law by requiring out-of-state applicants for a license to practice architecture to meet the same licensure requirements as in-state applicants. Additionally, ***Chapter 25*** clarified that applicants who are certified by the National Council of Architectural Registration Boards must also have a current license from another state or country to qualify for a license by reciprocity. The board's disciplinary authority was also extended to applicants or licensees who have had their license in another state revoked or suspended, if the grounds for disciplinary action would justify suspension or revocation in Maryland.

Cosmetologists

Practice Settings: Prior to the enactment of ***Chapter 441 of 1999,*** a licensed cosmetologist was authorized to practice cosmetology in the residence of a patron in a nursing home, hospital, or similar institution by appointment if the cosmetologist was sponsored by a beauty salon that held a beauty salon permit and the patron was a customer of the beauty salon. ***Chapter 441*** expanded the ability of a licensed cosmetologist to practice cosmetology outside a salon on individuals confined to specified locations (i.e., nursing facility, hospice facility, assisted living facility) for health reasons. The Act also set up a two-year pilot program in Cecil County in which cosmetologists could provide services to confined individuals without restrictions of

salon sponsorship or previous customer relationship if the cosmetologist maintained a $50,000 liability insurance policy and records of patrons, subject to review by the State Board of Cosmetology.

Educational Requirements: ***Chapter 455 of 1999*** increased from 100 hours to 250 hours the number of hours of instruction required to become a licensed nail technician and increased from 300 hours to 600 hours the number of hours of instruction required to become a licensed esthetician.

Prohibition of Equipment and Substances in Beauty Salons: In an effort to protect the health and safety of Maryland residents, the General Assembly considered several bills in 1999 to prohibit certain equipment and substances in beauty salons. Methyl methacrylate liquid monomer (MMA), a toxic chemical, is used by some nail technicians to apply artificial nails. ***Chapter 388 of 1999*** prohibited the use or possession of MMA in beauty salons and authorized inspectors to test products or take random samples. Violators are guilty of a misdemeanor and subject to a maximum $1,000 fine per day. In addition, ***Chapter 487 of 1999*** authorized the State Board of Cosmetologists to prohibit or restrict the use or possession of lasers, which are used to remove tattoos and blemishes, in beauty salons.

Foresters

In an effort to address consumer uncertainty as to exactly what services constitute forestry or the practice of forestry, ***Chapter 314 of 1999*** altered the definition of "forestry" to clarify that the science of forestry differs from the services of a tree expert, landscape contractor, or gardener and from other cutting or harvesting services. In addition, ***Chapter 314*** created an inactive license category for foresters and established a $25 fee for that category.

Pilots – Bay Pilots and Docking Masters

Two types of ship pilots service the Port of Baltimore. Bay pilots (sometimes called Maryland pilots or State pilots) are licensed by the Maryland State Board of Pilots and pilot ships from the time they enter State waters until they require tug boat assistance. At that time, a docking master (sometimes called a harbor pilot) assumes command. ***Chapter 509 of 2000*** established the State Board of Docking Masters within the Department of Labor, Licensing, and Regulation and required that docking masters be licensed by the State. ***Chapter 509*** also required the State Board of Docking Masters to be subject to the Maryland Program Evaluation Act. In addition, ***Chapter 509*** made the Board of Pilots responsible for adopting regulations and passing orders to govern and regulate licensed docking masters and for safety in providing docking services.

Chapter 580 of 2002 made various changes to the laws regulating docking masters. The Act authorized the State Board of Docking Masters to issue three types of

docking master licenses based on the size of vessels: (1) a 37-foot draft license; (2) a 43-foot draft license; and (3) an unlimited license. The Act also specified the qualifications and fees for each type of license. In addition, ***Chapter 580*** established a trainee docking master program and the qualifications for applicants to the trainee program. The Act authorized the board to choose and appoint the necessary number of trainee docking masters to the program from a list of qualified applicants. Further, the Act authorized the board to determine whether evidence used in an investigation by the U.S. Coast Guard against a licensed docking master is sufficient to warrant the suspension or revocation of the license by the board. Alternatively, the Act authorized the board to impose civil penalties on a licensee in lieu of the suspension or revocation of the license.

Plumbers and Natural Gas Fitters

Plumbers: ***Chapter 23 of 1999*** allowed plumbers in other states to obtain a license in Maryland by reciprocity. Specifically, the State Board of Plumbing is authorized to waive the examination requirements for a master plumber license or a journey plumber license provided that the applicant: (1) holds an active license in good standing in another state in which the licensing requirements are at least equivalent to the Maryland licensing requirements; (2) otherwise meets the Maryland licensing requirements; and (3) pays the requisite fee. The board is only authorized to waive the examination requirements for applicants licensed in states with similar reciprocity legislation.

Natural Gas Fitters: ***Chapter 555 of 2000*** established three new professional designations under the State Board of Plumbing: master natural gas fitter, journeyman natural gas fitter, and apprentice natural gas fitter. ***Chapter 555*** required an individual who provides natural gas services in the State, except in Baltimore County and in areas of Prince George's County and Montgomery County under the jurisdiction of the Washington Suburban Sanitary Commission, to be licensed by the board as a plumber or a natural gas fitter.

Chapter 325 of 2001 established a training course and an examination requirement for an applicant for a journeyman natural gas fitter license to complete before being licensed.

Private Detectives, Security Guards, Security Systems Technicians

Application for Security System Technician Registration: ***Chapter 387 of 1999*** repealed the requirement that an applicant for registration as a security system technician submit two written recommendations. The Act also required the Secretary of State Police to issue all registrants, except temporary registrants, a photo pocket identification card. ***Chapter 387*** also established a national criminal records check as a basic registration requirement, thereby eliminating the need for a State background check. The

Act authorized the Secretary to waive the background check if one had already been conducted in another jurisdiction and the applicant was recently licensed in another state. In addition, the Act authorized an applicant who had not met the training requirements for registration to obtain a temporary registration if the Secretary determined that the applicant was not a threat to public safety. Finally, the Act gave a registrant, before final disciplinary sanction was imposed, the choice between a hearing before the Secretary or an advisory panel comprised of a member of the State Police, a representative of the industry, and three consumers.

Denial of Security System Technician Registration: The Secretary of State may deny an application, or suspend or revoke the registration of a security system technician, if the applicant or registrant pleads guilty or nolo contendere to, or is convicted of, a felony, theft offense, or crime of moral turpitude. ***Chapter 471 of 2000*** required that before denial of a security system technician's application for registration, the Secretary of State Police must consider: (1) the length of time since the applicant pleaded guilty or nolo contendere to, or was convicted of, the crime; (2) whether the applicant was a security system technician prior to the registration requirements; and (3) any evidence that the applicant has been a good citizen since the applicant pleaded guilty or nolo contendere to, or was convicted of, the crime.

Licensing: ***Chapter 649 of 2001*** made changes to the Maryland Private Detectives Act, the Maryland Security Systems Technicians Act, and the Maryland Security Guards Act for fines related to licensure. Specifically, the Act authorized the Secretary of State Police to: (1) fine a private detective licensee or certified private detective and adopt a schedule of fines for violations of the Maryland Private Detectives Act; (2) charge late fees for nonrenewal of licenses and fine a security system technician or registrant for violations of the Maryland Security Systems Technicians Act; and (3) fine a security guard licensee or holder of a security guard certification and adopt a schedule of fines for violations of the Maryland Security Guards Act.

Chapter 517 of 2002 also made changes to the Maryland Private Detectives Act, the Maryland Security Systems Technicians Act, and the Maryland Security Guards Act as regulated by the Department of State Police. In addition to establishing staggered license terms for these occupations, ***Chapter 517***: (1) for private detectives, protected confidential information obtained from applicants, reduced the application fee, and established license renewals; (2) for security system technicians, altered the license and registration renewal processes; and (3) for security guards, required uniformed guards to display their identification cards.

Chapter 262 of 2002 altered the format of a license certificate for an individual first licensed in another state under the Security Systems Technicians Act. ***Chapter 262*** authorized the Department of Education, in conjunction with the Secretary of Labor, Licensing, and Regulation, to establish by regulation a cooperative education program under which a minor may learn the security systems trade. ***Chapter 262*** also altered the

composition of the advisory panel that the Secretary of State Police may appoint for a hearing before taking final action against an applicant or registrant. Further, ***Chapter 262*** provided that a hearing before an advisory panel does not preclude a hearing before the Secretary of State Police.

Providing Private Detective Services: ***Chapter 196 of 2000*** authorized an individual not certified as a private detective to provide private detective services if: (1) the individual is employed or has applied for employment with a licensed private detective agency; (2) the detective agency has submitted the individual's application, fingerprint cards, and applicable fees to the State Police; (3) the individual passes a preliminary background check; and (4) the application has not been denied. The Act did not alter the requirements to be certified as a private detective.

Qualifications for Security Guard Certification: ***Chapter 415 of 1999*** added to the qualifications for certification as a security guard a requirement that an individual be of good moral character and reputation. The Act also established three-year staggered terms for security guard certification and set forth procedures for the renewal of certificates. Finally, the Act clarified that in addition to any other grounds, the Secretary of State Police may deny, suspend, or revoke a certificate if the holder pleads guilty or nolo contendere to any felony, or a misdemeanor directly related to the fitness and qualification of the holder to be certified as a security guard.

Chapter 27 of 2001 expanded the training and experience requirements an individual needs to become a licensed security guard by allowing five years of experience as a full-time correctional supervisor in a correctional facility to satisfy the requirements. The Act required the individual to have successfully completed the training required by the Correctional Training Commission in order to fulfill the training and experience requirements.

Professional Land Surveyors

Chapter 22 of 1999 altered the requirements for licensure as a professional land surveyor by providing four licensing tracks, reducing the requisite years of work experience, and narrowing the educational requirements to include land surveying and not civil engineering. In addition, ***Chapter 22*** authorized the State Board for Professional Land Surveyors to deny, reprimand, suspend, or revoke a license if that license has been suspended or revoked in another state for a cause that would justify suspension or revocation in Maryland.

Chapter 567 of 1999 required the State Board for Professional Land Surveyors to adopt regulations to require a demonstration of continuing professional competency as a condition of license renewal. ***Chapter 601 of 2001*** established that a land surveyor or property line surveyor whose license expires on or after October 1, 2003, must meet the continuing professional competency requirements that will be detailed through

regulation. If a land surveyor's or property line surveyor's license expires on or before September 30, 2002, the licensee is not required to fulfill the continuing professional competency requirement. Any licensee whose license expires during the 12 months between these two dates must meet 50 percent of the continuing professional competency requirements.

Real Estate Professionals

Advertising and Use of Trade Name: ***Chapter 583 of 2002*** authorized a licensed associate real estate broker or salesperson to provide brokerage services under a trade name that has been approved by the Maryland Real Estate Commission. The Act prohibited a licensed associate broker or salesperson from advertising unless the advertisement includes, in a meaningful and conspicuous manner, either the licensee's name or trade name, as well as the name of the business with which the licensee is affiliated. The commission may deny a license, reprimand a licensee, or suspend or revoke a license if an individual violates provisions relating to the advertising or use of trade name.

Appraisers and Home Inspectors: ***Chapter 571 of 2000*** established a real estate appraiser trainee license to be issued by the State Commission of Real Estate Appraisers. The Act formalized current practices and provided a framework for regulating and monitoring real estate appraisers as they progress from trainee to full certification. The license is valid for three years and may be renewed for one additional three-year period.

Chapter 282 of 2001 required an individual to have at least 2,000 hours of work as an appraiser trainee before being allowed to apply for a real estate appraiser license.

Chapter 470 of 2001 altered the name of the State Commission of Real Estate Appraisers to be the State Commission of Real Estate Appraisers and Home Inspectors. The Act also expanded the membership and regulatory authority of the commission. In addition, the Department of Labor, Licensing, and Regulation was required to: (1) report to the Senate Finance Committee and the House Economic Matters Committee on the appropriateness of the licensing qualifications for home inspectors; and (2) study the impact of the expansion of the commission's authority and report its findings to the committees.

Continuing Education: In order to streamline the continuing education process for real estate brokers, ***Chapter 367 of 1999*** clarified that a real estate licensee in practice for ten or more years may renew their license upon completion of six clock hours of continuing education instruction on relevant changes in federal, State, and local real estate law. Every two years the continuing education instruction must include at least one 1.5 clock hour course on federal, State, and local fair housing and fair housing advertising laws. Real estate brokers whose business involves only commercial real estate transactions are exempt from the fair housing continuing education requirement.

Trust Accounts: In real estate transactions, a prospective real estate buyer will put a certain amount of money, usually a small percentage of the total transaction price, into a trust account, held by a broker, that includes the buyer as a co-owner. The money is to be applied to the sales price when the transaction is completed. ***Chapter 228 of 2001*** required a real estate broker to deposit the trust money into an account within seven business days after the acceptance of a contract of sale by both parties.

A real estate broker may distribute trust money upon satisfaction of one of three conditions: (1) the real estate transaction is consummated or terminated; (2) the broker receives written instructions from the owner or beneficial owner; or (3) a court order directing the distribution is issued. ***Chapter 42 of 2001*** added a condition for distribution of trust money to include those cases where the owner or beneficial owner failed to complete the real estate transaction.

Business Regulation

During the 1999–2002 term, the General Assembly provided additional consumer protections to the laws dealing with boiler and pressure vessel safety; charitable solicitations; cigarette sales dealers; the death care industry; elevator safety; heating, ventilation, air-conditioning, and refrigeration; household goods movers; innkeepers; and homebuilders.

Boiler and Pressure Vessel Safety

Boilers and pressure vessels located in commercial establishments, office buildings, and apartments with more than six units are subject to regular inspections either by State inspectors or by special inspectors employed by insurers. ***Chapter 443 of 2001*** altered the responsibilities of the insurers, owners, and inspectors related to boilers and pressure vessels. Insurers must inspect each boiler they insure and maintain a database of specified information of their insured portfolio. The Commissioner of Labor and Industry must be notified of the installation of a boiler or pressure vessel at least 30 days before installation. The owner or user of a boiler or pressure vessel must maintain certain records related to inspections, maintenance, and repairs and make them available to the inspector performing the inspection.

A State inspector may prohibit the use of a boiler or pressure vessel if the inspector determines that: (1) the unit violates any standards, safety codes, or regulations; and (2) continued operation of the unit poses a substantial probability of death, serious physical injury, or serious property damage. ***Chapter 443*** also increased the fees charged for inspections.

Charitable Solicitations

Public Safety Solicitors

Because solicitors for law enforcement or badge-related organizations were not required to register with the Charitable Organizations Division within the Office of the Secretary of State prior to 2000, the division was unable to provide information to citizens on the fund-raising practices of these organizations or investigate complaints of overly aggressive or deceitful solicitors. There was growing concern among citizens, consumer groups, state charity regulators, and other national organizations that some solicitors raising funds on behalf of public safety organizations were not providing efficient and effective fund-raising services and were misleading the public about the uses of the funds raised.

Chapter 500 of 2000 placed Maryland with 31 other states, including the adjoining states of Pennsylvania, Virginia, and West Virginia, that require public safety solicitors to register. ***Chapter 500*** required individuals or business or other entities that solicit contributions on behalf of public safety organizations to register with the Secretary of State and submit a $25,000 surety bond or letter of credit. ***Chapter 500*** also changed the name of the Maryland Charitable Solicitations Act to the Maryland Solicitations Act, expressly applied the Act to a "public safety solicitor" employed by a volunteer organization of fire fighters or rescue or ambulance personnel, and provided the Secretary of State with the same investigative and enforcement authority over public safety solicitors as the Secretary of State had over charitable organizations and charitable representatives. Finally, ***Chapter 500*** prohibited a public safety solicitor from making deceptive or misleading statements and using high-pressure tactics in soliciting the public.

Other Changes to Charitable Solicitations

Chapter 43 of 2000 made several other changes to the Maryland Charitable Solicitations Act. First, a charitable organization that qualifies for an exemption is only exempt from the registration and disclosure requirements of the Act, which means that the organization would still be subject to the remaining provisions of the Act, including the prohibited acts and penalty provisions. According to the Office of the Secretary of State, failure to subject all organizations soliciting charitable contributions in Maryland to the provisions of the Maryland Charitable Solicitations Act concerning fraudulent solicitation, misrepresentation, and other prohibited activities would violate the intent of the Act.

Second, ***Chapter 43*** clarified the categories of exempt organizations that are required to submit a fund-raising notice to the Secretary of State. Organizations that either raise funds for a named individual or receive less than $25,000 in charitable

contributions are required to submit the fund-raising notice and the notice must be submitted annually, rather than only before the start of a public solicitation. ***Chapter 43*** authorized a late fee of $25 a month to be assessed (after a 60-day grace period) against a charitable organization that fails to file its annual report when due. Beginning with the fiscal 2002 budget, at least one-half of the amount of the late fees collected in the preceding fiscal year must be included in the budget for the Charitable Giving Information Program. The Office of the Secretary of State indicated that enabling it to assess late fees will provide greater incentive for charitable organizations to report renewal information on a timely basis.

Finally, ***Chapter 43*** prohibited fund-raising counsel from making an agreement with a charitable organization unless the charitable organization had applied to register with the Secretary of State or was otherwise exempt. Additionally, a charitable organization was prohibited from making an agreement with a professional solicitor or fund-raising counsel unless they had applied to register with the Secretary of State or were otherwise exempt. Prior to 2000, only professional solicitors were prohibited from entering into an agreement with a charitable organization unless the charity had applied to register. ***Chapter 43*** extended this provision to apply to fund-raising counsel, as well as the organization itself.

Chapter 130 of 2002 authorized the Secretary of State to serve written interrogatories when investigating an alleged violation of the Maryland Solicitations Act. The Secretary of State was also authorized to assess a late fee of $25 per month against an applicant for registration as a charitable organization that fails to supply information required by the Maryland Solicitations Act in a timely fashion.

Cigarette Dealers

In what is known as the "gray market," dealers buy cigarettes from foreign dealers at lower prices than the dealers would pay domestically. American consumers can buy the imported cigarettes at a lower price than domestic cigarettes if wholesalers and retailers pass along the savings. The gray market injures states involved in the national tobacco settlement because the settlement payments are tied to domestic cigarette sales which do not include the imported cigarettes. Wholesalers and retailers dealing exclusively in U.S. cigarettes are impacted because some of their customers will purchase this cheaper alternative. According to some tobacco distributors, their sales have dropped 20 percent due to gray market sales.

To more closely regulate gray market cigarette sales, ***Chapter 262 of 1999*** prohibited an individual or business or other entity from shipping, importing, or selling into, or within this State, any brand of cigarette unless that person: (1) is the owner of the brand; (2) is the U.S. importer for the brand; or (3) is a designated agent in Maryland

of the owner or U.S. importer of the brand. Furthermore, the person must hold any cigarette license required by law.

Chapter 262 also required an individual or business or other entity that ships, imports, or sells cigarettes into or within this State to comply with federal and State requirements concerning the placement of warning labels or other required information on the containers or individual packages of cigarettes, and to ensure that the containers or individual packages do not contain any information or markings that are false, misleading, or contrary to federal and state trademark and tax laws. An individual or entity that ships, imports, or sells cigarettes into or within this State in violation of ***Chapter 262*** is subject to disciplinary action by the Comptroller. In addition, an individual or entity that willfully ships, imports, sells into or within, or transports cigarettes within this State in violation of ***Chapter 262*** or Title 12 of the Tax - General Article of the Annotated Code is guilty of a felony and on conviction is subject to a fine not exceeding $50 for each carton of cigarettes transported or imprisonment not exceeding two years or both.

Death Care Industry

The death care industry underwent a consolidation in the 1990s, and as a result it became a front tier issue. The Maryland Cemetery Act of 1997 was amended and updated several times between 1999 and 2002. The purpose of these changes was primarily to provide increased customer protection. ***Chapter 186 of 2001*** required cemeteries to comply with the appropriate provisions of the Commercial Law Article of the Annotated Code in charging interest and finance charges, required each entity applying to operate a cemetery to demonstrate financial stability, and added to the number of disclosures a cemetery must provide a customer.

Chapter 195 of 2002 altered several provisions of law relating to perpetual care trust fund requirements for cemeteries. ***Chapter 195*** required disclosure on sales materials and modified the initial amounts and additional deposits required to establish and maintain adequate funding for cemeteries, and also extended certain legal protections to perpetual care trust funds.

Elevator Safety

Registration and Inspection of Elevators

Chapter 365 of 2001 required the owner or lessee of a new elevator, dumbwaiter, escalator, or moving walk to register with the Commissioner of Labor and Industry in the Department of Labor, Licensing, and Regulation at least 60 days before its planned completion and before it is placed in service, except under emergency circumstances. ***Chapter 365*** also detailed the process for conducting a final acceptance inspection, which

is the inspection of a new unit before it is placed in service, as well as the process for an annual inspection of a unit already in service. Under ***Chapter 365*** an owner, lessee, or contractor may be charged a fee if the unit is not ready for a final acceptance inspection because it does not meet specified criteria, or if a follow-up inspection is required after an annual inspection. The maximum fee for a follow-up inspection was set at $250 for a half day and $500 for a full day. If an owner, lessee, or contractor notifies the commissioner at least 24 hours in advance of a scheduled inspection that the unit will not be ready for inspection, a fee may not be assessed.

There are approximately 16,000 elevators, dumbwaiters, escalators, and moving walks operating in the State that must be inspected annually by 28 State inspectors. Each year approximately 80 percent, or 12,800 devices, require at least one subsequent inspection following safety violation citations issued by an inspector. In 2001 the frequency of subsequent inspections had led to a backlog of approximately 5,000 inspections. ***Chapter 365*** was intended to encourage owners, lessees, and contractors to be prepared for inspections, in turn decreasing the number of follow-up inspections.

Licensing of Elevator Contractors and Mechanics

Chapter 703 of 2001 established a nine-member Elevator Safety Review Board within the Department of Labor, Licensing, and Regulation to license and regulate elevator contractors and mechanics. ***Chapter 703*** also established new requirements for general elevator maintenance. In 2001 there were approximately 1,250 elevator mechanics and 150 elevator contractors in the State. Under ***Chapter 703*** an elevator contractor or an elevator mechanic must be licensed by the board before conducting business in Maryland, and procedures were established for the application and renewal of licenses. Examination requirements, insurance requirements, and grounds for disciplinary actions against licensees were also codified. Finally, ***Chapter 703*** repealed the authority of the Commissioner of Labor and Industry to designate special elevator inspectors within the insurance industry and required all elevator inspections in the State to be performed by State inspectors.

Heating, Ventilation, Air-conditioning, and Refrigeration

Licensing

Chapter 475 of 1999 created a journeyman restricted license issued by the State Board of Heating, Ventilation, Air-Conditioning, and Refrigeration Contractors (HVACR) to provide HVACR services while under the direction and control of a licensed contractor in one of the following areas: (1) heating-forced air systems; (2) heating-hydronic systems; (3) ventilation; (4) air-conditioning; or (5) refrigeration. ***Chapter 475*** required an applicant for a journeyman restricted license to pass an examination administered by the board, to have held an apprentice license for at least

three years, and to have completed at least 1,875 hours of training. The board was authorized to waive the examination requirement for an individual who was licensed in another state to provide services as a journeyman restricted contractor, and for an individual who had successfully completed an apprentice program approved by the Apprenticeship and Training Council. The board may also award credit for specified work experience if the applicant fails to meet the training and apprenticeship requirements. Under ***Chapter 475***, a restricted journeyman licensee employed by a master, master restricted, or limited licensee does not need to obtain separate insurance while providing services under the control and supervision of the licensee.

Contractors

Chapter 43 of 2001 defined the term "self-contained appliance" and clarified that individuals who install, maintain, alter, repair, or replace self-contained appliances that require not more than 225 volts or 25 amperes of electrical current are not subject to the licensing requirements for HVACR contractors. ***Chapter 43*** ensured that individuals who install and service furnaces fall under the requirements of the law regulating heating, ventilation, air-conditioning, and refrigeration contractors, and that individuals who install and service devices such as window air-conditioning units would continue to be exempt from the licensing provisions. ***Chapter 43*** also increased the criminal penalty for those convicted of providing heating, ventilation, air-conditioning, or refrigeration services without a license to a maximum fine of $1,000 or six months imprisonment or both for a first offense and to a maximum fine of $5,000 or two years imprisonment or both for second or subsequent offenses. The increased penalties matched those imposed on home improvement contractors regulated by the Home Improvement Commission.

Household Goods Movers

Chapter 543 of 2002 prohibited a household goods mover from enforcing a carrier's lien or otherwise refusing to deliver a consumer's household goods when providing moving services within the State for a consumer who has requested the goods be moved for a fee. Household goods are goods used primarily for personal, family, or household purposes. A violation of the Maryland Household Goods Movers Act is an unfair and deceptive trade practice under the Maryland Consumer Protection Act, and violators may also be subject to any other civil or criminal action provided by law. ***Chapter 543*** required the Consumer Protection Division of the Office of the Attorney General to report by December 1, 2003, to the Senate Finance Committee and the House Economic Matters Committee on: (1) the need for a registration process for household goods movers; (2) the number of complaints received; and (3) any enforcement action taken.

Innkeepers

Chapter 307 of 2002 authorized an innkeeper to refuse to provide lodging or services to, or to remove from a lodging establishment, an individual for a number of reasons, including nonpayment for services, intoxication, creating a public nuisance, possession of controlled substances or firearms, or refusal to abide by posted rules or policies. For individuals who are under age 18, ***Chapter 307*** authorized an innkeeper to require a parent or guardian to: (1) accept liability for lodging and any damages; and (2) provide a valid credit card or make an advance cash deposit of up to $500 to cover any charges incurred or damages caused by the individual. An innkeeper must refund any portion of the advance deposit not needed to cover reasonable charges for damages.

Chapter 307 also required innkeepers to post a copy of the law's provisions, together with all rules of the establishment, in a place at or near the guest registration desk and in each guest room, and prohibited the terms of the law from being construed to alter the prohibition against discrimination applicable to innkeepers and lodging establishments.

Home Builders

There was significant legislation affecting the home builder industry between 1999 and 2002. ***Chapter 522 of 2000*** created a home builders registration unit in the Consumer Protection Division of the Office of the Attorney General. The unit is required to develop a consumer pamphlet, in consultation with the home building industry, that describes the rights and remedies of consumers in the purchase of a new home. Each home builder must provide a consumer with an information pamphlet before entering into a contract.

Chapter 522 established a Home Builder Registration Fund, into which all fees collected under the Maryland Home Builders Registration Act (MHBRA) are to be deposited. The money in this fund may be used for administration and enforcement of the MHBRA. The legislation also required each home builder in the State to be registered as a home builder with the unit. Each home builder is required to maintain general liability insurance in the amount of at least $100,000.

Home builders are required to post prominently the home builder registration number at each property where the home builder is doing any work covered by the MHBRA, and in the case of a home builder doing work on multiple new homes, to post the registration number at one central location in the project. ***Chapter 522*** prohibited counties and municipal corporations from issuing a home building permit without a home builder registration number of the builder, except when issued for a property owner's own use.

Finally, ***Chapter 522*** required the contract for the initial sale of a new home to contain the following information printed in conspicuous type: (1) the home builder's registration number; (2) a provision stating that the new home must be constructed in accordance with all applicable building codes; (3) a provision referencing all performance standards or guidelines; and (4) the purchaser's right to receive a consumer pamphlet.

Chapter 492 of 2002 transferred the responsibility of holding home builders' surety bonds and letters of credit as well as the approval and monitoring process of third party warranty plans from the Department of Labor, Licensing, and Regulation to the Consumer Protection Division of the Office of Attorney General.

Public Service Companies

During the 1999–2002 term, the General Assembly passed legislation dealing with powers of the Public Service Commission, the restructuring of the electric utility industry, the regulation of gas utilities, and the formation of holding companies by public service utilities. Further, legislation was passed to clarify the commission's authority to adopt policies and regulations encouraging competition in local telephone exchange service and to provide enforcement funding for taxi and for-hire driving services.

Public Service Commission and Office of the People's Counsel

Public Utility Regulation Fund

Chapter 494 of 2002 established the Public Utility Regulation Fund to provide funding for the Public Service Commission and the Office of the People's Counsel. The fund serves as the holding account for funds collected to pay for all operational expenses of the commission and the office. Previously, an appropriation for the costs and expenses for the commission and the office was included in the State budget and paid out of the general fund, based on estimates and assessments made by the commission. ***Chapter 494*** authorized the commission to charge reasonable and nondiscriminatory fees established by regulation for specified filings and services. The Act also provided that, unless a provision of the Public Utility Companies Article specifically requires the commission to act through regulation, the commission may implement any provision of the article by either order or regulation as the commission deems necessary and proper.

Commission Proceedings

Chapter 560 of 2002 provided the commission with several tools for increasing the timeliness with which it can expedite a complaint proceeding between two public service companies. The Act required the commission to issue a decision and order within 180 days after the close of the record in a complaint proceeding between two

public service companies. The time frame within which a proposed order of a commissioner or hearing examiner must be appealed before becoming final is 30 days, unless the order specifies a shorter period of at least seven days.

Cease and Desist Orders

The commission has broad authority to supervise and regulate public service companies to protect the public interest; promote adequate, economical, and efficient delivery of utility services in the State; and enforce compliance with the law by public service companies. ***Chapter 267 of 2002*** authorized the commission to issue a summary cease and desist order to a public service company that is subject to its jurisdiction if the commission determines that the entity has violated a statute, regulation, or order that directly concerns public safety or consumer protection and determines that immediate, substantial, and irreparable harm will result if the order is not issued.

Civil Penalties

Chapter 205 of 2001 authorized the Public Service Commission to impose civil penalties, not to exceed $10,000, against any person violating a provision of the Public Utility Companies Article or a commission rule, order, or regulation. Each violation and each day a violation occurs is considered a separate offense. When deciding the amount of the penalty, the commission must consider the number of previous violations, the gravity of the current violation, and good faith efforts of the violator to attempt to comply after notice of the violation. Previously, other than for certain safety violations, the commission had no authority to assess civil penalties and was limited to bringing civil and criminal actions in court against persons who violated the commission's statutes, regulations, and orders.

Electric Utilities

Restructuring of the Electric Utility Industry

After several years of debate in the legislature and in regulatory circles, in 1999 the General Assembly passed legislation to restructure the electric utility industry in Maryland. ***Chapters 3 and 4 of 1999*** phased in customer choice for all investor-owned utility customers between 2000 and 2002, together with customer protections, a new universal service program for low-income customers, and environmental protections that address a restructured electric framework.

Customer Choice: The primary feature of the electric utility industry restructuring is the introduction of "customer choice." Unlike the prior regulated monopoly system in which a customer could only purchase electricity generated or otherwise supplied by the electric company with a franchise to operate in the customer's

service territory, the Acts instituted customer choice, which allowed the customer to purchase electricity generated by another source (the "electric supplier") and to have the electricity delivered over distribution lines of the local electric utility (the "electric company"). However, the Acts did not require a customer to choose another electric supplier. The customer had the option to remain with the electric company, its traditional electric supplier, under the "standard offer service," as described below.

Under the Acts, residential electric customers of investor-owned utilities were to gain access to customer choice as follows:

- one-third had access to customer choice beginning July 1, 2000;
- two-thirds had access to customer choice beginning July 1, 2001; and
- all customers had access to customer choice by July 1, 2002.

The Acts required all industrial customers and commercial customers of these utilities to have customer choice beginning January 1, 2001.

For electric cooperatives, all customers must have access to customer choice by July 1, 2003. Municipal utilities may choose to allow customer choice for their customers, on a separate schedule to be adopted by the commission.

The Acts authorized the Public Service Commission to alter the implementation schedule within specified guidelines that were equally protective of customers. In fact, settlement agreements filed in accordance with the Acts by the investor-owned utilities generally accelerated the availability of customer choice for residential customers. That is, all customers were given access to customer choice on July 1, 2000.

Rate Cap and Rate Reduction: The Acts provided two comprehensive mechanisms to protect regulated rates for electric customers during the transition to electric restructuring: a rate cap and a mandated rate reduction. First, the Acts required a four-year rate cap for all customer classes of each electric company, starting on the first day that customer choice became available in the electric company's service territory. The cap included any allowed transition costs that utilities might be allowed to collect and any fees for universal service.

For residential customers of investor-owned utilities, there was also a mandated four-year rate reduction that began July 1, 2000. This rate reduction was between 3 percent and 7.5 percent of base rates as measured on June 30, 1999. The Public Service Commission allocated the rate reduction among generation, transmission, and distribution components of residential electric rates, thereby allowing some of the reduction to benefit customers who chose a different electric supplier as well as those who remained with standard offer service, described below.

Standard Offer Service: Under the Acts, "standard offer service" is electricity supply purchased from the electric company that distributes electricity to the customer. Until July 1, 2003, each electric company must offer standard offer service to a customer who: (1) does not choose a new electricity supplier; (2) has not been offered customer choice; (3) contracts for outside electricity supply that is not delivered; or (4) has been denied service by an electricity supplier. The price charged by electric companies is subject to the rate cap and rate reduction requirements.

After July 1, 2003, if the electricity supply market is not competitive or the commission has received no acceptable competitive proposal for supplying standard offer service, the commission must extend the obligation for each electric company to continue to provide standard offer service to its customers. However, if this occurs, the price charged by each electric company for standard offer service may be set at a market price that allows the electric company to recover verifiable, prudently incurred costs to procure or produce the electricity plus a reasonable return.

Transition Cost Recovery: One of the most complex issues in enacting electric utility industry restructuring was how to treat transition costs or benefits, the difference between the book value and market value of an electric company's generation assets. Although the Acts allowed an electric company an opportunity to recover certain prudently incurred transition costs, it could only do so under a commission-approved transition plan, developed in accordance with fact-finding and evidentiary proceedings, and subject to full mitigation.

If approved by the commission, an electric company with verified recoverable transition costs could institute a competitive transition charge that applied generally to customers located in the electric company's service territory, except for certain customers with on-site electric generation.

Under the Acts, an electric company could transfer any of its generation facilities or generation assets to an affiliate, but the transfer could not affect or restrict the commission's determination of the value of a generation asset for purposes of transition costs or benefits.

The Acts required the commission to consider, in determining transition cost relating to investment in a generation asset, the following factors:

- the prudence and verifiability of the investment;
- whether the investment is used and useful;
- whether the loss is one of which investors can be said to have reasonably borne the risk; and

- whether investors have already been compensated for the risk.

Universal Service Program: Before 1999 little assistance was provided to low-income customers other than a few federally-funded programs. The electric universal service program ("EUSP") established by the Acts provides bill assistance and payment programs, termination of service protection, and cost-effective reduction and management of energy consumption for low-income customers. Electric customers with incomes at or below 150 percent of the federal poverty level are eligible to participate in the program. Monies in the Electric Universal Service Fund are provided by electric utilities through surcharges assessed on electric customer bills. In any year when there are unexpended monies, those monies are to be returned to the customer classes in the proportions that the customer classes paid into the fund.

The electric utilities, monitored by the commission, began collecting in July 2000 $34 million from the ratepayers for each of the three years of the program. Based on experience with the Maryland Energy Assistance Program, a projected 90,000 customers were to be served in the first year. However, computer software and hardware problems associated with implementation of the new EUSP system resulted in a backlog of approximately 26,400 applications by early February 2001.

In order to address the backlog, ***Chapter 433 of 2001*** allowed the commission to retain unexpended monies in the fund at the end of June 30, 2001, and make the monies available for disbursement to eligible customers who applied for assistance before July 1, 2001, and qualified for assistance from the fund during fiscal 2001. As the backlog continued into the next fiscal year, ***Chapter 263 of 2002*** similarly allowed the commission to retain unexpended monies in the fund at the end of June 30, 2002, and make the monies available for disbursement through June 30, 2003, to eligible customers who applied for assistance before July 1, 2002, and qualified for assistance from the fund during fiscal 2002. ***Chapter 263*** also required the commission and the Department of Human Resources to study and report to the Governor and the General Assembly on issues relating to the participation in, expenditures from, and monies needed by the fund by October 1, 2002.

Taxation of Electric Utilities

Under ***Chapters 3 and 4 of 1999***, the availability of electric customer choice was made contingent on the enactment of legislation by the General Assembly to restructure Maryland taxes to address the State and local tax implications of restructuring the electric utility industry. To address the tax issues associated with electric competition, the General Assembly enacted ***Chapters 5 and 6 of 1999***, satisfying this contingency. These Acts generally provided property tax relief for electric generation facilities in the State and replaced the gross receipts tax on revenues from sales of electricity and gas with a tax based on kilowatt hours of electricity or therms of natural gas delivered for final consumption in the State. The Acts also imposed the income tax on electric and gas

utilities, among other changes. For an additional discussion of the taxation of electric utilities, see the "Miscellaneous Taxes" subpart of Part B – Taxes of this *Major Issues Review*.

Electric Cooperatives

Originally authorized during the Great Depression of the 1930s, electric cooperatives were seen as a limited class of electricity providers that would not require further legislative changes when electricity was comprehensively regulated as a monopoly. In 1976, since the electric cooperative law applied to a very limited number of entities, the General Assembly decodified and transferred it to the Session Laws of Maryland.

In recent years, as investor-owned utilities have moved to diversify their structures and services in a restructured environment, the State's electric cooperatives have found that the statutes that govern their own structures and operations constrict their ability to react to the changes resulting from restructuring. ***Chapter 604 of 2001*** updated the electric cooperative laws in several ways. The Act allowed one or more cooperatives to organize a cooperative and update provisions on annual and special meetings. The Act also allowed the transfer of rights, privileges, immunities, and franchises in a consolidation or merger to the surviving cooperative. In addition, it allowed the distribution of refunds to nonmembers to whom the cooperative supplies electricity or other services, in the form of patronage credits. The Act eliminated provisions for protection of a cooperative's territory during the period of cooperative formation, and the preferential schedule of filing fees with the Department of Assessments and Taxation specific to electric cooperatives.

Finally, to facilitate later legislative changes in this newly active area, the Act also required the Department of Legislative Services to prepare draft legislation revising the Electric Cooperative Act in a nonsubstantive manner and transferring those provisions back into the Annotated Code of Maryland. ***Chapter 135 of 2002*** restored the Electric Cooperative Act to the Annotated Code as Title 5, Subtitle 6 of the Corporations and Associations Article. ***Chapter 135*** also made a few minor changes to the electric cooperative law.

Gas Utilities

After shaping the restructuring of the electric utility industry during the 1999 legislative session (***Chapters 3 and 4 of 1999*** discussed above), the 2000 General Assembly turned its attention to natural gas utilities. The Public Service Commission had been allowing customer choice in retail natural gas markets during recent years in the form of pilot projects, without specific enabling legislation. In light of the specific consumer protection mechanisms built into electric restructuring and concerns over

potential service disruptions, the General Assembly perceived a need for the commission to exercise additional authority over foreign natural gas suppliers and to have clearer authority to protect the State's gas consumers.

Licensing of Gas Suppliers

Chapter 669 of 2000 required the Public Service Commission to license gas suppliers that operate in the State. The commission has the same authority to license and regulate gas suppliers as it has over electricity suppliers under electric restructuring. The Act required the commission to adopt gas supplier licensing requirements and procedures that protect consumers and assure the collection of State and local taxes.

The Act also required the commission to adopt consumer protection provisions by July 1, 2001, including protection against unfair or discriminatory practices, as well as enrollment and billing procedures, and other matters that the commission considers necessary to protect consumers. In general, the commission must adopt consumer protections and gas supplier requirements consistent with applicable provisions of the electric restructuring legislation.

Holding Company Formation

A holding company structure allows for the division of regulated and unregulated activities among separate subsidiary corporations of the holding company. Under former law, enacted in 1913, public service companies incorporated in Maryland were prohibited from forming holding companies. In order to afford more flexibility to Maryland public service companies in responding to deregulation and restructuring, ***Chapters 1 and 2 of 1999*** allowed Maryland public service companies to form holding companies through a corporate reorganization involving an exchange of stock.

At the time of enactment, Maryland was the only state that still prohibited its public service companies from forming holding companies. The Baltimore Gas and Electric Company (BGE) was the only remaining electric company operating in the State that was incorporated in Maryland. The Acts did not alter BGE's status as a public service company subject to the jurisdiction of the Public Service Commission. Under the Act, commission regulations and orders governing affiliate transactions and the allocation of revenues among regulated and unregulated activities still applied to BGE, any holding company that it formed, and any affiliates that would be created under the holding company.

The holding company structure allows a public service company access to capital through bond and stock offerings for unregulated affiliates without prior review and approval by the commission. This, in turn, affords the public service company and its holding company greater flexibility and speed to react to changing market conditions,

making the entity more competitive and responsive in restructured and deregulated utility arenas.

Telephones and Telecommunications

Competition in Local Exchange Service

Some progress was made to stimulate competition among local exchange service providers through enhancement of the powers and duties of the Public Service Commission with respect to competition in the telecommunications industry. ***Chapter 560 of 2002*** clarified the commission's authority to adopt policies and regulations governing the development of telecommunications competition in Maryland, in addition to providing the commission with several tools for increasing the timeliness with which it can expedite contested case proceeding. Any policies on telecommunications competition must be consistent with applicable federal and State law.

Telephone Solicitation

Caller Identification: As controversy over telephone solicitation and telemarketing practices persists, consumers increasingly rely on caller identification (ID) to screen calls, and solicitors have subscribed to caller ID blocking services in an effort to overcome call screening. To assist consumers, ***Chapter 576 of 2001*** prohibited telephone solicitors from blocking caller ID. Solicitors who intentionally block the transmission of their telephone number are guilty of a misdemeanor and on conviction are subject to a fine of up to $1,000 for a first offense and a fine of up to $5,000 for a subsequent offense. Federal, State, and local government units are exempt.

"Do-Not-Call" Legislation: A number of states have enacted "do-not-call" legislation, under which a state unit maintains a database of telephone subscribers who do not wish to receive telephone solicitations. Resistance to persistent telemarketing inspired similar legislation in Maryland. ***Senate Bill 185 of 2000*** and ***Senate Bill 641 of 2001 (both failed)***, modeled on a Georgia statute, would have required the Public Service Commission to establish a database of residential telephone subscribers who do not wish to receive telephone solicitations. Telemarketers would have been required to obtain the database from the commission and would have been prohibited from making telephone solicitations to listed subscribers.

Taxi and For-hire Driving Services

For years, the Public Service Commission has regulated for-hire driving services, which consist of taxicabs in several jurisdictions, sedan services, and limousine services. However, the commission lacked adequate resources for enforcement. ***Chapter 539 of 2000*** established the For-Hire Driving Services Enforcement Fund. The fund provides

resources for staffing and statewide enforcement activities with respect to for-hire driving services. The funding source is an annual assessment of up to $40 on each for-hire vehicle permit, except for limousines and employee-transport vans.

Chapter 539 also enhanced passenger safety by authorizing the commission to require applicants for a for-hire driver's license to obtain a national criminal history record check from the Federal Bureau of Investigation, in addition to the previously required State criminal history record check through the Criminal Justice Information System.

Insurance

During the 1999–2002 term, the General Assembly passed legislation relating to the Maryland Insurance Administration and regulation of various licensees, insurance rating, and holding companies. Further, a number of measures were enacted dealing with the various lines of insurance. These included allowing late fees and prohibiting terminations or refusals to insure for certain insurance policies.

Maryland Insurance Administration

Evaluation of the Maryland Insurance Administration under the Program Evaluation (Sunset Review) Act

During the 2001 interim, the Department of Legislative Services conducted a full evaluation of the Maryland Insurance Administration (MIA) under the Program Evaluation Act. ***Chapter 317 of 2002*** embodied some of the statutory recommendations developed by the Department of Legislative Services during the evaluation. The Act required the next review of MIA to be completed on or before July 1, 2012.

MIA's Annual Report: ***Chapter 317*** required MIA's annual report to be completed by December 31 of each year. The Act required the report to include information on MIA's operations and on the complaints and cases filed with the Insurance Fraud Division in the previous fiscal year.

Fees and Financing of MIA: ***Chapter 317*** repealed the fees charged for appointments and terminations of insurance producers. The bill increased from 40 to 60 percent the percentage of MIA's annual budget that is funded by an industry assessment and alters the formula for allocating this assessment among the various lines of insurance. The Act changed: (1) the health insurer portion to 40 percent of the assessment; (2) the life insurer portion to 26 percent of the assessment; and (3) the property and casualty insurer portion to 34 percent of the assessment. The Act required that the annual assessment be paid by a date determined by the Insurance Commissioner. The Act authorized MIA to establish a reserve equal to 5 percent of its budget and to

impose an additional assessment if the MIA's revenues are insufficient to cover its expenditures because of an unforeseen emergency. MIA is allowed to recoup administrative costs associated with collecting the State's insurance premium tax by retaining a portion of the tax revenues collected each quarter.

Reporting Requirement: In addition to its statutory recommendations, the Department of Legislative Services made various nonstatutory recommendations. ***Chapter 317*** required MIA to report to the House Economic Matters Committee and the Senate Finance Committee by October 1, 2002, on the implementation of recommendations from the evaluation report prepared by the Department of Legislative Services.

Subpoenas

Chapter 452 of 2002 authorized a subpoena issued by the Insurance Commissioner to be served in the same manner as a service of process in a civil action in a circuit court (certified mail/restricted delivery). Prior to the Act, a subpoena issued by the Commissioner had to be served in the same manner as a subpoena of a circuit court (private process server).

Privacy Regulations

Chapter 469 of 2001 required MIA to adopt regulations governing the privacy of consumer financial and health information pursuant to the Gramm-Leach-Bliley Act. The regulations must be consistent with the model privacy regulations adopted by the National Association of Insurance Commissioners (NAIC).

The Act also required MIA to establish, by regulation, criteria and a process to allow an individual who is otherwise prohibited from participating in the insurance business under the Federal Violent Crime Control and Law Enforcement Act of 1994 to obtain written consent from the Commissioner to participate in the insurance business.

Regulation

Insurance Agents, Brokers, and Producers

Licensing Requirements: ***Chapter 135 of 1999*** required life and health insurance agents and brokers to meet the same licensing requirements applicable to property and casualty insurance agents and brokers. Specifically, the Act provided that an applicant for qualification as an agent or broker for life or health insurance, annuities, nonprofit health service plans, dental plan organizations, or health maintenance organizations must: (1) successfully complete a program of study approved by the Maryland Insurance Administration; (2) have been employed regularly for periods

totaling at least one year of the past three years by the administration, an insurer, agent, or broker; or (3) have been employed regularly for periods totaling at least one year of the three years immediately preceding the date of entering or immediately after discharge from the armed forces by an insurer, agent, or broker.

Maintenance of Records: ***Chapter 119 of 2000*** required MIA to adopt regulations establishing the minimum length of time and the manner in which an independent agent or broker is required to maintain records of insurance transactions conducted by the agent or broker. Prior to ***Chapter 119***, there were no requirements for agents or brokers to maintain records of canceled or expired policies.

Licensing Generally: The federal Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley Act) breaks down barriers among the banking, insurance, and securities industries. Under Subtitle C of the Gramm-Leach-Bliley Act, states had until 2002 to enact and implement laws that allow multistate reciprocity and uniformity in agent and broker licensing laws. If a majority of the states fail to do so within that time period, the Gramm-Leach-Bliley Act requires the creation of a nonprofit corporation known as the National Association of Registered Agents and Brokers to provide for the uniform nationwide licensing of agents and brokers. ***Chapter 731 of 2001*** incorporated provisions of the Model Producer Licensing Act developed by the National Association of Insurance Commissioners (NAIC) into Maryland's agent and broker licensing provisions, as required by the Gramm-Leach-Bliley Act.

Producer Licensing: Under ***Chapter 731***, MIA no longer issues separate licenses to agents and brokers. Instead, it issues an insurance producer license to each person who sells, solicits, or negotiates insurance contracts. The Act provided for six major lines of insurance and recognized a license for personal lines of property and casualty insurance designed to accommodate major property and casualty companies that sell only personal lines of insurance.

Reciprocity: The Act provided reciprocity for nonresident insurance producers wishing to obtain a Maryland license. A nonresident applicant is entitled to obtain a nonresident insurance producer license if: (1) the applicant is a licensed insurance producer in the applicant's home state; (2) the applicant submits an application to the administration and pays the required fee; and (3) the applicant's home state issues nonresident insurance producer licenses to Maryland residents on the same basis. The Act repealed other provisions that impede reciprocity and uniformity of state licensing laws.

Extraordinary Dividends and Distributions

In 1999 MIA underwent a five-year review by the NAIC. The NAIC gave MIA a full five-year accreditation but indicated that Maryland law on extraordinary dividends should be amended to conform with NAIC standards.

Chapter 661 of 2000 conformed Maryland law to the NAIC standards. The Act applied to insurers that are part of an insurance holding company system and defined the circumstances under which a dividend or distribution of cash or other property by these insurers is considered extraordinary. According to MIA, most major multistate insurers are part of a holding company system. The Act clarified that an insurer that is not a life insurer may pay extraordinary dividends only out of earned surplus. To ensure the solvency of insurers, the Act prohibited an insurer from issuing an extraordinary dividend without approval from the Insurance Commissioner. The Act applied to dividends or distributions declared and paid on or after January 1, 2001.

Insurance Rating Law – Exempt Commercial Policyholders

Generally, each insurer is required to file all of its policy forms and rates with the Maryland Insurance Administration. Under the State's prior approval rating law, policy forms may not be used until 30 working days after being filed, unless approved sooner by the Commissioner. In competitive insurance markets, rates and supplementary rate information filed by an insurer may be used without prior approval from the Commissioner.

Chapter 541 of 2000 exempted policy forms and endorsements issued to sophisticated commercial policyholders from form filing requirements under the prior approval insurance rating law. The Act did not apply to the filing of workers' compensation insurance policy forms.

Chapter 541 provided that an exempt commercial policyholder must certify to the insurer issuing coverage and the Insurance Commissioner that it meets the criteria necessary for exemption from form filing requirements. Further, the Act authorized the Commissioner to adopt regulations requiring insurers to provide the administration with information on the number and types of policies written for exempt commercial policyholders. Lastly, the Act allowed the Commissioner to authorize an exempt commercial policyholder to procure insurance from a surplus lines insurer.

Mutual Insurance Holding Company Act

Under the federal Gramm-Leach-Bliley Act, mutual insurers may redomicile (move out of state) if the state of current domicile has not established reasonable terms and conditions for allowing mutual insurance companies to reorganize into a stock insurer and to form a mutual insurance holding company. ***Chapter 101 of 2000*** authorized a mutual insurer to reorganize into a stock insurer and to establish a mutual insurance holding company. Under the Act, the mutual insurer is required to demutualize in accordance with a plan of reorganization approved by the Maryland Insurance Administration.

Certificates of Authority

Chapter 286 of 2002 repealed the mandatory forfeiture requirements imposed by the Insurance Commissioner if an insurer failed to renew its certificate of authority by June 30 of each year. Instead, the Act gave the Commissioner discretion to impose a penalty or a forfeiture requirement.

Insurers Generally

Premium Finance Companies

Chapter 557 of 1999 prohibited an insurer that markets through independent agents from: (1) refusing to issue a policy if premiums are received by a premium finance company that is not affiliated with the insurer; (2) requiring an insured to use a particular premium finance company; and (3) discriminating against an agent, broker, or insured that uses premium financing by denying the same rights accorded to other agents, brokers, or insureds who pay premiums in a different manner.

Late Fees

Chapter 652 of 2001 allowed an authorized insurer to charge installment fees and fees for the late payment of a premium by a policyholder, if approved by the Maryland Insurance Administration. Prior to the Act, an authorized insurer was allowed to charge only reasonable installment fees, as approved by the administration.

Under the Act, MIA is required to review the administrative expenses submitted by an authorized insurer that are associated with late payments or installment payments. In any event, a late or installment fee may not exceed $10. The Act prohibited a late fee from being imposed on an insurance policy during any grace period required by law or regulation. Further, if there is no grace period required by law or regulation, a late fee may not be charged until two business days after the date the payment amount becomes due. An insurance policy may not be canceled for the failure to pay a single late fee or installment fee.

Home Office Requirements

Chapter 285 of 2001 allowed financial guaranty insurance companies to have a home office outside the State by altering the definition of a financial guaranty insurance company to mean an insurer that derives at least 90 percent of its gross written premium from the business of financial guaranty insurance and financial guaranty reinsurance. The Act repealed part of the statutory definition that required a financial guaranty insurance company to have a claims-paying ability rated in the highest possible category by at least one nationally recognized statistical rating organization.

Insurer Insolvency

Chapter 434 of 2001 altered the priority of claims payments in the event of an insurer insolvency when there are known or potential claims by the federal government. The Act was a response to *U.S. Department of Treasury v. Fabe*, in which the United States Supreme Court held that a state may give priority to policyholder claims and expenses of administering the insolvency over the claims of the federal government in the event of an insurer insolvency. The priority of claims established by the Act is: (1) administrative expenses; (2)(a) claims made by policyholders, beneficiaries, or insureds, (b) liability claims against insureds, and (c) guaranty fund claims; (3) federal government claims; (4) the first $500 of compensation or wages owed to an officer or employee of the insurer; (5) State or local tax claims; and (6) all other claims of general creditors.

Surplus Lines Brokers

Chapter 691 of 1999 prohibited the procurement of surplus lines insurance to replace coverage on residential property that was insured by an authorized insurer and for which a renewal offer had been made on substantially the same terms and conditions as the current coverage.

Chapter 218 of 2001 increased the limit on the policy fee that a surplus lines broker may charge on policies procured by a qualified agent or broker to whom the surplus lines broker pays a commission from $75 to $100 on each personal lines policy and $250 on each commercial lines policy.

Chapter 80 of 2002 repealed the requirement that a surplus lines broker, in order to recoup the cost of an inspection required for the placement of surplus lines insurance, not have a financial interest in or receive compensation from the person who performs the inspection. Under the Act, a surplus lines broker is instead required to provide written disclosure of: (1) any financial interest in the person performing the inspection; and (2) whether the broker will receive compensation from the person who performs the inspection. The broker must also notify the prospective insured that the insured has the option to obtain the inspection from another person, subject to the approval of the surplus lines insurer.

Life Insurance

Group Life Insurance

Chapter 659 of 1999 revised statutes governing the issuance of group life insurance policies. The Act conformed Maryland law to the National Association of Insurance Commissioners (NAIC) model. The Act expanded the availability of group

life insurance by: (1) increasing the categories for permissible groups; (2) removing certain limitations on permissible participants; (3) eliminating certain contribution requirements for employers, unions, and other group policyholders; and (4) eliminating certain minimum participation requirements for the establishment and sale of group insurance. However, unlike the NAIC model, ***Chapter 659*** allowed a spouse or dependent to obtain 100 percent of the coverage held by the employee/primary insured under a group policy.

Reserve Investments

Chapter 529 of 1999 expanded a life insurer's options for investment of its reserves. The Act authorized a life insurer to include as reserve investments an amount from loans secured by real estate investments in the United States or Canada that did not exceed 95 percent of the fair market value of the real estate.

Chapter 660 of 2000 further expanded a life insurer's avenues for investment of its reserves. Under the Act, life insurers may invest their reserves in: (1) securities lending, repurchase, reverse repurchase, and dollar roll transactions with business entities; (2) derivative transactions; (3) money market mutual funds; (4) equity interests in any business entity organized under the laws of the United States, Canada, or one of their subdivisions; and (5) obligations issued by the United States, Canada, or one of their subdivisions.

Preneed Burial Contract and Pre-need Contracts

A "preneed burial contract" is a written contract with a registered cemetarian under which preneed goods or preneed services are to be sold and delivered or performed. A "pre-need contract" is made by a licensed mortician or funeral director prior to the time of the buyer's death for goods and services regarding the final disposition of the buyer's body after death.

Chapter 578 of 1999 authorized funding preneed burial contracts and pre-need contracts with life insurance policies or annuity contracts if certain requirements were met. Preneed burial contracts and pre-need contracts, if funded by life insurance or annuities, are not subject to escrow requirements governing the deposit of preneed funds.

Adoptive Children – Insurable Interest

A beneficiary under a life insurance policy must have an insurable interest in the insured at the time life insurance is obtained. ***Chapter 179 of 2001*** provided that a prospective parent of a prospective adoptive child has an insurable interest in the life of the child as of the date of the earlier of a placement for adoption or an interlocutory or final decree of adoption.

Property and Casualty Insurance

Delinquency and Collection Charges (Late Fees)

Chapter 356 of 2002 increased from $5 to $8 the allowable delinquency and collection charge (late fee) that a premium finance company may charge an insured under a premium finance agreement for private passenger motor vehicle or personal fire or liability insurance. The Act increased the maximum allowable cancellation charge that a premium finance company may charge an insured for private passenger motor vehicle or personal fire or liability insurance to the difference between $15 and the amount of the late fee for the installment in default.

Requests for Data by the Maryland Insurance Administration

Chapter 693 of 2000 established guidelines under which the Maryland Insurance Administration may request data from property and casualty insurers that relate to the policies written by these insurers. Requests must be made by bulletin. The bulletin must include the line of insurance and the period of time for which the data are requested. Each request expires after two years, unless the administration issues another bulletin to continue the request. MIA must notify an insurer if it receives a request to inspect company-specific data, and an insurer may show that the data are confidential commercial data or are otherwise protected from disclosure under the Maryland Public Information Act.

Residential Property Insurance

Chapter 201 of 1999 required each insurer in Maryland to file annually with the administration data concerning the amount of residential property premium written by the insurer in the preceding calendar year. The Act became effective January 1, 2000, and sunsets June 30, 2004. Under the Act, "residential property premium" means the direct written premium derived from the sale of residential property insurance policies in a calendar year.

Homeowner's and Motor Vehicle Insurance Policies

Prohibited Terminations and Refusals: ***Chapter 366 of 1999*** prohibited a motor vehicle liability insurer or homeowner's insurer from canceling, refusing to renew, or refusing to underwrite a homeowner's or motor vehicle insurance policy because of a claim that occurred more than three years before the effective date of the policy, renewal, or application. The limitation on using a prior claim did not apply if a claim involved a conviction of the insured or applicant for fraud or arson.

Required Notice for Cancellation of Policies: ***Chapter 124 of 2000*** required homeowner's and motor vehicle liability insurers to provide written notice of cancellation by certificate of mailing at least ten days before the insurer proposes to cancel a policy as a result of the insured's failure to pay the required premium. Prior to the Act, an insurer was not required to provide notification of a policy cancellation if the reason for the cancellation was nonpayment of premium.

The Act also required homeowner's insurers to send to an insured, by certificate of mailing, written notice of intention to cancel or not to renew a policy for a reason other than nonpayment of premium at least 45 days before the date of the proposed cancellation or expiration of the policy.

Cancellation or Refusal to Renew Policy: ***Chapter 447 of 2001*** repealed the termination provision of the prohibition against insurers canceling or refusing to renew homeowner's insurance policies for weather-related claims. The Act also repealed the termination provision of the prohibition against canceling or refusing to renew private passenger motor vehicle insurance based on the claims history of an insured when two or fewer of the claims within the preceding three-year period were for accidents or losses in which the insured was not at fault for the loss.

Use of Credit History: The use of an insured's credit history in underwriting and rating policies of homeowner's insurance and private passenger motor vehicle insurance is an increasingly common practice among insurance companies and continues to be the subject of much public policy debate. ***Chapter 580 of 2002*** prohibited the use of an individual's credit history in underwriting and rating homeowner's insurance and allowed the use of credit history for motor vehicle insurance rating under certain circumstances.

Homeowner's Insurance: For homeowner's insurance, ***Chapter 580*** prohibited an insurer from refusing to underwrite, cancelling, refusing to renew, rating a risk, or requiring a particular payment plan based on the credit history of an applicant or insured.

Motor Vehicle Insurance: For private passenger motor vehicle insurance, ***Chapter 580*** prohibited an insurer from refusing to underwrite, cancelling, refusing to renew, increasing the renewal premium, or requiring a particular payment plan based on the credit history of an applicant or insured. However, the Act authorized a private passenger motor vehicle insurer to rate a new policy based on the credit history of the applicant if certain criteria are met.

In using credit history to rate a new policy, the insurer:

- may not use a factor on the credit history that occurred more than five years prior to the issuance of the new policy;

- must advise the applicant that credit history is used and provide a premium quote identifying the portion of the premium affected by the applicant's credit history;

- may not use "no hit" factors in using credit history;

- must review the credit history of the applicant every two years, or on request of the insured, if the applicant was adversely impacted by the use of credit history; and

- until September 30, 2004, may provide, if actuarially justified, a discount of up to 40 percent or impose a surcharge of up to 40 percent.

Chapter 580 also required the Insurance Commissioner to study the use of credit history and report to the General Assembly by January 1, 2004.

Geographic Distribution Data and Marketing Plans: Insurers that provide private passenger motor vehicle insurance or residential property insurance are required to file data with the Insurance Commissioner about the geographic distribution of their premiums written in the State. Further, "major insurers" are required to file a marketing plan with the Commissioner.

Chapter 625 of 2001 altered the definition of "major insurer" to exclude insurers that write less than 1 percent of the total private passenger motor vehicle insurance premium in the State. This change in definition limits the number of insurers that are required to file a marketing plan with the Insurance Commissioner. Prior to the Act, an insurer that wrote 0.5 percent of the total private passenger motor vehicle insurance was subject to the marketing plan requirement. The marketing plan filed by larger insurers must demonstrate that the insurer is making coverage available to Baltimore City residents in the same manner as residents of other parts of the State.

Motor Vehicle Insurance

Premium Increases and Policy Cancellations: An insurer, other than the Maryland Automobile Insurance Fund (MAIF), must provide a private passenger motor vehicle insurance policyholder, at the time of issuance or renewal of the policy, a statement that: (1) defines the policyholder's rate classifications; and (2) includes a summary of the insurer's approved surcharge plan or driver record point plan for the policy.

Notice to Policy Holders: ***Chapter 553 of 2002*** required insurers, other than MAIF, in the statement they are required to give to policyholders at the time of issuance or renewal of a private passenger motor vehicle insurance policy, to include a section that provides a general description of the factors, including credit information, that may contribute to an increase in a policy premium. The Act required an insurer that markets

private passenger motor vehicle insurance through insurance producers to make a copy of the statement available to its producers.

An insurer that intends to cancel, nonrenew, increase a premium for, or reduce coverage under a policy of private passenger motor vehicle insurance is required to send a notice to the insured at least 45 days before the proposed effective date of the action. ***Chapter 553*** required that a notice of premium increase include the amount of the increase in the premium for any coverage on the policy. The Act restricted the requirement that a private passenger motor vehicle insurer maintain the current insurance coverage and rate pending the resolution of a protest of a premium increase to increases of more than 15 percent. If a proposed increase is based on a credit score or information from a credit report, the Act required an insurer to include specified information about the consumer reporting agency, including contact information for the consumer reporting agency. For a premium increase of 15 percent or less for the entire policy that is disallowed by the Commissioner, the Act required the insurer to return all disallowed premiums received from the insured, with interest. The Act authorized the Commissioner to adopt regulations that exclude certain premium increases from the requirements applicable to premium increases.

Payment Plans: ***Chapter 553*** also prohibited an insurer from requiring a particular payment plan for a homeowner's or private passenger motor vehicle insurance policy based on the insured's credit history.

Regulation of Insurance Products Issued by Motor Vehicle Rental Companies: ***Chapter 629 of 1999*** required a motor vehicle rental company to hold a special restricted certificate of qualification before the company or its employees may sell or offer policies of insurance to a renter in connection with a rental agreement. The certificate of qualification authorizes a rental company to offer or sell insurance policies that are: (1) in excess of or optional to the mandatory minimum coverages required under Title 17 of the Transportation Article of the Annotated Code and related regulations; and (2) for bodily injury liability, property damage liability, uninsured motorist insurance, and other coverage approved by the Insurance Commissioner. Under the Act, a policy sold in connection with the rental of a motor vehicle is primary to any other valid and collectible coverage, except for the insurance limits mandated under §§ 17-103(b) of the Transportation Article.

Chapter 629 required the Commissioner to issue to a rental company, or its franchisee, a certificate of qualification if the rental company pays the required fees, submits to the Commissioner any additional information or documentation required by the Commissioner, and meets certain requirements, including: (1) filing approved policies with the Commissioner; and (2) providing a training program for employees who offer, sell, or solicit insurance policies. Prior to having completed the rental transaction, the rental company must have provided the renter with disclosures approved by the Commissioner that: (1) summarize the material terms of coverage clearly and correctly;

(2) identify the authorized insurer or insurers; (3) specify that the policies offered by the rental company may provide duplication of coverage; and (4) specify that the purchase of an insurance policy from the rental company is not required in order for the renter to rent a vehicle.

Under the Act, a rental company with a certificate of qualification was not required to treat premiums collected from a renter as funds received in a fiduciary capacity if: (1) the insurer had consented in a written agreement signed by an officer of the insurer that the premiums did not need to be segregated from other funds; and (2) the charges for insurance coverage were itemized, but not billed, separately.

Motor Clubs

Chapter 88 of 2002 authorized an applicant for a motor club service license, in addition to other types of security instruments, to deposit with the Insurance Commissioner a letter of credit in the same amount as other authorized forms of security. The letter of credit must be in favor of the State for the applicant's members who reside in the State. The Act specified that the total liability of a bank under a letter of credit may not exceed the amount of the letter. The issuing bank may cancel the letter of credit after notifying the Commissioner at least 30 days before the effective date of the cancellation. Under the Act, a motor club licensee may substitute any type of authorized security for any other type of authorized security, subject to the Commissioner's approval.

Title Insurers

Prior to 2001, each title insurer that operated in the State was required to have on file for each title insurance producer or agency that held an appointment with the insurer an annual statement of financial condition. ***Chapter 209 of 2001*** exempted law firms and attorneys practicing in law firms from the filing requirement. ***Chapter 369 of 2002*** repealed this requirement for all title insurance producers and agencies. However, the Act left intact a provision of law that requires each title insurer to conduct an onsite review of the underwriting, claims, and escrow practices of each producer appointed as a principal agent.

Horse Racing and Gaming

During 1999–2002 term, the General Assembly provided financial assistance to the horse racing industry and reestablished and required a future sunset evaluation of the Maryland Racing Commission. Further, the General Assembly considered legislation allowing video lottery terminals and passed legislation dealing with the type of lotteries that may be conducted, the commissions of licensed lottery agents, and agreements to operate multijurisdictional lotteries.

Early in the 2001 session, the Senate Special Committee on Gaming was established. The committee's purpose is to develop a broader gaming expertise among Senate members in anticipation of a number of significant gaming proposals that are expected to be considered in future sessions by the General Assembly. A similar committee of House members was created early in the 2001 interim.

Financial Assistance to the Horse Racing Industry

Maryland has a long history of involvement with the horse racing industry, most of it involving regulation. Recently, however, starting in 1997 and continuing in each subsequent year, the State has provided financial assistance to the racing industry.

1999 Session

Chapter 168 of 1999 provided for the distribution of $500,000 from uncashed pari-mutuel tickets for marketing, purses, and promotional activities related to the running of Maryland Million races. In addition, the legislation required a one-time distribution of $10 million from lottery revenue overattainments to increase purses at race tracks and to supplement existing bred funds. Funds were provided to the racetracks only after racetrack licensees submitted detailed plans for substantial improvements in track facilities, management, and marketing to the Legislative Policy Committee of the General Assembly and the Governor. This Act also authorized a mile thoroughbred racing license for Allegany County.

Tax relief for the racing industry first provided in 1997 was continued for another year with ***Chapter 291 of 1999***, which extended the 0.32 percent State wagering tax rate to June 30, 2000.

2000 Session

Chapter 309 of 2000 continued and expanded financial assistance to the horse racing industry. First, the Act established a Maryland Racing Facility Redevelopment Bond Program to assist horse racing facilities with capital improvements. Under this program, eligible licensees would submit racing facility master plans to the Maryland Racing Commission for review and approval. Requests for financial assistance would also be reviewed by the Maryland Stadium Authority and, if approved, the Maryland Economic Development Corporation (MEDCO) would issue revenue bonds to finance the improvements. To date, no licensees have submitted facility master plans for approval and no bonds have been issued.

To finance the debt service on any bonds issued by MEDCO, the Act increased the "takeout" (the commission that is deducted from betting pools) on thoroughbred races and required the additional takeout allocations from mile thoroughbred licensees to be

paid into the newly created Racing Facility Redevelopment Bond Fund. Further, the Act required specified harness licensees to allocate a portion of takeout to the redevelopment program. Beginning in fiscal 2002, the Act provided for the allocation of uncashed pari-mutuel tickets from the existing horse racing special fund to the bond program. If revenues from the uncashed tickets are not needed, these funds revert to the horse racing special fund. If these funds are used, specified excess lottery revenues replenish the horse racing special fund.

In addition to establishing the redevelopment program, ***Chapter 309*** also provided another one-time distribution of $10 million in lottery revenue overattainments to a special fund to supplement existing bred funds and purses. The Act permanently extended the wagering tax of 0.32 percent, recodified the Maryland Million and Sire Stakes programs, and modified authorized racing times.

2001 Session

Chapter 512 of 2001 required that lottery revenues be distributed to the horse racing special fund to replace any payments made pursuant to the Racing Facility Redevelopment Program, unless otherwise provided in the budget. The amount of lottery funds distributed to the special fund was required to be equivalent to the payments made to the bond fund. The Act was effective for fiscal 2002 only, and the funds were used to provide mandated grants to the Maryland State Fair, county fairs, and local agricultural education programs.

Senate Bill 765 of 2001 (failed) would have provided for $10 million of lottery revenue overattainments to go to a special fund to supplement purses and bred funds for the racing industry. For the first time since 1996, purse and bred fund supplements were not provided to the racing industry.

2002 Session

The Racing Facility Redevelopment Bond Fund created in 2000 consisted of two sources: additional takeout allocations and uncashed parimutuel tickets. ***Chapter 440 of 2002***, the Budget Reconciliation and Financing Act, transferred up to $4.5 million of the portion of the fund estimated to come from takeout allocations to a special fund that will be primarily used to enhance horse racing purses and bred funds. Another $3.7 million will be transferred to the State's general fund in fiscal 2003.

Sunset Evaluation of the Maryland Racing Commission

The Maryland Racing Commission falls under the scope of the State's program evaluation (sunset review) law. The evaluation of the commission undertaken by the Department of Legislative Services in 1999 resulted in legislation ***(Chapter 269 of 2000)***

that extended the sunset date for the commission from July 1, 2001, to July 1, 2011. The Act also required the commission to inspect satellite simulcast facilities at least four times annually to ensure that permit holders are complying with statutory and regulatory requirements.

Video Lottery Terminals (Slot Machines)

Legislation to introduce slot machines, primarily at the State's racetracks, generated much attention and debate over the past four sessions of the General Assembly. The primary rationale given for authorizing video lottery terminals in the State was to provide additional funding for public education and, secondarily, to assist Maryland's horse racing industry. All of the following bills introduced during the term were similar; however, the most significant difference was whether the bill would have been a constitution amendment.

House Bill 854 of 1999 (failed) would have allowed video lottery terminals (VLTs) at mile thoroughbred and harness racetracks, tourist destination locations in Baltimore City, Western Maryland, and the Eastern Shore (excluding Worcester County), and satellite simulcast facilities throughout the State. A racetrack or tourist destination with a license would have been authorized to operate up to 2,000 VLTs at each location while a satellite simulcast facility with a license would have been authorized to operate up to 250 VLTs.

House Bill 1170 of 2000 (failed) would have allowed up to 2,500 VLTs each at Laurel, Pimlico, and Rosecroft racetracks and at a licensed track in Allegany County. The bill would have established the Education Trust Fund and other special funds, and detailed the programs that would have been funded from the proceeds.

House Bill 1170 of 2001 (failed) was a proposed constitutional amendment that would have: (1) authorized VLTs at up to four locations in the State; (2) provided for the regulation of VLTs by the State Lottery Agency; (3) provided that at least one-half of the net proceeds from VLTs be dedicated to a special fund to be used to support K-12 education and public libraries; and (4) prohibited the General Assembly from adopting any laws authorizing any additional forms or expansion of commercial gaming. ***House Bill 1449 of 2001 (failed)***, which was made contingent on the ratification of ***House Bill 1170*** by the voters of the State, would have allowed up to 2,500 VLTs at up to four locations in the State (at least two at horse racing tracks and the others at tourist destinations). The legislation would have established an Education Trust Fund and other special funds. It would have also prohibited the General Assembly from adopting any laws authorizing any additional forms or expansion of commercial gaming.

House Bill 732 of 2002 (failed) was a proposed constitutional amendment that would have: (1) authorized VLTs at up to four locations in the State (applicants would

have had to have a license for a horse racing track); (2) provided for the regulation of VLTs by the State Lottery Agency; (3) provided that at least one-half of the net proceeds from VLTs be dedicated to a special fund used to support the recommendations of specified commissions, task forces, and public libraries; and (4) prohibited the General Assembly from adopting any laws authorizing any additional forms or expansion of commercial gaming.

Lotteries for the Maryland Stadium Authority

The Maryland Stadium Facilities Fund finances all of the Maryland Stadium Authority's activities in the Camden Yards complex, including construction, operations, debt service, and administrative expenses. The fund received money, in part, through the sale of sports theme lottery tickets, but these types of lottery games were not as popular as other types of games.

As a result, ***Chapter 521 of 1999*** repealed the restrictions on the number and types of lotteries that must be conducted for the benefit of the Maryland Stadium Authority. This enabled the State Lottery Agency to replace the less popular sports theme tickets with games that draw a larger customer base and still dedicate the proceeds for specified games to the Stadium Authority.

Commissions of Licensed Lottery Agents

Chapter 640 of 1999 required the State Lottery Agency to pay its licensed agents a commission of 5 percent of the agent's gross receipts from ticket sales made during the year. Under prior law, the Lottery Agency could set any rate subject to a maximum of 5 percent.

Multijurisdictional Lotteries

Chapter 449 of 2002 authorized the State Lottery Agency, with the approval of the Lottery Commission and the Legislative Policy Committee of the General Assembly, to enter into agreements to operate multijurisdictional lotteries with political entities outside the United States or private licensees of a state or a foreign nation.

Economic and Community Development

During the 1999–2002 term, the General Assembly continued to improve and expand the State's economic and community development financing and tax credit programs. Legislation expanded opportunities for the State's economically distressed jurisdictions and small businesses, created business incentives and tax credits for major economic development projects, and advanced smart growth policies and initiatives. In addition, legislation consolidating the financing programs of the Department of Business

and Economic Development (DBED) further improved the responsiveness of the department's programs to the needs of businesses and the business community.

Distressed Jurisdictions

Chapter 304 of 1999 established the Smart Growth Economic Development Infrastructure Fund, known as the One Maryland Economic Development Program, within DBED to target economic development infrastructure funding to those counties with the highest unemployment rates or lowest average per capita personal income in the State. One Maryland provides loan assistance to qualified distressed counties for specified types of infrastructure projects, including land acquisition, improvements, and rehabilitation for industrial sites, water and sewer line development, and shell buildings.

The enabling legislation establishing the One Maryland program required that the Secretary of DBED administer the fund by providing financial assistance to: (1) qualified distressed counties, including Baltimore City; (2) the Maryland Economic Development Corporation (MEDCO) as a co-applicant with a qualified distressed county; and (3) a municipal corporation in a qualified distressed county under certain circumstances.

A qualified distressed county is one which has a local strategic plan approved by the Secretary and for which the average rate of unemployment is greater than 150 percent of the average State unemployment rate during the same 18-month period or for which the average per capita personal income for the most recent 24 months is 67 percent or less of the average per capita personal income for the entire State during the same period. Based on the definition of "economically distressed county," seven jurisdictions qualify for assistance as of the date of this *Major Issues Review*: Allegany, Baltimore City, Caroline, Dorchester, Garrett, Somerset, and Worcester counties. In order for a project to qualify, it must be located in a Smart Growth area.

In addition to establishing a loan assistance program, ***Chapter 304 of 1999*** also created a tax credit for project costs and qualified start-up costs for specified categories of businesses that establish or expand business facilities in a "qualified distressed county" when the business activity creates 25 or more new full-time positions.

The One Maryland tax credit was enhanced during the 2002 session in order to make the program's qualification process more business friendly and streamline the tax credit refund process. ***Chapter 385 of 2002*** changed the One Maryland Tax Credit requirements so that businesses can: (1) claim refunds from the One Maryland tax credit sooner after they have located in a distressed county; and (2) apply the credits over a 14-year carry forward period if the businesses pay the majority of its employees at least 250 percent of the federal minimum wage (approximately $25,750 per year).

Additional assistance to distressed jurisdictions was made available through ***Chapter 201 of 2001***, which enables local governments in distressed counties to receive up to $250,000 of annual grants from the Maryland Economic Development Assistance Authority and Fund (MEDAAF) without being required to provide a full match. However, as provided in current law, during the period from October 1, 1998, through June 30, 2003, a county may not receive a total of more than $500,000.

Business Incentives – Small and Minority Businesses

Maryland Competitive Advantage Financing Fund

Chapter 299 of 1999 established the Maryland Competitive Advantage Financing Fund (MCAFF) within DBED to stimulate the development and expansion of small businesses in the State. The fund consists of: (1) appropriations; (2) federal or private contributions; (3) premiums, fees, penalties, interest payments, and principal payments; (4) proceeds from the sale, disposition, lease, or rental of collateral; (5) application or other fees; (6) investment earnings; and (7) monies from other sources. The fund may be used to provide financial assistance to eligible applicants and to pay expenses for administrative, actuarial, legal, and technical services for the program. Financial assistance may include loans, loan guarantees, interest subsidies, and incentives to private lenders or any other financial assistance designed to secure business loans from financial institutions.

The fund may finance the costs incurred for: (1) the acquisition or construction of a building or real estate; (2) acquisition, construction, or installation of machinery, equipment, furnishings, fixtures, leasehold improvements, or site improvements; or (3) working capital. To qualify for assistance from the fund, a business must have net revenues of less than $1 million annually and employ fewer than 100 full-time employees. In addition, projects funded must be considered growth-related projects as defined under the State's Smart Growth provisions.

The amount of financial assistance for each recipient business must not be less than $10,000 or more than $100,000. Under the program's original statutory guidelines, the term for a working capital loan is one to three years. In addition, an applicant may not have filed a bankruptcy petition within seven years prior to the applicant's request for MCAFF assistance.

Chapter 664 of 2001 repealed the termination of MCAFF, which was set to expire on June 30, 2001. The legislation also extended the length of initial MCAFF loans for working capital from one year to three years and the maximum length of working capital loans from three years to five years if the borrower meets certain performance criteria. ***Chapter 664*** repealed the requirement that a loan applicant provide evidence that neither the applicant nor any of its owners had filed for bankruptcy in the

last seven years or had any existing liens or judgments. This provision reflected the conclusions of an MCAFF workgroup, which had reported to the General Assembly that the lack of capital and credit on reasonable terms were major obstacles for small businesses seeking to borrow funds and called for flexibility so that bankruptcy or unpaid taxes did not automatically disqualify an applicant.

Neighborhood Business Development – Capital Access Program

While the Department of Housing and Community Development (DHCD) provides various types of financial assistance to specified small businesses, including loans, grants, and tax credits, ***Chapter 98 of 2000*** established an innovative means of encouraging banks to make profitable, but individually risky loans to small businesses in State priority funding areas. ***Chapter 98*** created the Capital Access Program (CAP) within the Neighborhood Business Development Program of DHCD to stimulate private sector lending to small businesses.

The legislation authorized DHCD to enter into participation agreements with eligible private lenders, using funds from the Neighborhood Business Development Program to make matching contributions to loan reserve accounts established by private lenders. To be eligible to participate in CAP, a lender must: (1) enroll loans made to eligible businesses in CAP; (2) establish a loan reserve account with a federally-insured financial institution as additional security to cover losses sustained by the lender on any loans enrolled by the lender; and (3) contribute funds to the loan reserve account for each loan enrolled in CAP. If a loan goes into default and a lender has exhausted its normal methods to collect on the loan, the lender may withdraw funds from the reserve to cover its net losses.

Maryland Small Business Development Financing Authority

Chapter 172 of 2001 expanded DBED's Maryland Small Business Development Financing Authority (MSBDFA) program to assist small businesses unable to obtain adequate business financing on reasonable terms because they do not meet financial institutions' credit criteria. The legislation altered the eligibility requirements for the Contract Financing Program, the Long-Term Guaranty Fund Program, and the Equity Participation Investment Program that operate under MSBDFA to allow these businesses to receive loans through the program. ***Chapter 172*** also increased the maximum amount payable by MSBDFA under its guarantee for a long-term loan made by a financial institution from $600,000 to $1 million.

Business Incentives – Major Economic Development Projects

Maryland Economic Development Assistance Authority and Fund

The Maryland Economic Development Assistance Authority and Fund (MEDAAF) was established by ***Chapter 301 of 1999*** to provide financial incentives to businesses that undertake projects with strong potential to create or retain jobs in the State. The fund provides long-term fixed rate loans to businesses in eligible industry sectors. The nine-member Maryland Economic Development Assistance Authority evaluates requests for loans that have been first evaluated by DBED staff and determines whether to approve loan requests and also sets the terms and conditions of loans. In addition, the authority is responsible for establishing a list of industry sectors eligible for MEDAAF loans.

The fund may consist of: (1) appropriations; (2) federal or private contributions; (3) investment income; (4) repayments of principal and interest from loans; (5) proceeds from the sale, disposition, lease, or rental of collateral related to loans; (6) application or other fees; and (7) any other monies made available to the fund. DBED may use the money in the fund to provide loans to eligible applicants and to pay administrative, actuarial, legal, and technical expenses.

Applicants eligible for loans under the program must be either the Maryland Economic Development Corporation (MEDCO) or an individual or business entity that: (1) is primarily engaged in a business in an eligible industry sector; (2) intends to use the funds for a project that has a strong potential for expanding or retaining employment opportunities in the State; and (3) submits an application containing all information deemed necessary by DBED or the authority. ***Chapter 301*** also required that projects funded be growth-related projects as defined under the State's Smart Growth provisions.

Recipients of the loans may only use the funds for: (1) acquisition or construction of a building or real estate; (2) acquisition, construction, or installation of machinery, equipment, furnishings, fixtures, leasehold improvements, or site improvements; or (3) working capital. Loans from the fund may not be less than $250,000 if the fund balance is less than $10 million. Loans from the fund may not exceed the lesser of $10 million or 20 percent of the fund balance. While the authority has the ability to set terms and conditions of loans, the Act set maximum terms and specified that the interest rate must be below the market rate of interest. Unless the borrower is MEDCO, the amount of the loan may not exceed 70 percent of the project being financed.

Enhanced Business Tax Credit

Chapter 510 of 1999 created a tax credit program for business entities that substantially expand their business in the State. If a business meets the specified requirements in the Act, it is eligible for a local property tax credit equal to 58.5 percent of the amount of property tax imposed on the assessment of the new or expanded premises for 12 years, beginning in the tax year following the date on which the credit requirements are met. In addition, the business may claim a credit against certain State taxes equal to 31.5 percent of its property tax amount for 12 years. To qualify, the entity must obtain at least 250,000 square feet of new or expanded premises and either continue to employ at least 2,500 individuals in existing positions and hire at least 500 individuals in new positions or hire at least 1,250 individuals in new positions.

The impetus behind ***Chapter 510*** was the opportunity to retain the corporate headquarters of Marriott International, Inc. in Montgomery County. The legislation was seen as an important component to the incentive package offered to the company to remain in the State.

Smart Growth

Maryland Enterprise Zones

The General Assembly created the Enterprise Zone tax credit in 1996 to encourage businesses to locate in economically distressed areas and hire residents from those areas by letting them claim a credit against corporate or personal income taxes for wages paid to newly hired employees. By 2002 the State had approved 35 enterprise zones. ***Chapter 467 of 1999*** authorized local governments to designate focus areas in particularly distressed parts of an enterprise zone and doubled the Enterprise Zone tax credit for development in focus areas. The Comptroller has indicated that these and other credits are not fully used due to factors such as administration and complexity. However, the use of enterprise zone tax credits is growing. Approximately $526,600 of enterprise tax credits was claimed on income returns for tax year 1999.

The legislation also allowed businesses in those zones to claim an enhanced property tax credit that is 80 percent of the property tax amount each year for ten years.

Chapter 464 of 2000 required the Department of Business and Economic Development (DBED) to take into consideration whether a project will be located in a focus area or an enterprise zone when deciding whether to provide financial assistance to a business project. It also barred the Secretary of DBED from designating any area as an enterprise zone unless it is designated as a priority funding area.

Further, the Act established a 15-member Task Force to Study the Maryland Enterprise Zone Program. As a result of recommendations offered by that task force, ***Chapter 305 of 2001*** expanded the definition of a qualified employee for whom a business can take an enterprise zone credit to require that the employee earns at least 150 percent of the federal minimum wage ($5.15 per hour). It also boosted the number of hours required to be worked by an employee being claimed for the credit from 25 to 35. It increased the credit that can be claimed by businesses located in a focus area within an enterprise zone and those outside the focus area, as well as the credits that can be claimed by all enterprise zone businesses for an economically disadvantaged employee and other qualified employees.

Smart Codes

In 1999 several architects, planners, local code officials, environmentalists, and others joined the Governor at the Maryland Smart Codes Conference. Participants discussed impediments to development caused by Maryland's construction codes and development regulations, such as overlapping and unclear requirements, the lack of predictability due to varying requirements and interpretations among jurisdictions, the lack of flexibility, and the lack of training for local code officials and private businesses. The Governor appointed a steering committee and charged the group with recommending innovative ways to strengthen Maryland's existing communities by altering the State's building codes and development regulations.

Chapter 207 of 2000 addressed one of the steering committee's recommendations by requiring the Department of Planning to develop model land-use codes for infill development and smart neighborhood development. "Infill development" is new development in a priority funding area on vacant, bypassed, and underutilized lands within existing developed areas. "Smart neighborhood development" is comprehensively planned, compact mixed-use development in a priority funding area that integrates residential, commercial, open space, and public uses.

Chapter 206 of 2000 addressed another recommendation by adopting a statewide building rehabilitation code that applies to all rehabilitation projects in the State for which a construction permit application is received. The Maryland Building Rehabilitation Code is to be developed and adopted by the Department of Housing and Community Development (DHCD) in cooperation with a 27-member Maryland Building Rehabilitation Code Advisory Council, the Department of Labor, Licensing, and Regulation, and the State Fire Marshal.

Community Legacy Program

Chapter 208 of 2001 established the Community Legacy Program to address gaps in funding for community redevelopment projects such as street scape improvements. The Community Legacy Program, operated by DHCD, marks the sixth addition to the

Smart Growth program, which was created to combat sprawl by revitalizing developed areas and preserving open space in rural areas. The fiscal 2002 budget included $10 million of "pay-as-you-go" (PAYGO) and operating funds for the program. The fiscal 2003 budget included $6 million of general obligation bonds and $500,000 operating funds.

The Act allows DHCD to administer competitive grants and loans to local governments or community development organization for projects that meet specific criteria. At the end of 2001, the Governor awarded grants to 52 municipalities and neighborhoods to bolster downtown areas and promote home ownership in those areas. A five-member board administers the program and an 11-member advisory committee provides recommendations. In order for the board to designate an area as a community legacy area, the sponsor must demonstrate a need for reinvestment based on past and current trends in home ownership, property values, commercial and residential vacancy, and business or housing investment. No more than 15 percent of the total financial assistance can be used to pay for noncapital expenditures.

The program is supported by the Community Legacy Financial Assistance Fund, a continuing nonlapsing fund that includes money appropriated in the State budget, payments from recipients, investment earnings, and any other monies accepted for the benefit of the fund.

Chapter 58 of 2001 expanded the areas eligible for assistance under the Neighborhood and Community Assistance Program to include priority funding areas. The Act also allowed DHCD to give preference for proposed projects that benefit a designated revitalization area. Through this program, nonprofit organizations market tax credit allocations to businesses that contribute to approved community projects. Expanding the eligible program area may also make it easier for nonprofit entities to receive donations from local businesses.

Heritage Structure Rehabilitation Tax Credit

During the 2001 interim, the General Assembly was advised by the Department of Legislative Services that the State could experience significant revenue losses in the near future under the Maryland Heritage Structure Rehabilitation Tax Credit. This heritage credit, administered by the Maryland Historical Trust in DHCD, was established in 1996, expanded in 1997 and 1998, and made refundable in 2001. Based on information provided by the Maryland Historical Trust, the heritage credit was projected to reduce State revenues by $50 to $84 million annually.

The original law allowed a person to claim a tax credit equal to 25 percent of the expenditures for the rehabilitation of a certified heritage structure for the taxable year in which a certified rehabilitation was completed. The heritage credit is allowed for both residential and commercial projects and may be claimed by nonprofit organizations.

Chapter 541 of 2002 significantly limited the Maryland Heritage Structure Rehabilitation Tax Credit. The legislation reduced the credit percentage to 20 percent and provides that a State tax credit for a single rehabilitation under the program may not exceed $3 million. Rehabilitation expenditures that qualify for the credit are limited to the estimated expenditures stated in the application for approval of a proposed rehabilitation submitted to the Maryland Historical Trust. The legislation also eliminated a loophole in the law under which the credit could be taken for expenditures financed by State grants and other State financing.

Chapter 541 further limited the use of the Heritage Structure Rehabilitation Tax Credit by providing that a single rehabilitation includes the phased rehabilitation of the same structure and the rehabilitation of multiple structures that are functionally related. Additionally, the Act repealed current law that authorizes the Maryland Stadium Authority to utilize the heritage tax credit on behalf of the Hippodrome Performing Arts Center. Financing of the Hippodrome Performing Arts Center was accommodated through increased bonding authority under the provisions of ***Chapter 417 of 2002***.

To ensure that usage of the credit is monitored, ***Chapter 541*** required DHCD to report quarterly on complete and incomplete projects. The Act, which took effect on June 1, 2002, "grandfathered" all incomplete projects for which an application has been submitted for approval of a proposed rehabilitation as of February 1, 2002 (the introduction date of the enactment) and provided that the projects could take the tax credit under the law in effect on May 31, 2002. The Act also stated that it was the intent of the General Assembly that the Heritage Structure Rehabilitation Tax Credit for commercial rehabilitations could not exceed $50 million annually. The Act also required the Department of Legislative Services (DLS) to monitor approval of commercial rehabilitations eligible for the credit. If the approval of commercial rehabilitations under the credit in a calendar year would result in more than $50 million in tax credits, DLS is required to notify the General Assembly and prepare legislation that would implement a $50 million overall cap.

The Act also provided a two-year termination date for the tax credit, allowing the General Assembly to evaluate its use over the two years following the legislation's enactment and determine whether to continue the tax credit.

Business Financing Program Consolidation

The State offers a variety of tools to provide financial assistance to businesses in the State. In accordance with ***Chapters 299 and 301 of 1999*** and the *Joint Chairmen's Report* on the operating budget for fiscal 2000, a study panel convened during the 1999 interim to review the potential for consolidating the current financing programs under DBED. ***Chapter 305 of 2000*** represented the final recommendations of the panel and consolidated 20 financing assistance programs into ten primary programs. The Act amended the Maryland Economic Development Assistance Authority and Fund

(MEDAAF) and the Maryland Industrial Development Financing Authority (MIDFA) to incorporate the capabilities of the repealed programs and funds.

Six programs were consolidated into the MEDAAF to create a large direct loan, grant, and equity investment fund. ***Chapter 305*** repealed the following funds:

- Maryland Industrial Land Act (MILA);
- Maryland Industrial and Commercial Revitalization Fund (MICRF);
- Brownfields Revitalization Incentive Program (BRIP);
- Animal Waste Technology Fund;
- Seafood and Aquaculture Loan Fund;
- Child Care Special Loan; and
- Day Care Facilities Direct Loan.

Fund balances of the consolidated repealed funds were transferred to MEDAAF on July 1, 2000. The initiative further consolidated the Day Care Facilities Guarantee Fund, the Enterprise Deposit Incentive Fund, and the Maryland Energy Financing Administration (MEFA) into the MIDFA. Obligations of the repealed funds, except MEFA, became obligations of MIDFA after July 1, 2000, and the repeal of MEFA took effect January 1, 2002.

The legislation also repealed two inactive funds: the Enterprise Zone Venture Capital Guarantee Fund and the Maryland Workforce Training Fund.

Other Important Economic and Community Development Issues

Maryland Economic Development Corporation (MEDCO)

In 1984, the General Assembly created the Maryland Economic Development Corporation to boost development in neglected areas of the State and specifically to redevelop an unused property in Western Maryland. MEDCO issues bonds financed by private investors to participate in projects and does not use bonds backed by the State. All bonds and interest are repaid by revenues generated by MEDCO's projects. However, as a State-sponsored entity, the bonds are tax exempt. ***Chapter 338 of 2001,*** enacted as emergency legislation, amended MEDCO's corporate powers to conform to current practices. Major projects for which MEDCO has provided financing include the General Motors Allison Transmissions plant in Baltimore County and the Rocky Gap

Lodge and Golf Resort in Allegany County. A significant portion of MEDCO's projects (29 percent) are located in Baltimore City, and almost one-quarter are in more rural regions of the State.

According to the enabling legislation establishing MEDCO, the corporation's statutory purposes included: (1) relieving conditions of unemployment in the State; (2) encouraging the increase of business activity and commerce and a balanced economy in the State; (3) assisting in the retention of existing business activity and commerce and in the attraction of new business activity in the State; (4) promoting economic development; and (5) generally promoting the present and prospective health, happiness, safety, right of gainful employment, and general welfare of the residents of the State.

Concerns were raised that ***Chapter 338***, though intended to codify current practices, would allow MEDCO to compete directly with the private sector for the development of economic development projects. Due in part to these concerns, the legislation was amended so that MEDCO can participate in projects only if the private sector has not already demonstrated serious and significant interest and development capacity or if a local government has requested in writing that MEDCO own and operate the project.

Baltimore City West Side Redevelopment – Hippodrome Performing Arts Center

The West Side of Baltimore, a once thriving downtown district that boasted department stores, luxury hotels, and elaborate movie theaters, became the focus of a $350 million redevelopment initiative. Restoration and reopening of the Hippodrome Performing Arts Center, a former vaudeville playhouse, is the cornerstone of this initiative. The Hippodrome will be converted into a 168,000-square-foot theater that is expected to attract large Broadway touring shows. The Maryland Stadium Authority (MSA) estimates that project costs for the Hippodrome will total approximately $56 million. The General Assembly approved $13 million in "pay-as-you-go" (PAYGO) general funds for the Hippodrome as part of the fiscal 2001 budget.

Chapter 185 of 2000 authorized the MSA to issue $12 million in bonds for renovation and construction of the arts center. While ***Chapter 417 of 2002*** increased the amount of the bonds that MSA can issue for the Hippodrome from $12 to $20.25 million, it also decreased from $23.5 to $20.1 million the private commitment that MSA must secure to fund total acquisition and capital costs and increased from $10 to $17.4 million the amount of bond proceeds that MSA can use for certain expenses related to the Hippodrome. The Hippodrome Performing Arts Center Financing Fund may accept proceeds from the sale of bonds. Monies in the fund are to be used to the extent deemed appropriate for the payment of debt service on MSA bonds for the Hippodrome for all reasonable charges and expenses related to the MSA's borrowing and the management of MSA's obligations.

Until the enactment of ***Chapter 186 of 2000***, property at the Hippodrome site owned by the MSA was exempt from property taxes. The remaining privately-held properties to be acquired by the MSA that encompass the Hippodrome site are subject to taxation. In order to subject all MSA-owned property at the Hippodrome site to taxation during the construction phase, ***Chapter 186*** stipulated that the Hippodrome facility and site are subject to property taxes unless: (1) the property is used principally as a performing arts center; and (2) the owner negotiates a payment in lieu of property taxes with the Baltimore City Board of Estimates. Once the Hippodrome is operational and considered a "performing arts center," the property at the site would be exempt from taxation and, instead, be subject to a negotiated payment "in lieu of property taxes."

Tourism Funding

Prior to and during the 2001 session, legislators focused increasing attention on tourism, particularly on what the State needs to spend to compete with neighboring states. ***Chapters 612 and 613 of 2001*** required an annual $2.5 million increase for the Maryland Tourism Development Board Fund -- a special nonlapsing fund used by the board to plan, advertise, and develop tourism and travel industries in the State -- from $6 million in fiscal 2002 to $8.5 million in fiscal 2003 and each year beyond. Prior to ***Chapters 612 and 613***, a 1997 enactment increased funding for the board with a funding cap of $6 million, which was reached in the fiscal 2001 budget.

The legislation also expanded the membership of the board to include two additional members from the private sector and directed the President of the Senate and the Speaker of the House of Delegates to ensure that each geographic region of the State is represented on the board.

Chapter 440 of 2002 (the Budget Reconciliation and Financing Act) lowered the statutory funding requirements for the fund. **Exhibit H.1** shows the changes made by the legislation.

Exhibit H.1
Funding for MD Tourism Development Board ($ in Millions)

Fiscal Year	Chapters 12 & 13 (2001)	Chapter 440 (2002)
2003	$8.5	$6.0
2004	$8.5	$6.0
2005	$8.5	$7.0
2006	$8.5	$7.0
2007 and thereafter	$8.5	$8.5

Chapters 612 and 613 of 2001 also directed the Governor to appropriate not less than $7 million (the fiscal 2001 appropriation) for the Office of Tourism Development in future budgets. Additionally, the legislation directed the Tourism Development Board to report by December 1, 2002, to the Senate Finance, Senate Budget and Taxation, and House Economic Matters committees on its activities related to:

- planning, promotion, and development of the tourism industry in the State during fiscal 2001 and 2002;
- its anticipated plan of activities during fiscal 2003–2007; and
- its recommendations on the funding level for fiscal 2004 and subsequent fiscal years.

According to the National Conference of State Legislatures, state governments budgeted $644 million for travel and tourism development in fiscal 2000. It is a significant industry in Maryland, generating approximately $8.1 billion in traveler spending and $677 million in local and State tax revenue in 2000. Tourism is also approximately the fourth largest industry in the State. However, Maryland ranks about twenty-fifth in the nation for state funding of tourism promotion; Pennsylvania and Virginia rank fourth and fifth, respectively. As originally introduced, ***Chapters 612 and 613*** would have created a cabinet-level Department of Tourism and would have made Maryland one of six states to have such a department. As passed that provision was deleted from the enactment.

Arts and Entertainment District Tax Credits

Chapter 608 of 2001 authorized the Secretary of the Department of Business and Economic Development to designate arts and entertainment districts within a county or municipal corporation for areas that are distinguished by physical and cultural resources which play a vital role in the life and development of the community. The legislation is intended to encourage the renovation of manufacturing, commercial, or industrial buildings to provide housing for residing artists by providing a credit (for up to ten years) against the county or municipal corporation property tax.

The legislation also created a subtraction modification under the Maryland income tax for the amount of income derived from the publication, production, or sale of artistic work by a qualifying residing artist. A resident artist or for-profit or nonprofit organization dedicated to visual or performing arts can also receive an exemption from the local admissions and amusement tax for certain receipts if they are located in an arts and entertainment district, as well as financial assistance from the Maryland Economic Development Assistance Authority and Fund (MEDAAF).

Workers' Compensation

During the 1999–2002 term, the General Assembly passed several measures impacting workers' compensation benefits, insurance, and rates. Bills related to the operation of the Workers' Compensation Commission, the Injured Workers' Insurance Fund, the Subsequent Injury Fund, and the Uninsured Employers' Fund were also enacted.

Workers' Compensation Commission

Hearing Locations: ***Chapter 90 of 2000*** altered the process for assigning hearing locations for workers' compensation cases. The Act provided that a covered employee may elect to have a hearing on a claim before the Workers' Compensation Commission (WCC) held at:

- a regional hearing location determined by the WCC to be convenient to all parties;
- a regional hearing location that covers the county in which the covered employee resided at the time that the injury or last injurious exposure occurred; or
- Baltimore City.

If the employer is a governmental agency and hearings are not conducted in the county in which the agency is located, a hearing may be held in the regional hearing location nearest that county's government offices.

Commission Budget Process: ***Chapter 487 of 2002*** required the creation of a 12-member committee to advise the WCC on budget-related issues. Committee members will represent business, labor, insurance, vocational rehabilitation, medical, and legal interests. The committee is required to report annually to the Governor, who must give due consideration to its recommendations. The Act also created a special fund to pay specified costs and expenses of the WCC prior to an assessment on employers to reimburse the special fund. The State Treasurer is custodian of the continuing, nonlapsing fund and must deposit payments received from the WCC into the fund. The bill specified that, unless otherwise provided by law, no part of the fund may revert or be credited to the general fund or another special fund. The WCC will continue to pay all fines and penalties collected into the general fund.

Construction Carve Out: The repeal of the termination date for the "construction carve out" was approved in ***Chapter 173 of 2002***. The "construction carve out" authorizes an employer and a recognized bargaining representative of employees under the purview of the Building and Construction Trade Council to adopt an alternative

dispute resolution system for workers' compensation claims as part of a collective bargaining agreement. The legislation which originally established the carve out provisions (Chapter 591 of 1997) had a termination date of September 30, 2002.

Injured Workers' Insurance Fund

The Injured Workers' Insurance Fund (IWIF) was created in 1914 as the State Accident Fund, a self-supporting trust fund under the Workers' Compensation Commission. The fund was created to provide workers' compensation insurance to any employer who was unable or who elected not to obtain insurance from a private carrier. Coverage was extended regardless of the employer's experience rating. In 1941 the fund was made an independent State agency.

In late 1998 and early 1999, the *Baltimore Sun* ran a series of articles calling into question IWIF's procurement and executive compensation practices. On June 2, 1999, the Governor issued an executive order creating a 13-member task force to review the operations of IWIF. The task force made the following recommendations:

- IWIF should be subject to oversight by the Maryland Insurance Administration;
- IWIF should be a member of the Property and Casualty Insurance Guaranty Corporation; and
- given IWIF's statutory role as the workers' compensation insurer of last resort, IWIF should continue to be exempt from the State's 2 percent premium tax.

Chapter 567 of 2000 implemented some of the recommendations of the task force.

The Act required IWIF to become a member of the Property and Casualty Insurance Guaranty Fund, but only after the Insurance Commissioner certified IWIF's solvency. IWIF is also exempted from the Open Meetings Law. In addition, the Act required that IWIF be phased into several regulatory requirements under the Insurance Article of the Annotated Code, including those related to risk-based capital standards, asset and reserve requirements, and impaired entities.

The legislation further required the Insurance Commissioner to regularly examine IWIF's affairs, transactions, accounts, records, and assets. The Insurance Commissioner is required to report the results of any examination to IWIF's board. ***Chapter 567*** also increased the membership of the IWIF governing board from seven to nine members and imposed a two-term limit.

Chapter 22 of 2002 subjected IWIF to additional regulation by the Insurance Commissioner and provided for a phase-in of risk-based capital standards previously required by ***Chapter 567 of 2000***. The Act specifically required IWIF to meet risk-based capital standards over a five-year phase-in period ending in 2005. The Insurance Commissioner is required to ensure that IWIF has capital in excess of the amount that would trigger a "company action level event" before IWIF may become a member of the Property and Casualty Insurance Guaranty Fund.

Subsequent Injury Fund

The Subsequent Injury Fund is a special fund that compensates injured workers whose preexisting injuries, diseases, or congenital conditions are substantially worsened by current work-related injuries. Employers or their insurers are only liable for workers' compensation costs associated with current injuries. The fund is liable for workers' compensation costs from the combined effects of previous injuries and conditions.

A 6.5 percent assessment is charged on all workers' compensation permanent disability or death awards and settlements approved by the Workers' Compensation Commission. Revenue from the 6.5 percent assessment provides the sole source of funds for benefit claims (nonbudgeted) and the agency's budgeted administrative expenditures. The 6.5 percent assessment has been in place since 1987. Prior to 1987, the assessment was 5 percent.

Chapter 311 of 1999 extended the 6.5 percent assessment to fund the Subsequent Injury Fund from June 30, 1999, to June 30, 2003.

Uninsured Employers' Fund

The Uninsured Employers' Fund compensates injured workers employed by uninsured employers who default in payment, pays experts or witnesses hired to assist the Attorney General in defending a claim, and pays the obligations of a self-insured employer who has become insolvent. Until 1999 the fund received revenue from four sources: (1) a maintenance assessment on all insurers by the WCC; (2) a 1 percent assessment on all workers' compensation permanent disability or death awards and settlements approved by the WCC; (3) income from investments that the State Treasurer makes for the Subsequent Injury Fund; and (4) interest on deposits or investments of money from the Subsequent Injury Fund.

Chapter 316 of 1999 altered the revenue source for the administration of the Uninsured Employers' Fund from general funds to special funds. The Act eliminated the maintenance assessment imposed by the WCC on all insurers for the administration of the fund. The fund continues to receive revenue from the other three sources. The 1 percent assessment occurs if the balance of the Subsequent Injury Fund drops below

$1 million and suspends if the balance is at least $2.5 million. June 5, 1996, was the last suspension of the 1 percent assessment. The assessment resumed May 1, 1998.

Workers' Compensation Benefits

Permanent Total Disability Claims: ***Chapter 457 of 1999*** increased the average weekly wage paid by an employer or an insurer to an amount equal to one-third of the average weekly wage of the covered employee but not to exceed $114, if a covered employee is awarded workers' compensation for a permanent partial disability for less than 75 weeks in a claim arising from events occurring on or after January 1, 2000.

Chapter 280 of 2000 required the Subsequent Injury Fund to pay a cost-of-living adjustment (COLA) to an individual receiving workers' compensation payments for a permanent total disability if the individual was the victim of a violent crime that resulted in the compensable permanent total disability. The legislation was retroactive and applied to injuries that occurred after December 22, 1978, but before January 1, 1988. The bill required the Subsequent Injury Fund to pay an individual who qualifies under the bill a lump-sum payment equaling the total of all annual COLAs not previously paid to the individual between January 1, 1988, and June 30, 2000. The Act terminated on June 30, 2001.

Lyme Disease Presumption: ***Chapter 179 of 1999*** specified that a paid law enforcement employee of the Department of Natural Resources is a covered employee for workers' compensation purposes and established a presumption that the paid law enforcement employee has an occupational disease if the employee: (1) is suffering from Lyme disease; (2) was not suffering from Lyme disease before assignment to a position that regularly places the employee in an outdoor wooded environment; and (3) demonstrates that the employee had any Lyme disease vaccination required or made available to the employee by the Department of Natural Resources.

Permanent Partial Disability: Scheduled payments for permanent partial disability caused by the loss of a thumb, finger, or great toe are based on the middle tier rate of compensation for permanent partial disability, rather than the lower tier rate of compensation. The statutory provision that requires compensation at the higher rate was initially approved by Chapter 591 of 1987 with a termination date of January 1, 1990. The termination date for this Act was extended several times. ***Chapter 231 of 2000*** repealed the January 1, 2001, termination date and ensured that permanent partial disability benefits will continue to be paid at the middle tier for the loss of a great toe, thumb, or finger.

Temporary Total Disability – Jurisdiction of the WCC: An employer, employee, or insurer who is aggrieved by a WCC decision may appeal to the circuit court within 30 days of the WCC's order. The circuit court conducts a *de novo* proceeding.

During the appeal process, the WCC retains jurisdiction only to consider a request for additional medical treatment and attention. An order is not stayed while it is on appeal.

Chapter 398 of 2000 clarified that the WCC retained jurisdiction pending an appeal to consider a request for temporary total disability benefits if the order that is on appeal granted temporary total disability benefits that were subsequently terminated by the insurer pending resolution of the appeal.

The Act provided that if the WCC finds that an employee was temporarily totally disabled at the time the benefits were terminated, the WCC has the authority to pass a supplemental order requiring the employer to reinstate temporary total disability benefits. Additionally, the law provided that if the WCC's decision to reinstate temporary total disability benefits is reversed or modified on appeal, the insurer or self-insurer is entitled to an offset or credit for overpayment of the temporary total disability benefits granted in the supplemental order.

Calculation of Occupational Hearing Loss: ***Chapter 417 of 2000*** altered the standards for determining whether an employee has suffered a compensable hearing loss. The Act lowered the threshold hearing level for a compensable loss by increasing the frequencies over which hearing loss is measured. Finally, the legislation increased from 40 to 50 the age at which a measurement must be adjusted to account for age-related hearing loss.

Enhanced Workers' Compensation Benefits for Public Safety Employees: ***Chapter 303 of 2001*** added Prince George's County deputy sheriffs to the list of public safety employees who are entitled to enhanced workers' compensation benefits for permanent partial disability awards of less than 75 weeks. A public safety employee entitled to the enhanced benefits may receive two-thirds of his or her average weekly wage, not to exceed one-third of the State's average weekly wage. Without the enhanced benefits, the employee would receive one-third of his or her average weekly wage, not to exceed $114.

Modification of Awards: ***Chapter 568 of 2002*** clarified that, except in specified cases involving fraud, the WCC may not modify an award unless the modification is applied for within five years after the latter of:

- the date of the accident;
- the date of disablement; or
- the last compensation payment.

The first two time constraints were added to a provision in the workers' compensation law that requires the modification to be applied for within five years of the

date of the last compensation payment. The intent of ***Chapter 568*** was to address a situation in which medical benefits are received but when no wage compensation is paid. Medical benefits awarded from a claim are lifetime benefits.

Partly Dependent Individuals: ***Chapter 550 of 2002*** modified the calculation for payment of weekly death benefits to partly dependent individuals and increased the maximum amount of death benefits that may be received by partly dependent individuals from $45,000 to $60,000.

Workers' Compensation Insurance Regulation

Workers' Compensation Insurers – Office and Personnel Requirements: ***Chapter 609 of 2001*** altered the office and personnel requirements for employers who self-insure for the purposes of workers' compensation insurance and for workers' compensation insurers. The Act required each self-insuring employer and each insurer to have in the State competent individuals who:

- handle and adjust disputed workers' compensation claims for the employer or insurer; and
- possess the knowledge and experience to handle and adjust disputed claims.

The Act altered an existing requirement that each self-insured employer and each workers' compensation insurer have in the State an office run by a competent individual who handles all workers' compensation work in the State for the employer or insurer.

Regulation of Self-insurance Groups: ***Chapter 426 of 2001*** defined insolvent self-insurance group to mean a self-insurance group in which each individual member of the group is unable to meet the member's debts as they mature in the ordinary course of business as determined by the Insurance Commissioner.

Chapter 426 provided that each member of a self-insurance group is jointly and severally liable for the workers' compensation obligations of the group and its members incurred during its membership period. Obligations of a member related to its joint and several liability exist regardless of whether the member terminates group membership or becomes insolvent or bankrupt.

Unemployment Insurance

During the 1999–2002 term of the General Assembly, unemployment insurance taxation and charging underwent relatively little change. Most significantly, the level of maximum weekly benefits was increased in 2000 and again in 2002, while other

legislative initiatives to extend unemployment insurance benefits to a broader range of individuals were unsuccessful.

Unemployment Insurance Trust Fund

Maryland's unemployment insurance law requires the level of the Unemployment Insurance Trust Fund, which pays benefits to eligible unemployed individuals, to be maintained at a level between 4.7 and 5.5 percent of the total taxable wages of the State. In order to maintain relatively stable tax rates, the trust fund balance ideally must hover in this range.

Employer Contributions and Surcharge

With some limited exceptions, Maryland employers must contribute to the Unemployment Insurance Trust Fund. Approximately 95 percent of all employers make contributions. The employer's contribution is based on the first $8,500 in wages paid to an employee. Generally, the basic rate of an employer's contribution is determined by the amount of benefits charged to that employer in the immediately preceding three years. A different formula is applied to new employers who are not yet eligible for an earned rate. In addition to the basic contribution, an employer may be assessed a surcharge when the ratio between the trust fund balance and the total taxable wages of the State falls below 4.7 percent on September 30 in any given year. Although the fund balance was within $30 million of triggering a surcharge in 2001, no surtax has been charged to employers since calendar 1996. Because the trust fund received a deposit of $142.9 million in March 2002 through the federal Job Creation and Worker Assistance Act of 2002, the ratio is not expected to drop low enough to trigger the surtax for calender 2003.

Benefits

Maximum Weekly Benefits

The maximum weekly benefit for an eligible worker is set by statute. ***Chapter 369 of 2000*** raised the maximum weekly benefit from $250 to $280 and adjusted the wage schedule accordingly. The maximum weekly benefit amount was raised again by ***Chapter 239 of 2002*** from $280 to $310. ***Chapter 239*** also provided that if a surcharge is triggered on the trust fund on September 30, 2002, the benefit increase would not take effect, thus maintaining the maximum weekly benefit of $280. As discussed above, because of the deposit into the trust fund of $142.9 million in federal funds, the taxable wages/trust fund ratio is expected to be above the minimum 4.7 percent on September 30, 2002, thus avoiding a surcharge on employers for calendar 2003. Although the maximum weekly benefit amount continues to increase, the percentage of the State average weekly wage that the maximum weekly benefit represents has decreased slightly.

For example, the 1995 increase to $250 represented approximately 47 percent of the average weekly wage, but the increase to $280 in 2000 represented only approximately 44.5 percent. The latest increase to $310 replaces 45.5 percent of the average weekly wage.

Partial Earnings Allowance

An individual who is employed full time is not entitled to unemployment insurance benefits. However, an individual may work part time and earn up to a specified earnings allowance before deductions are made from the individual's weekly benefit amount. Any amount over this earnings allowance is deducted from the individual's weekly benefit amount on a dollar-for-dollar basis. ***Chapter 239 of 2002*** increased the amount of wages from $70 to $90 that an individual may earn before subtracting from the individual's unemployment insurance benefits for purposes of calculating partial unemployment insurance benefits.

Self-employment Assistance Program

In response to a provision in the North American Free Trade Agreement that authorizes states to amend their unemployment insurance laws to allow certain categories of claimants to work full time toward starting their own businesses rather than actively seek full-time work, the Self-Employment Assistance Program allows individuals to receive an allowance from the Unemployment Insurance Trust Fund while participating in self-employment assistance activities such as entrepreneurial training, business counseling, and technical assistance. The program has been in effect in Maryland since 1995 and has assisted numerous entrepreneurs to establish new businesses ranging from telecommunications companies to pet day care services. While the program was due to expire on June 1, 1999, ***Chapter 309 of 1999*** extended the termination date to June 1, 2000, and ***Chapter 227 of 2000*** provided that the program would continue until federal or other sources of funding are no longer available.

Labor and Industry

During the 1999–2002 term, the General Assembly passed legislation relating to the use of employee sick leave for adoption, test procedures for drug screening of job applicants, the adoption of updated federal regulations for bloodborne pathogen standards, and the actions and work schedules of health care workers.

Use of Employee Sick Leave for Adoption

The federal Family and Medical Leave Act (FMLA) of 1993 entitles certain employees to take 12 work weeks of *unpaid* leave for the birth or adoption of a child. The FMLA does not prohibit employers from allowing the substitution of *paid* accrued

vacation, personal, or sick leave for any otherwise unpaid FMLA leave needed. The substitution of the paid leave must meet the employer's normal leave requirements. ***Chapter 503 of 1999*** required an employer who provides paid leave to an employee following the birth of a child to provide the same benefit to an employee who adopts a child. The Act applied to private employers and certain State and local government units. ***Chapter 376 of 2002*** repealed the Act's termination provision.

Drug Screening of Job Applicants

Chapter 615 of 2001 authorized employers who test job applicants for controlled dangerous substances to use a "preliminary screening procedure" for those substances unless the employer has entered into a collective bargaining agreement that prohibits a screening procedure. The employer also may designate a medical laboratory licensed to perform job-related drug testing for the preliminary screening procedures. The Act specified procedures for the handling, storage, and shipping of blood, urine, or hair specimens but exempted an employer using preliminary screening procedures from medical laboratory permit requirements.

Occupational Safety and Health – Bloodborne Pathogen Standard

Health care workers are at great risk for occupationally acquired illness from needle stick injuries. Employers are required to use controls to eliminate or minimize employer exposure to bloodborne pathogens. In 1999 the federal Occupational Safety and Health Administration (OSHA) adopted updated federal regulations that use new technology to reduce the risk of exposure.

Chapter 367 of 2000 required the Commissioner of Labor and Industry to adopt regulations to implement the bloodborne pathogen standard established by OSHA as of November 5, 1999. The federal standards encourage the use of needleless technology and require employers, in devising their exposure control plan, to ensure that those plans reflect consideration and use of "commercially available safer medical devices," including retractable and needleless needles. Employer reports of occupational exposures must include needle sticks. For an additional discussion of the bloodborne pathogen standard, see Part J – Health of this *Major Issues Review*.

Health Care Whistleblower Protection

Chapter 504 of 2002 prohibited an employer from taking or refusing to take certain actions regarding a licensed or certified health care employee because the employee discloses or threatens to disclose unlawful activity of the employer to a supervisor or board. For an additional discussion of health care whistleblower protection, see Part J – Health of this *Major Issues Review*.

Mandatory Nurse Overtime Prohibition

Chapter 322 of 2002 prohibited an employer from requiring a nurse to work more than the nurse's regularly scheduled hours according to a predetermined work schedule except in specified emergency circumstances. For an additional discussion of the mandatory nurse overtime prohibition, see Part J – Health of this *Major Issues Review*.

Alcoholic Beverages – Statewide Laws

Much of the legislative activity in the area of alcoholic beverages has focused on the sale and distribution of alcoholic beverages within individual political subdivisions in the State. Legislation affecting local jurisdictions primarily addresses the issuance and transfer of licenses and the regulation of license fees and the hours and days of sale of alcoholic beverages. There were, however, several notable statewide bills enacted during the 1999–2002 term of the General Assembly relating to alcoholic beverages.

Direct Shipments to Consumers

Since the twenty-first amendment of the United States Constitution repealed prohibition, the states have had the primary role in regulating the sale of alcoholic beverages. Maryland regulates the distribution of alcoholic beverages through a three-tier license system, composed of suppliers, wholesalers, and retailers. The system was designed to: (1) avoid the overly aggressive marketing and sales practices used by the suppliers during the first part of this century; (2) generate revenues that could be collected by the states safely and efficiently; and (3) facilitate the process of allowing state and local control of alcoholic beverages.

The ability to sell products directly to consumers through the Internet has concerned State alcoholic beverage officials who believe that direct sales of alcoholic beverages may result in a loss of tax revenue and increase the potential of persons under 21 years of age to gain access to alcoholic beverages through direct shipment. However, many consumers have expressed the desire to have the opportunity to obtain hard-to-locate alcoholic beverages, most often wines that are not distributed by wholesalers in the State. The wine industry is most affected by the ability or inability to ship directly to consumers because of the often limited distribution of certain wines. In addition, many Maryland wineries have expressed interest in accessing markets outside the State by shipping directly to consumers outside of Maryland.

Interstate Shipment – Felony

In an effort to address the concerns regarding direct shipment, ***Chapter 616 of 1999*** made it a felony for out-of-state shippers of alcoholic beverages to ship, cause to

be shipped, or deliver alcoholic beverages to a person in this State. This prohibition includes alcoholic beverages that are ordered or purchased through a computer network. A violation is punishable by a fine of up to $1,000 or imprisonment up to two years or both.

Direct Wine Seller's Permit

Chapter 251 of 2002 created a direct wine seller's permit that authorizes out-of-state permit holders to sell wine to Maryland consumers through the wholesale and retail tiers of the alcoholic beverages distribution system. The Act authorized each permit holder to sell up to 108 liters of wine annually to a single consumer and up to 900 liters of wine annually to all Maryland consumers. The permit holder must file an annual tax return, may not sell wine that is distributed by any licensed wholesaler or distributed in Maryland two years prior to the application for the wine seller's permit is filed and must ship the wine freight prepaid to a Maryland wholesaler. The wholesaler must then deliver the wine to a retail dealer. Wholesalers may charge consumers a fee of $2 per bottle or $4 per shipment, and retailers may charge consumers a fee of $5 per bottle or $10 per shipment. The Act does not authorize Internet shipping directly to consumers; however, it does allow permit holders to receive orders on the Internet and ship wine through wholesalers and retailers to consumers in Maryland.

Winery Events

Chapter 598 of 2000 established a winery special event permit that allows a Class 4 limited winery licencee to provide free samples of wine or sell wine by the glass for consumption at the event. The winery may also sell bottles of wine for off-site consumption. Permits are issued for events organized and conducted by a nonprofit organization or a government entity at which the sale and promotion of alcoholic beverages is a subordinate activity. A Class 4 licensee may receive up to 12 special event permits per year though not more than one per year may be issued for use in the same political subdivision.

Enforcement of Unlawful Sale to Underage or Intoxicated Persons

It remains unlawful for a licensed seller of alcoholic beverages to sell or furnish alcoholic beverages to any person under age 21 or to any person who, at the time of sale or delivery, is visibly under the influence of any alcoholic beverage. Police officers make application for and use a statement of charges as the charging document for unlawful sales to an underage drinker or intoxicated person. However, ***Chapter 544 of 2002*** authorized a police officer to issue a citation for the unlawful sale of an alcoholic beverage to an underage drinker or intoxicated person. Authorization of a police officer to issue a citation as an alternative to applying for a charging document was intended to facilitate the enforcement of the unlawful sale to underage or intoxicated drinkers.

Issuance, Renewal, and Transfer of Licenses

Factors to Be Considered by Local Licensing Boards

Chapter 475 of 2001 required all local boards of license commissioners, before approving an application and issuing an alcoholic beverages license, to consider:

- the public need and desire for the license;
- the number and location of existing licensees and the potential effect on existing licensees of the license applied for;
- the potential commonality or uniqueness of the services and products offered by the applicant's business;
- the impact on the general health, safety, and welfare of the community including issues related to crime, traffic conditions, parking, or convenience; and
- any other necessary factors as determined by the local board.

The provisions of the Act did not apply in Baltimore City, Harford County, or St. Mary's County.

Appeals from Local Licensing Boards

In *Edgewater Liquors v. Liston*, 349 Md. 803 (1998), the Court of Appeals of Maryland held that only the licensee or applicant for a license has standing to appeal a decision made by a local alcoholic beverages licensing board. ***Chapter 384 of 2000*** allowed decisions to be appealed by any individual holding a license from the licensing board, by an applicant for the license that is the subject of the decision, or by a group of ten or more persons who are residents or real estate owners in the district in which the licensed place of business is located or proposed to be located. To appeal, an individual or group must be aggrieved by the decision and must have appeared at the local licensing board hearing either in person, by being represented, or by having submitted a written document introduced at the hearing. On appeal to the local circuit court, the individual or group appealing a local licensing board's decision must pay all costs associated with the board's hearing.

Protest Against License Renewal – Commercial Tenants

Chapter 240 of 2002 authorized commercial tenants who are not holders of an alcoholic beverages license or applicants for any alcoholic beverages license to sign a petition of protest to a local board of license commissioners against the renewal of an

alcoholic beverages license. If a protest that meets certain criteria is filed with the appropriate board of license commissioners, the renewal of a license may not be approved by the board without a hearing.

Pub-breweries and Micro-breweries

Class 6 pub-brewery and Class 7 micro-brewery licenses are issued for establishments that hold retail alcoholic beverages licenses and allow their holders to brew and sell a limited quantity of beer and other malt beverages. ***Chapter 441 of 2000*** allowed the holder of a pub-brewery or micro-brewery license to have or hold a financial interest in one additional retail liquor license that is unrelated to the existing pub-brewery or micro-brewery license.

Wholesalers Licenses

Chapter 59 of 2002 repealed the prohibition against a wholesaler licensee operating two locations in any one county or in Baltimore City.

Value of Advertising Signs

Beer brewers, dealers, and wholesalers often supply retail alcoholic beverages licensees with signs that advertise their products. ***Chapter 613 of 2000*** increased from $50 to $150 the value of an advertising sign that a brewer, a nonresident dealer, or a beer wholesaler may furnish. However, a $50 value limit is maintained for signs that are manufactured by beer wholesalers and are furnished to alcoholic beverages retailers.

Part I
Financial Institutions, Commercial Law, and Corporations

Financial Institutions

During the 1999–2002 term, the General Assembly expanded the investigative and enforcement powers of the Commissioner of Financial Regulation, modernized the laws relating to banks and credit unions, and strengthened the provisions of the State's money transmission law to regulate more effectively the current practices. Other enacted legislation pertained to the sunset review of the commissioner and disclosure of customer information by fiduciary institutions.

Commissioner of Financial Regulation – Investigative and Enforcement Powers

The Commissioner of Financial Regulation supervises the operation of all State-chartered banking institutions, State-chartered credit unions, consumer loan companies, sales finance companies, mortgage companies, and collection agencies. The commissioner inspects the banks and credit unions annually, receives periodic reports from and regularly examines licensees, and handles consumer complaints against financial institutions and licensees under the commissioner's jurisdiction.

Chapter 633 of 2000 expanded the investigative and enforcement powers of the commissioner in several areas. The Act authorized the commissioner to investigate whether any person has violated any law, regulation, rule, or order over which the commissioner has jurisdiction and, for the purpose of an investigation or proceeding, to: (1) administer oaths and affirmations; (2) subpoena witnesses and compel their attendance; (3) take evidence; and (4) require the production of books and records that the commissioner considers relevant.

If the commissioner determines that a person has violated a law, regulation, rule, or order over which the commissioner has jurisdiction and that immediate action is in the

public interest, ***Chapter 633*** authorized the commissioner to issue, without a prior hearing, a summary cease and desist order. The Act further enhanced the commissioner's enforcement powers by authorizing the commissioner, after proper notice and a hearing, to: (1) issue a final cease and desist order; (2) suspend or revoke a person's license; or (3) issue a civil penalty order. The Act also authorized the commissioner to bring an action in court to obtain remedies that include: (1) a temporary restraining order; (2) a temporary or permanent injunction; (3) civil penalties; (4) a declaratory judgment; (5) rescission; and (6) restitution.

Office of the Commissioner of Financial Regulation and the Banking Board – Extension of Sunset Date

During the 2000 interim, the Department of Legislative Services conducted a full evaluation of the Office of the Commissioner of Financial Regulation and the Banking Board under the Maryland Program Evaluation Act. The department found that: (1) the office and the board play important roles in the regulation of the State's financial industry; (2) the office is well run and performing its statutory duties in a satisfactory manner; and (3) the authority of the office and the board should be extended.

In response to the department's sunset evaluation, ***Chapter 226 of 2001*** extended the Office of the Commissioner of Financial Regulation and the Banking Board to July 1, 2012. The Act also required the commissioner to report annually on: (1) the operations of the commissioner's office; (2) any amendments proposed by the commissioner to laws that the commissioner administers; (3) failures of licensed persons and State-chartered credit unions; (4) the composite ratings of banking institutions and State-chartered financial institutions, in summary form; and (5) the number of penalties assessed, broken down by license category, and instances of consumer recovery. The commissioner and the board also were required to submit reports in 2001 and 2002 on the implementation status of the recommendations made by the department in its sunset evaluation, such as: (1) workload changes resulting from revisions to the credit union law; (2) progress in mortgage lender examinations; and (3) the enforcement of the check cashers law.

Modernization of Bank Charter Laws

Task Force to Study Bank Charter Modernization

Chapter 302 of 1997 established the Task Force to Study Bank Charter Modernization, a 16-member group chaired by the Commissioner of Financial Regulation and including members of the General Assembly, industry representatives, regulators, and consumers. The task force was directed to "... study comprehensively all existing State laws that affect the operation and powers of State-chartered banking institutions, including commercial banks and savings banks, and that affect conversion

of other financial institutions to State-chartered banking institutions in order to modernize the State's banking laws and facilitate conversions of other financial institutions to State-chartered banking institutions."

After nearly two years of reviewing Maryland's bank charter laws, the task force completed its work during the 1998 interim and issued a final report and recommendations for the 1999 session, which were embodied in ***Chapters 523 and 603 of 1999***.

Bank Charter Modernization and Other Banking Law Reforms

The bulk of the recommendations of the Task Force to Study Bank Charter Modernization were encompassed in ***Chapter 523***. The Act consolidated and modernized bank charter laws and streamlined various reporting requirements for financial institutions. Further, the Act made a major change to the provision of Maryland law, known as the "wild card" statute, which allows State-chartered banks to engage in activities that are not specifically authorized under State law but are authorized under federal law for national banks. ***Chapter 523*** altered State banking laws in the following areas.

"Wild Card" Statute: ***Chapter 523*** expanded Maryland's "wild card" statute by authorizing the commissioner to allow State-chartered banks to engage in any additional activity, service, or other practice that a national bank may undertake under federal law. This change was intended to allow the commissioner to act quickly, when it is deemed appropriate, to help maintain parity between State-chartered and national banks.

Policies Governing Real Estate Appraisals: ***Chapter 523*** consolidated the laws relating to a financial institution's real estate appraisals by including those provisions under the laws relating to the general powers, duties, and responsibilities of the commissioner. This change was intended to enhance user convenience and understanding of those laws by financial institutions.

Common Trust Plan: ***Chapter 523*** eliminated the requirement that a trust company file a common trust plan with the commissioner, thereby modernizing the process and eliminating unnecessary and duplicative paperwork since the plan already is on file at the trust company's office and is subject to inspection by representatives of the commissioner at any time.

Annual Stockholders Report: ***Chapter 523*** eliminated the requirement that a State-chartered commercial bank file an annual stockholders report with the commissioner, thereby reducing unnecessary paperwork and eliminating duplication of effort since the report is on file at the bank and is reviewed by bank examiners during each periodic in-house examination.

Staggered Terms for Members of Boards of Directors: ***Chapter 523*** permitted the directors of a State-chartered banking institution to serve staggered terms, thereby giving those institutions more flexibility in selecting a management team.

Community Reinvestment Act Statements: ***Chapter 523*** repealed the requirement that a State-chartered banking institution file a copy of its federal Community Reinvestment Act (CRA) statement with the commissioner since federal law no longer requires that a banking institution have this type of a statement. However, a copy of the public portion of the banking institution's most recent CRA performance evaluation report, which documents and assesses a bank's lending activities in the communities it serves, would continue to be filed with the commissioner.

Bills Payable: ***Chapter 523*** repealed an antiquated State law pertaining to bills payable which forced State-chartered commercial banks that borrow money for more than 90 days to collateralize the borrowing with the bank's unimpaired capital and surplus. A similar federal law was repealed in 1982.

Equipment Costs: ***Chapter 523*** addressed the high equipment costs incurred by banks for data processing, automated teller machines, and other items by providing that a bank may invest in its bank building and furnishings an amount equivalent to 75 percent of its unimpaired capital, surplus, and undivided profits, or its guaranty fund and undivided profits.

Reorganization of State Banking Laws Relating to ATMs

The remaining recommendations of the Task Force to Study Bank Charter Modernization were contained in ***Chapter 603***. The Act generally was a nonsubstantive revision of all State laws governing automated teller machines (ATMs) that were located throughout the Financial Institutions Article. These laws were reorganized within a specific subtitle of the Financial Institutions Article to enable users to locate the laws more easily. The consolidation established uniform definitions and a single name for functions relating to ATMs, and clarified document filing requirements for financial institutions.

Chapter 603 also made one substantive change related to the preemption of local laws. Under then-current law, only the State was allowed to enact a law regarding customer safety at an ATM. The Act expanded the preemption by providing that State law preempts *any* local law regarding ATMs.

Modernization of Credit Union Laws

Background

In order to make financial services available to persons not serviced by thrifts or banks, the establishment of State-chartered credit unions was first authorized in Maryland under Chapter 339 of 1929. The Federal Credit Union Act of 1934 provided for the creation of similar financial institutions to be regulated at the federal level. As of 2002, there were 11 State-chartered and 131 federally-chartered credit unions operating in the State.

Until 1982 credit union membership was limited to well-defined groups with a "common bond of occupation." In 1982 the National Credit Union Administration (NCUA) began to allow federal credit unions to add multiple membership groups or select employee groups. Following a seven-year legal battle between credit unions and the banking industry, the Supreme Court in February 1998 held that credit unions could not expand their membership beyond the employees of a narrowly defined core group. According to NCUA, the outcome of the Supreme Court case directly affected more than 10.1 million members of 3,602 federal credit unions that serve multiple groups. Indirectly, the decision affected 1,730 state-chartered credit unions with multiple-group memberships.

In response to the Supreme Court's decision, in August 1998 the United States Congress amended the Federal Credit Union Act of 1934 to clarify existing federal law and ratify NCUA's authority to grant multiple common-bond charters to federal credit unions.

However, given the ambiguity at the federal level as to the standing of state-chartered credit unions with multiple-group memberships, and the existence of the State's "wild card" statutory provision that empowers the Commissioner of Financial Regulation to authorize State-chartered credit unions to serve multiple groups, clarification of the field of membership issue for State-chartered credit unions was needed. In addition, the State's credit union laws, many of which had not been revised in over 60 years, were in need of major nonsubstantive revisions.

Task Force to Study the Modernization of Credit Union Law – 1999–2001

In order to clarify and revise the State's credit union laws, ***Chapter 604 of 1999*** created the Task Force to Study the Modernization of Credit Union Law. The 15-member task force was composed of members of the General Assembly and representatives of the Department of Labor, Licensing, and Regulation, federal and State-chartered financial institutions, consumer interests, and the general public. The task force was charged with conducting a comprehensive study of existing State laws that

affect the operation and powers of State credit unions, and with making recommendations to modernize the laws and facilitate competition by State credit unions with their federal counterparts. The task force was initially charged with issuing a final report by December 1, 2000.

During the 1999 and 2000 interims, the task force identified a number of relevant issues for consideration and held a series of meetings to review each issue and receive comments from a variety of interested groups. Based on recommendations developed during this process, the task force drafted a comprehensive legislative proposal that passed as ***Chapters 147 and 148 of 2001***.

In addition to streamlining regulatory requirements and repealing antiquated language in the State credit union law, the Acts:

- provided State credit unions with the same tax-exempt status as federal credit unions;

- expanded the field of membership provisions of State credit union law to allow a single common bond, multiple common bond, or community common bond field of membership similar to federal law;

- required credit unions to submit to the Commissioner of Financial Regulation a detailed plan to encourage low-income persons to join and use the services that the credit union offers when the credit union: (1) forms or converts to a community common bond credit union; or (2) includes in its field of membership a community, neighborhood, rural district, or county that the commissioner has determined is an "investment area" under federal law and is underserved by other depository financial institutions;

- expanded the "wild card" statute to allow State credit unions, on approval of the commissioner, to engage in any additional activity, service, or other practice in which federal credit unions may engage;

- allowed directors of State credit unions to amend credit union bylaws without membership approval, except for provisions related to meetings of members, voting rights of members, changes in the credit union's field of membership, and requirements for directors;

- defined compensation for directors of State credit unions and required approval by, and disclosure to, members of the amount of compensation paid to directors;

- authorized the commissioner to enter into interstate cooperative and information sharing agreements with other credit union supervisory agencies;

- allowed State credit unions to charge over the limit fees for their credit cards;

- through June 30, 2002, continued to give State-chartered credit unions the choice of purchasing deposit insurance through the Credit Union Insurance Corporation (CUIC), a nonprofit nonstock corporation established under State law to provide insurance for the share and deposit accounts of State-chartered credit unions, or through the insurance program provided by NCUA; effective July 1, 2002, gave State-chartered credit unions the choice of purchasing deposit insurance through CUIC or a private credit union share guaranty corporation regulated by the commissioner, or through the insurance program provided by NCUA;

- expanded the types of investments that State credit unions may purchase; and

- allowed State credit unions to organize or invest in a credit union service organization that engages in activities incidental to the conduct of the credit union.

Task Force to Study the Modernization of Credit Union Law – 2001–2002

While the bulk of the task force's work was concluded during the 1999 and 2000 interims and passed in the 2001 session, the task force was unable to complete all of its duties. Specifically, it was reported that CUIC was interested in dissolving if an alternative private insurer was authorized to conduct business in the State to insure the share and deposit accounts of Maryland credit unions. For many years, CUIC had insured the share and deposit accounts of 5 of the 11 State-chartered credit unions; the share and deposit accounts of the other 6 State-chartered credit unions were insured by NCUA.

Accordingly, the task force included in its 2001 legislative proposal a new charge that required the task force to continue its work through June 30, 2001. Under ***Chapters 147 and 148 of 2001***, the task force was charged with discussing the implications of and making recommendations regarding: (1) the dissolution of CUIC; (2) the policy and standards for the regulation by the Commissioner of Financial Regulation of credit union share guaranty corporations that seek to insure the member accounts of credit unions regulated by the commissioner; and (3) any other issues that the task force determined would be appropriate for consideration by the General Assembly concerning credit unions.

As a result of the work conducted during the 2001 interim, the task force's final proposal was introduced and passed as ***Chapter 540 of 2002***. To ensure the orderly dissolution of CUIC, the Act prohibited CUIC from accepting applications for new membership from credit unions on or after the date the commissioner issues a certificate of authority to a private credit union share guaranty corporation. Credit unions insured with CUIC are required to obtain alternative primary deposit guaranty insurance from the

National Credit Union Administration Share Insurance Program or a credit union share guaranty corporation regulated by the commissioner, within two years after the date a credit union share guaranty corporation obtains a certificate of authority from the commissioner. Under the Act, CUIC is required to dissolve within two years after it no longer has any members and, after discharging any existing debts and obligations, to transfer its remaining assets to a nonprofit corporation exempt from federal taxation and organized to promote and publicize the interest and welfare of credit unions.

Chapter 540 also established a new regulatory scheme to be administered by the commissioner under which private credit union share guaranty corporations may operate in Maryland. The Act required a person to obtain a certificate of authority from the commissioner before acting as a share guaranty corporation in the State and established qualifications to obtain a certificate of authority and procedures for applying for, and issuing or denying, a certificate of authority. Under the Act, a share guaranty corporation must have a written contract with each participating credit union that establishes the rights and obligations of the parties. Share guaranty corporations are required to: (1) insure and guaranty the share and deposit accounts of each participating credit union to at least the same extent and amount as provided under the National Credit Union Administration Share Insurance Program; (2) pay an annual assessment; (3) file annual and interim reports with the commissioner; and (4) maintain a guaranty fund that includes reserves for guaranty losses. The commissioner is required to examine the business of each share guaranty corporation at least every 24 months, and at any time the commissioner reasonably considers necessary.

To enforce the provisions of ***Chapter 540***, the commissioner is authorized to: (1) suspend or revoke a certificate of authority of a share guaranty corporation if the corporation or an officer or director of the corporation commits specified violations; (2) issue cease and desist orders; (3) impose civil penalties; and (4) file a petition in circuit court to seek enforcement of an order of the commissioner. Criminal penalties also were established for violations of the Act.

Fiduciary Institutions – Disclosure of Customers' Financial Records

A fiduciary institution and its officers, employees, agents, and directors generally may not disclose to any person any financial record relating to a customer of the fiduciary institution. Under State law, "fiduciary institution" means a national or State-chartered bank, an other-state bank that maintains a branch in Maryland, a federal or State-chartered credit union or savings and loan association, or any other organization that is organized under the banking laws of Maryland and subject to the supervision of the Commissioner of Financial Regulation.

A fiduciary institution may disclose customer financial records under limited circumstances. During the 1999–2002 term, the General Assembly added two exceptions to the general prohibition against disclosure.

Chapter 40 of 1999 allowed disclosure by a fiduciary institution of customer financial records if the fiduciary institution receives a request or subpoena for information indirectly through the federal Parent Locator Service under 42 U.S.C. §§ 666(A)(17). This federal law provides procedures under which a state agency that has authority over child support enforcement matters and financial institutions may enter into agreements concerning the collection of child support payments. These agreements include developing and operating a data match system, using automated data exchanges for each noncustodial parent who maintains an account at the fiduciary institution and who owes past-due support, as identified by a state.

Chapter 407 of 2000 allowed a fiduciary institution and its officers, employees, agents, and directors to disclose the financial records and any other information relating to a customer if: (1) the fiduciary institution or its officers, employees, agents, or directors believe that the customer has been subjected to financial exploitation; and (2) the disclosure is made in a report to the adult protective services program in a local department of social services. The Act also provided immunity from civil or criminal liability for a fiduciary institution and its officers, employees, agents, and directors who make a disclosure or report, participate in an investigation or a judicial proceeding resulting from a report filed under the Act, or decline to provide information about whether or not a report was filed.

Maryland Money Transmission Act

Maryland's money transmission law, first enacted in 1959, applies to nonbank issuers of payment instruments, such as money orders and travelers checks, and to fund transmitters. While money orders make up a substantial portion of all transactions regulated under the law, a number of changes have occurred in the industry within the past several years, including the rapid increase in actual money transmissions to domestic and foreign locations, the use of informal money transfer systems (often known informally as "hawalas"), and the proliferation of unlicensed Internet money transmitters.

Chapter 539 of 2002 modernized and strengthened the provisions of Maryland's money transmission law to regulate more effectively the current money transmission industry. The Act expanded the types of money services that are required to be licensed to include bill payer services, accelerated mortgage payment services, informal money transfer systems outside the conventional financial institutions system, and money transmissions conducted over the Internet.

The Act altered the qualifications for a license by requiring an applicant to: (1) have good moral character and sufficient financial responsibility to engage in the business of money transmission; (2) maintain required permissible investments; (3) have a net worth of at least $150,000 plus an additional net worth of $10,000 for each additional business location or authorized delegate; and (4) have at least three years experience in the business of money transmission. The Act also altered the application process by requiring an applicant to provide fingerprints for a criminal history records check and increased the application and investigation fees.

Chapter 539 added new requirements for licensees, including requirements to file evidence of a surety device with the commissioner, comply with detailed reporting and record keeping requirements, and obtain prior approval of the commissioner for a change in control or business location. The Act imposed additional requirements on authorized delegates of a licensee and specified the circumstances under which the commissioner may order a licensee to terminate its relationship with an authorized delegate.

To enhance the commissioner's enforcement and investigation powers, the Act clarified the circumstances under which the commissioner may suspend or revoke licenses and authorized the commissioner to enter into cooperative and information sharing agreements with federal or state supervisory agencies, conduct on-site examinations of licensees or authorized delegates with no prior notice, and impose civil penalties. Criminal penalties also were established.

Finally, ***Chapter 539*** created a Money Transmission Fund consisting of any fees received under the Act, to be used to pay all the costs incurred by the commissioner related to regulating the business of money transmission.

Commercial Law

During the 1999–2002 term, the General Assembly passed legislation relating to distributorships, the Uniform Commercial Code, electronic commerce, consumer contracts, and dishonored checks. Further, legislation was enacted that tightened regulation of the mortgage lending industry, imposed additional protections for the extension of credit, allowed a person to access a home equity line through a check cashing card, and strengthened the laws that regulate check cashing services and prohibit payday lending. Lastly, various consumer protections were added for motorized wheelchairs, service contracts, electric commerce privacy, and credit card transactions.

Generally

The Maryland Fair Distributorship Act

Chapter 666 of 1999 revised the Maryland Fair Distributorship Act and provided that if a dispute arises between a manufacturer and a distributor relating to the application of the Act, on the request of either party, the parties must submit the dispute to arbitration in the State under the Maryland Uniform Arbitration Act. Additionally, when notifying a distributor of a proposed cancellation or nonrenewal of an agreement, a manufacturer must also provide notice to the distributor of its failure to comply with a reasonable requirement of the agreement, and an opportunity for the distributor to cure or dispute the asserted deficiency.

Uniform Commercial Code – Secured Transactions

Chapter 282 of 1999 adopted a uniform act drafted by the National Conference of Commissioners on Uniform State Laws (NCCUSL) that revised, corrected, updated, and clarified provisions of Title 9 of the Commercial Law Article relating to secured transactions. Specifically, ***Chapter 282*** expanded the duties of a secured party, amended rules governing the perfection and priority of security interests, codified certain case law, accommodated new forms of collateral, and provided for several new types of transactions, including deposit accounts.

One of NCCUSL's revisions, adopted by Maryland in ***Chapter 282,*** broadened the definition of a "payment intangible" to include most obligations to pay money that do not fall into one of the specifically excluded categories of collateral. This includes rights to receive workers' compensation benefits, structured settlement benefits received for physical injuries or sickness, and trust benefits.

Chapter 477 of 2002 exempted from the assignable payment rights under Title 9 of the UCC:

- claims or rights to receive compensation for physical injuries or sickness under:
  - a worker's compensation claim; or
  - damages received because of physical injuries or sickness, whether by suit or agreement or whether as lump sums or periodic payments; and
- income from a special needs trust for disabled individuals where all or, under specified circumstances, part of the trust is paid to the State upon the death of the individual.

Electronic Commerce – Commercial Transactions and Information Technology

In July 1999 NCCUSL adopted two uniform model laws concerning commercial transactions and information technology, the Uniform Electronic Transactions Act (UETA), enacted as ***Chapter 8 of 2000***, and the Uniform Computer Information Transactions Act (UCITA), enacted as ***Chapter 11 of 2000***.

The Maryland Uniform Electronic Transactions Act:

Electronic Signatures: ***Chapter 8*** established the Maryland Uniform Electronic Transactions Act, which provides that a record or signature may not be denied legal effect or enforceability solely because it is in electronic form. The Act did not alter the legal requirements that relate to contract formation, including offer and acceptance, consideration or reliance, standards of care, or regulation of contract terms. Substantive legal rules calling for more than a written instrument or signature, such as acknowledgments or certifications, are also unchanged. The Act applied only to transactions in which each party has agreed to conduct transactions by electronic means.

Electronic Records: Under the Act, a law requiring that a record be retained is satisfied by retaining an electronic record that accurately reflects the information in the record and remains accessible for later reference. If a law requires a signature, or provides consequences in the absence of a signature, the law is satisfied with respect to an electronic record if the electronic record includes an electronic signature.

Exclusions: The Act excluded: (1) transactions covered by parts of the UCC; (2) laws governing the execution of wills; and (3) laws or regulations governing notice concerning the cancellation of utility services, rental or mortgage agreements for a primary residence, or the cancellation of health or life insurance.

Maryland's UETA and E-Sign: The federal Electronic Signatures in Global and National Commerce Act (E-Sign) was enacted after passage of Maryland's UETA. The E-Sign, like Maryland's UETA, provides for the validity of electronic signatures and records, and specifies areas of law in which electronic signatures and records would not be permitted. Congress authorized states to modify, limit, or supersede provisions of the federal E-Sign by statutes, regulations, or other rules of law if the statute, regulation, or rule: (1) is an enactment of UETA as approved by the National Conference of Commissioners on Uniform State Laws in July 1999; or (2) provides for electronic signatures or records in a manner consistent with the federal E-Sign and does not discriminate in legal status or effect among types of technology used in electronic signatures or records. The federal E-Sign preempts inconsistent scope provisions of state enactments of UETA. In an effort to make Maryland's UETA consistent with the federal law, the General Assembly passed ***Chapter 486 of 2001***. The Act added exemptions to Maryland's UETA, repealed inconsistent provisions, and declared an intent that the legislation be consistent with the federal E-Sign.

The Maryland Uniform Computer Information Transactions Act: ***Chapter 11 of 2000*** established the Maryland Uniform Computer Information Transactions Act, a commercial contract statute that provides substantive rules governing electronic commerce contracts and licenses for computer information or programs.

Scope: The Act was limited in scope to "computer information transactions," which are agreements with the primary purpose to create, modify, transfer, or license computer information or informational rights in computer information. The Act generally applied to a computer information transaction unless the parties agreed otherwise.

The provisions of the Act also applied to mixed transactions. If the transaction involves "non-goods," the Act applied only to that part of the transaction that involves computer information; other applicable law governs the other parts of the transaction. If the transaction involves "goods," the Maryland UCC, Title 2 of the Commercial Law Article, applies to the "goods" and UCITA applies to the computer information. If the computer information is embedded in the goods, such as on a diskette, UCITA only applies if the goods are "a computer or computer peripheral" or "access to or use of the [computer] program is ordinarily a material purpose of the transaction."

The Act did not apply to: (1) financial services transactions; (2) contracts to create audio or visual programming provided by broadcast, satellite, or cable; (3) certain agreements in the development of motion pictures; (4) sales of books, prints, magazines, or newspapers, except online books or other similar online products; (5) contracts for the employment of individuals who are not independent contractors; or (6) certain insurance service transactions.

Contract Formation: A valid contract may be formed under the Act in any manner sufficient to show an agreement, including offer and acceptance and the conduct of the contracting parties, or the operations of the electronic agents. In the absence of conduct or performance by both parties, a contract is not formed if there is a material disagreement about a material term.

Preemption of UCITA: The Act expressly stated that conflicting federal law and consumer protection laws in Maryland supersede provisions of UCITA and that a court may invalidate a contract term that is unconscionable or would violate a fundamental public policy of this State.

Choice of Forum and Choice of Law: The Act authorized parties to agree to a choice of forum to litigate a dispute unless the choice is unreasonable or unjust.

Mass Market Transactions: Also addressed are standard form nonnegotiable contracts for computer information called "shrink-wrap" (in the box) and "click wrap" (online) agreements. The protections for mass market transactions include:

- a cost-free right of return of computer information if the license terms are not available and the licensee elects to refuse the terms;
- a provision that a term in a mass market license is unenforceable if it is unconscionable, against fundamental public policy (including policies related to competition or innovation), or preempted by federal law;
- the ability in mass market licenses to opt out of UCITA;
- requirements that automatic restraints contained in mass market licenses be conspicuous; and
- a prohibition against electronic self-help by a licensor (repossession of computer information by electronic means) in all mass market transactions.

Consumer Protection: In addition to the protections available in all consumer contracts as within the definition of mass market transaction, the Act provided specific consumer protections, including:

- a provision that if there is a conflict between UCITA and a Maryland consumer protection statute, the provisions of the Maryland consumer protection law prevail;
- an amendment to the Maryland Consumer Protection Act to ensure that it will apply to all consumer contracts for computer information, including agreements where the Act does not clearly apply now, such as in access contracts and software downloaded through the Internet;
- a new consumer defense for electronic error in an automated transaction that gives a consumer the right to avoid the effect of an electronic mistake; and
- a four-year statute of limitations for mass market transactions, including consumer transactions, that cannot be reduced by an agreement.

Warranties: The Act maintained a licensor's obligation to meet express warranties and add new implied warranties including:

- an implied warranty of merchantability of a computer program (warranty that the program will work for the general purpose for which it was intended);

- an implied warranty of informational content (warranty given if the program contains charts or data expected to be correct, that the information was collected with reasonable care); and

- an implied warranty of system integration (warranty given if the program was bought by relying on the merchant's advice that it will work with other programs or equipment).

In a consumer contract, a disclaimer or modification of the implied warranties of merchantability and system integration and the remedies for these warranties is prohibited unless the computer program is given to the consumer free of charge or is for the purposes of a beta test.

Breach of Contract: In the event of a breach of contract, the Act provided remedies and damages to place the aggrieved party in the same position as the party would have been in had the other party performed as agreed. Access contracts may be discontinued for a material breach; however, a three-day notice must be provided before discontinuation unless the breach involves a violation of a contractual use term.

Cancellation and Electronic Self-help: A license may only be canceled under the Act for a material breach and, if canceled, the licensor has the right to the possession of the copies of the information and to prevent the continued use of the information by the licensee. The only nonjudicial means to exercise these rights under the Act is the limited remedy of electronic self-help. Electronic self-help means the use of electronic means to exercise a licensor's rights to remedy the breach of a contract by a licensee (e.g., disabling the program or removing the program from the computer hard drive).

The Act expressly prohibited electronic self-help unless the parties agree to permit its use and electronic self-help is strictly prohibited in mass market transactions regardless of what the agreement provides. If the parties agree to permit the use of electronic self-help, certain limitations still apply, including:

- prior to the cancellation of a license, a licensee must be given an opportunity to cure the breach;

- before electronic self-help is exercised, a licensor must give a licensee 30 days notice (the notice is required to state the nature of the claimed breach and provide contact and address information for the licensee to use to communicate with the licensor);

- electronic self-help may only be exercised without a breach of the peace and without foreseeable risk of personal injury or significant physical damage to information or property other than the licensed information;

- in the event of a wrongful exercise of self-help, a licensee can recover direct and incidental damages as well as consequential damages at the time self-help is exercised; and

- electronic self-help may not be used if the licensor has a reason to know it will result in substantial injury to the public health or safety, or in grave harm to the public interest affecting a third person not involved in the dispute.

Joint Technology Oversight Committee: ***Chapter 11*** also established a Joint Technology Oversight Committee comprised of five senators and five delegates to review the implementation of UCITA and to make any appropriate recommendations to the Governor, the Legislative Policy Committee, the Senate Finance Committee, and the House Economic Matters Committee. The joint committee may also study and make recommendations on other technology-related issues. The joint committee terminates June 30, 2005.

UCITA Implied Warranty of Merchantability: ***Chapter 384 of 2001*** exempted specified computer programs from the implied warranty of merchantability applicable under UCITA. The exempt computer programs are those provided under a license that does not impose a license fee for the right to the source code and to copy, modify, and distribute the computer program (i.e., open source software).

Under the implied warranty of merchantability, a merchant, as licensor of a computer program, warrants: (1) to the end user that the computer program is fit for the ordinary purposes for which the computer programs are used; (2) to the distributor that the program is adequately packaged and labeled and, in the case of multiple copies, that the copies are within the variations permitted by the licensing agreement; and (3) that the program conforms to any promises or affirmations made on the container or label.

Consumer Contracts – Late Fees

The Maryland Constitution sets the legal rate of interest at 6 percent per annum, unless otherwise provided by law. Late charges are authorized in statute for mortgages, residential leases, retail credit accounts, service charges for commercial loans secured by inventory or accounts receivable, and charges by a government agency. However, there is no statute authorizing late fees for contracts for consumer services, such as cable services, utility services, and storage facility services. Until *United Cable v. Burch*, it had been understood that the usuary laws applied only to loans and similar transactions. In this 1999 case, the Maryland Court of Appeals found that a "contract for the payment of money" may not impose a late fee beyond the legal rate, bringing into question the validity of most late fees charged in Maryland.

Passed in response to the Maryland Court of Appeals' decision in *United Cable v. Burch*, ***Chapter 59 of 2000*** authorized the parties to a "consumer contract" to agree

to the payment of a "late fee" when a party fails to make a payment by the due date. A late fee is any charge or fee imposed because a payment is not made when due under the terms of the contract. A late fee imposed under a consumer contract is neither interest, a finance charge, liquidated damages, nor a penalty. A consumer contract imposing a late fee must disclose the amount of the late fee, the conditions under which the late fee will be imposed, and the timing for the late fee's imposition.

The Act placed a cap on the imposition of late fees for consumer contracts. Additionally, the Act provided for a grace period before the imposition of a late fee. The Act terminates October 1, 2005.

Dishonored or Bad Checks

Chapter 579 of 2001 increased the amount of the collection fee, from $25 to $35, for which the maker or drawer of a dishonored check is liable to the holder if the check has not been paid within 30 days after the holder has sent a notice of dishonor. The Act made the civil liability of the writer of a dishonored check mandatory, rather than discretionary. The Act also increased the amount, from $25 to $35, that a court may order a defendant to pay as a collection fee for each bad check on conviction of the offense of obtaining property or services by a bad check.

When a check or other instrument has been dishonored by nonacceptance or nonpayment and has not been paid within ten days, the holder to whom the instrument was issued may send a notice of dishonor to the maker or drawer of the check or other instrument. ***Chapter 298 of 2002*** authorized the holder of a dishonored check or other instrument, as an alternative to obtaining a certificate of mailing from the U.S. Postal Service, to execute an affidavit that attests to the mailing of a notice of dishonor.

Credit Regulation

The Mortgage Lending Industry

Regulation by the Commissioner of Financial Regulation: ***Chapter 691 of 2000*** tightened regulation by the Commissioner of Financial Regulation of the mortgage lending industry. The Act required licensed mortgage lenders to notify the commissioner in writing of a proposed change in location or ownership and to obtain the commissioner's approval. For a change in ownership, the commissioner may require the licensee to provide information necessary to determine whether a new application is required because of a change of control. The commissioner must approve or deny a request within 60 days after receiving it, or the request is deemed approved.

Examinations: ***Chapter 691*** required the commissioner to examine a licensed mortgage lender at least once during any 36-month period. New licensees must be

examined within 18 months from the date the license is issued. The Act increased the fee a licensee must pay, from $100 to $250 per day, for each of the commissioner's employees working on an examination or investigation. The Act clarified the conditions under which the commissioner may suspend a license.

Finders' Fees: The Act prohibited a mortgage broker from charging a finder's fee in any transaction in which the mortgage broker or an owner, part owner, partner, director, officer, or employee of the mortgage broker is the lender or an owner, part owner, partner, director, officer, or employee of the lender. The Act required the finder's fee to be based on a written agreement between the mortgage broker and the borrower which is separate and distinct from any other document. A copy of the agreement must be provided to the borrower within ten business days after the loan application is completed.

Violations: The Act removed the requirement that a violator of the Mortgage Lender Law must have failed to comply with a cease and desist order before the commissioner may impose a civil penalty. The Act also increased criminal penalties for violation of the Mortgage Lender Law by redesignating the offense from a misdemeanor to a felony and subjecting violators to a maximum penalty of a $50,000 fine and/or ten years imprisonment.

Extensions of Credit:

Single Premium Financing of Certain Insurance Coverages: ***Chapter 532 of 2002*** imposed consumer protections on high interest or high fee mortgage loans that are one percentage point less than the comparison percentages for loans issued under the federal Home Ownership Equity Protection Act. Specifically, the Act prohibited a mortgage lender from financing single premium credit health, credit life, or credit involuntary unemployment benefit insurance as part of a loan, and from making loans without giving due regard to the borrower's ability to repay the loan in accordance with its terms. Additionally, the Act required mortgage lenders to provide potential borrowers with a written recommendation that the borrowers seek home buyer education or housing counseling and information on where to obtain the counseling.

State Preemption of Local Regulations: Furthermore, the Act provided that only the State may enact a law that purports to regulate extensions of credit made by a financial institution. The State preemption provision does not restrict or otherwise affect: (1) local laws that establish property ownership or the rights and obligations of property owners; (2) a local government's ability to regulate its fiscal, economic, or community development policy; (3) federal preemption of State law; (4) a local government's laws or regulations relating to fair housing or other civil rights; or (5) a local government's loan programs to assist residents with financial needs.

Access to Home Equity Credit through Use of a Credit Device

Chapter 631 of 2000 allowed a person to access the funds of the person's home equity line of credit through the use of a check cashing card in a manner similar to using a credit card. The Act applied to Maryland chartered banks and credit unions. Federal chartered banks and credit unions already had authority under federal law to offer this service to their customers.

Check Cashing Services and Payday Lenders

Licensing of Check Cashing Services: ***Chapter 614 of 2000*** required check cashing services, with certain exceptions, to be licensed and regulated by the Commissioner of Financial Regulation. A separate license is required for each place of business.

Check cashing services that are exempt from the Act include: (1) services for which a fee of up to 1.5 percent of the payment amount is charged and that are incidental to the retail sale of goods or services; (2) transactions that are subject to the Maryland Consumer Loan Law where a maximum 33 percent interest rate per annum applies; and (3) financial institutions. Check cashing services includes a transaction in which an additional fee is charged to defer the presentment or deposit of a payment instrument until a subsequent date (also known as a payday loan). Affiliates and subsidiaries of financial institutions are only exempt from the licensing provisions under certain conditions.

To qualify for a license, an applicant must show that: (1) the applicant's business will promote convenience and advantage to the community; (2) the applicant or owner has sufficient experience, character, and financial responsibility; and (3) the applicant has not committed an act that would be grounds for a license suspension or revocation. The applicant or licensee must provide fingerprints for use in conducting a criminal history records check at application and other times. Licensees must make books and records available to the commissioner.

The commissioner may impose administrative penalties for violations, subject to the opportunity for a hearing, including a cease and desist order, suspension or revocation of the license, and a civil penalty. A knowing violation is a misdemeanor, punishable by a fine of up to $5,000, or imprisonment for up to three years, or both. A person injured by a violation has a private cause of action and may be awarded up to three times the amount of actual damages, the amount paid by the plaintiff to the defendant, reasonable attorney's fees, and costs.

Credit Services and Payday Lending: Under Maryland law, the maximum permissible annual interest rate for small loans (under $6,000) varies with the amount of the loan, up to 33 percent. However, under federal law, a federally-insured depositary

institution, whether federal or state chartered, may charge the interest rate permitted in its home state to borrowers across state lines, regardless of the legal rate in the borrower's state. A credit services business operating in Maryland may broker the transaction between a federally-insured depository institution as lender and a Maryland resident as borrower.

Credit Services Businesses: ***Chapter 630 of 2001*** prohibited a credit services business and its employees and contractors from assisting a consumer in obtaining an extension of unsecured closed-end credit at an interest rate greater than 33 percent. The Act was aimed only at local agents and the role they play in facilitating payday loans through a federally-insured depository institution. The Act did not prevent federally-insured depository institutions from directly making payday loans at the interest rates authorized in their home states, which may exceed 33 percent.

Chapter 561 of 2002 prohibited a credit services business, its employees, and its independent contractors from assisting a consumer to obtain an extension of credit at an interest rate which, except for federal preemption, would be prohibited under the State's consumer credit provisions.

Support for Federal Legislation: ***Resolution 13 of 2002*** urged the Maryland Congressional Delegation to support legislation that would prohibit an insured depository institution from making a payday loan either directly or through an agent or affiliate.

Consumer Protection

Motorized Wheelchair Warranty Enforcement Act

Chapter 94 of 2000 included motorized scooters and other motorized wheeled devices designed to provide mobility assistance for individuals with disabilities within the protections of the Motorized Wheelchair Warranty Enforcement Act. A manufacturer selling a motorized wheelchair to a consumer is required to furnish a customer with a written warranty for parts and performance.

Service Contracts

Service contracts have generally been governed by the common law of contracts, the insurance law, or a special statutory provision regarding mechanical repair contracts. However, concerns have arisen about consumers' ability to enforce service contracts. ***Chapter 472 of 2002*** established the Maryland Service Contracts and Consumer Products Guaranty Act. The Act required a service contract to be in writing and to specify: (1) the contract's duration, measured in time or product usage; (2) any reasonable and necessary maintenance required to be performed by the person guaranteed as a contract condition; (3) the contract's purchase price and terms, including the provider's obligations; (4) the

merchandise and services to be provided; (5) the procedures to follow to obtain services under the contract or to file a claim under the contract; (6) limitations, exceptions, or inclusions under the contract; (7) the terms, restrictions, or conditions governing cancellation of the contract before its stated termination date; and (8) any means established by the provider for quick informal settlement of a dispute.

Unless the consumer cancels the contract, ***Chapter 472*** also required a service contract provider to fulfill the obligations under the contract according to its terms: (1) for the contract's stated duration; and (2) within the contractually stated period or, if none is stated, a reasonable period. A service contract is extended automatically if the provider fails to perform the services as required. The contract does not terminate until the services are provided.

Lastly, the Act required a service contract provider to give the person guaranteed under the contract a brief written explanation if the provider is unable to fulfill the terms of the service contract within ten days after the services should have been performed under the contract. These duties may not be imposed on a service contract provider if the provider shows that while the product was in the possession of any other person, damage or unreasonable use, including failure to provide any reasonable and necessary maintenance, caused the product to malfunction or caused the inability of the provider to provide any service under the contract.

Electronic Commerce Privacy

Generally: Electronic commerce has offered businesses and individuals a new medium for obtaining goods and services. However, concerns have arisen that the new medium has also presented new threats to an individual's privacy. ***Chapter 440 of 2001*** established an Electronic Transactions Education, Advocacy, and Mediation Unit within the Division of Consumer Protection in the Office of the Attorney General. The unit is required to: (1) receive complaints regarding potential violations of privacy policies and unlawful conduct or practices in electronic transactions; (2) provide information and advice to consumers; (3) refer complaints where appropriate to local, State, or federal agencies; (4) develop information and educational programs to foster public understanding of electronic privacy issues; (5) facilitate the use of best practices; (6) promote nonbinding arbitration and mediation of privacy-related and electronic transaction disputes; (7) investigate and assist in the prosecution of identity theft, other privacy-related crimes, and unlawful conduct or practices in electronic transactions; and (8) assist in the training of local, State, and federal law enforcement agencies regarding identity theft, other privacy-related crimes, and unfair or deceptive trade practices in electronic commerce transactions.

Fraud and Spamming: ***Chapter 323 of 2002*** prohibited a person from initiating, conspiring to initiate, or assisting in the transmission of a commercial electronic mail (e-mail) message that: (1) uses a third party's Internet domain name or e-mail address

without permission; (2) misrepresents or obscures any information relating to the point of origin or transmission path of the message; or (3) contains false or misleading information in the subject line. The Act applied to commercial e-mail messages that are sent from a computer located in Maryland or to an electronic mail address that the sender knows or has reason to know is held by a resident of the State. Violators are liable to a recipient of the e-mail or a third party whose domain name or e-mail address was used without permission for attorney's fees and the greater of $500 or actual damages. Violators are liable to an interactive service provider for attorney's fees and the greater of $1,000 or actual damages.

Credit Card Transactions – Privacy

Chapter 295 of 2002 prohibited a person from printing on a receipt provided to a credit device holder more than the last eight digits of a credit card or other credit device number. The Act applied only to receipts that are electronically printed in connection with the purchase of consumer goods or services and excluded receipts where the sole means of recording the credit card or credit device number is by handwriting, imprinting, or copying the card or device.

Corporations and Associations

During the 1999–2002 term, the General Assembly established the statutory business trust as an alternative form of business organization and made a number of changes in the laws governing other business entities operating in the State, including corporations, real estate investment trusts, and limited liability companies. A nonsubstantive revision of the corporate laws relating to electric cooperatives also was enacted during the term.

Corporations

Filing Requirements on Dissolution or Termination

Chapter 58 of 1999 repealed the requirement that a Maryland corporation, before articles of dissolution may be filed, or a foreign corporation, before terminating its registration or qualification, must file with the State Department of Assessments and Taxation (SDAT) certificates from local taxing jurisdictions, the Comptroller, and the Secretary of Labor, Licensing, and Regulation stating that personal property and other taxes, unemployment insurance contributions, and other obligations of the corporation have been paid or provided for. The Act instead required a domestic or foreign corporation to file with SDAT the personal property reports required by Title 11 of the Tax - Property Article.

SDAT had requested this change in the law since the certification filings did not serve as an effective tax enforcement mechanism and the filing requirement had negative consequences. Since collection of the certifications was a time-consuming process, many corporations did not comply with the law and, instead of dissolving or terminating their registration or qualification, stopped filing personal property tax returns so that the corporation's charter would be forfeited. Unlike a dissolution, when a corporation's charter is forfeited, the corporation's name must be left available for the corporation to use if it reinstates its charter in the future. The practice of forfeiting corporate charters, therefore, both increased SDAT's name tracking responsibilities and prevented the reuse of corporate names by other business entities.

Use of Electronic Transmissions

A corporation may notify stockholders of a stockholders' meeting by personal delivery, by leaving notice at the stockholder's residence or usual place of business, or by mailing notice to the stockholder at the stockholder's address as it appears on the records of the corporation. ***Chapter 454 of 1999*** allowed a corporation to also give notice to a stockholder by electronic mail or by any other electronic means. In addition, the Act allowed a stockholder to authorize another person to act as proxy for the stockholder by transmitting the authorization by electronic mail or any other electronic or telephonic means.

Real Estate Investment Trusts (REITs)

Unsolicited Takeovers

Chapter 300 of 1999 made several changes intended to strengthen Maryland laws relating to unsolicited takeovers of corporations and REITs. The Act made available a commonly used antitakeover tool, the stockholder rights plan or "poison pill," which is used to dilute the voting interests of a person that acquires more than a specified percentage of the stock of the target corporation. The Act also established a definition of a "stockholder rights plan" and codified the authority of the board of directors of a corporation and the board of trustees of a REIT to adopt a stockholder rights plan.

In addition to strengthening the board's ability to resist an unsolicited acquisition, ***Chapter 300*** also increased the effectiveness of the stockholder rights plan as a defensive tool by allowing a corporation or REIT to adopt "continuing director" provisions. The effect of these provisions is to prevent a corporate suitor from engaging in a proxy contest to remove an incumbent board and then have a new board amend or redeem the stockholder rights plan as a precursor to a hostile takeover.

Powers, Charters and Declarations, and Mergers and Consolidations

Chapter 395 of 1999 made changes to the laws relating to the power of corporations to make gifts, charters and declarations of trust, and mergers and consolidations.

The Act made it easier for a corporation to make gifts or contributions by repealing the requirements that the gifts or contributions be "reasonable," that they be made out of profits, and that they be approved by the corporation's board of directors. The Act also authorized a corporation to make gifts or contributions in cash, other property, or stock or other securities of the corporation, and allowed a corporation to issue stock or other securities to be given as a gift or contribution without consideration of any kind.

Chapter 395 also authorized the charter of a corporation or the declaration of trust of a REIT to provide that the board of directors of the corporation, or the board of trustees of a REIT, by a majority vote of the entire board and without stockholder approval, may amend the corporation's charter or the REIT's declaration of trust to increase or decrease the aggregate number of shares of stock or the number of shares that the corporation or REIT has authority to issue. The Act also allowed the board, by a majority vote of the entire board and without stockholder approval, to amend the charter or the declaration of trust to change the name of the entity or the name or other designation or the par value of any class or series of stock and the aggregate par value of the stock.

An "upstream" merger is a merger of a subsidiary into its parent corporation. A "downstream" merger is a merger of a parent corporation into its subsidiary. ***Chapter 395*** altered the law to allow an "upstream" or "downstream" merger to take place without stockholder approval even if the charter or declaration of trust of the successor is amended to change its name, the name or other designation or the par value of any class or series of its stock, or the aggregate par value of its stock. The Act also altered the definitions of "foreign corporation" and "foreign business trust" to allow a Maryland corporation to consolidate with or merge into a corporation or business trust organized under the laws of a foreign country, and a Maryland real estate investment trust to merge into a business trust organized under the laws of a foreign country.

Miscellaneous Provisions

Chapter 459 of 1999 made numerous changes in the laws governing corporations and real estate investment trusts. Some of the major changes made by the Act:

- eliminated the restriction that stockholder meetings must be held in the United States;

- altered the manner in which stockholders may remove a director;

- altered the manner of determining when a person is an "interested stockholder" under provisions of State law governing business combinations;

- provided that the approval of the stockholders of a corporation, and articles of transfer or share exchange, are not required for a transfer of corporate assets as a distribution;

- eliminated the requirement that an issuance of stock be accompanied by a resolution adopted by the board of directors stating the actual value of the consideration for the stock or that the board has determined that the actual value is or will not be less than a certain sum;

- provided that shares of a corporation's own stock acquired by the corporation between the record date for determining stockholders entitled to notice of or to vote at a meeting of the stockholders and the time of the meeting may be voted at the meeting by the holder of record as of the record date and shall be counted in determining the total number of outstanding shares entitled to be voted at the meeting;

- provided that the fact that a stock certificate of a corporation or a REIT does not contain or refer to a restriction on transferability or ownership that is adopted after the date the stock certificate is issued does not mean that the restriction is invalid or unenforceable;

- provided that for provisions in a charter or declaration of trust relating to capital stock of a corporation or REIT, "facts" ascertainable outside the charter or declaration of trust include the contents of any agreement to which the corporation or REIT is a party or any other document;

- provided that an agreement of consolidation, merger, share exchange, or transfer of assets of a corporation may require that the proposed transaction be submitted to the stockholders, even if the board of directors determines, at any time after having declared the advisability of the proposed transaction, that it is no longer advisable and either makes no recommendation to the stockholders or recommends that the stockholders reject the proposed transaction, and provided a similar provision for mergers of REITs;

- clarified that provisions of law governing service of process and notice for corporations and other business entities also apply to REITs;

- allowed a REIT to use the process currently used by corporations for filing a certificate of correction to correct nonsubstantive errors in documents filed with the State Department of Assessments and Taxation;

- eliminated the restrictions that a REIT may not use or apply land for farming, agriculture, horticulture, or similar purposes, and must hold, either directly or through other entities, at least 75 percent of the value of its assets in real estate assets, mortgages or mortgage-related securities, government securities, and cash and cash equivalent items; and

- authorized the declaration of trust of a REIT to include restrictions on ownership designed to permit the REIT to comply with federal law, and to provide for committees of the board of trustees and the delegation of any powers of the board to the committees.

Chapter 642 of 2000 also made a number of changes in the laws governing Maryland corporations and REITs. The Act:

- eliminated a requirement that the board of directors of a corporation value any nonmonetary consideration for stock or convertible securities, and instead required only that the board set the minimum consideration for the stock or convertible securities;

- allowed holders of preferred stock to consent to any action by the written consent of the stockholders who are entitled to cast not less than the minimum number of votes necessary to take action at a meeting of the stockholders;

- authorized a Maryland corporation to have only one director, regardless of whether there is stock outstanding;

- allowed the charter of a corporation to provide that the voting power of directors may vary among the directors;

- established additional exceptions to appraisal rights for stock that: (1) is designated for trading on the NASDAQ Small Cap Market; (2) is not entitled to be voted on the transaction giving rise to the appraisal rights; or (3) is exempted from appraisal rights by a provision in the corporation's charter;

- allowed closed-end investment companies to elect to be subject to, and obtain the advantages of, the Maryland business combination statute and the Maryland control share acquisition statute; and

- reduced the threshold for satisfying the definition of "control shares" under the Maryland control share acquisition statute to conform to the same 10 percent trigger contained in the Maryland business combination statute.

Limited Liability Companies

Membership and Activities

Since enactment of the Maryland Limited Liability Company Act of 1992, limited liability companies (LLCs) have grown in popularity and have been used for a wider range of purposes than originally was anticipated. One new area of use is in the not-for-profit arena. In other states, LLCs are used as the vehicle through which tax-exempt organizations can conduct activities related to or supporting their purposes. In Maryland, however, it was not clear that an LLC could be used for not-for-profit purposes.

Chapter 514 of 2002 altered Maryland's Limited Liability Company Act to modernize the law and facilitate the use of LLCs for not-for-profit purposes. The Act broadened the purposes for which an LLC may be organized by authorizing an LLC to conduct activities related to any lawful activity, whether or not for profit, except the business of acting as an insurer. The Act also changed the requirement that a member must hold an economic interest in the LLC by expanding the definition of a "member" to include a person who is admitted as a member, and allowing a person to be admitted as a member without making a contribution to or acquiring an interest in the LLC. These changes were intended to ensure that a nonprofit LLC could qualify for tax-exempt status under the Internal Revenue Code, which prohibits the inurement to a member of any economic benefit derived from a tax-exempt organization.

In addition, ***Chapter 514*** altered the method for dissolving or winding up the affairs of an LLC, and established a mechanism for continuation of an LLC after it ceases to have any members. These and other changes made by the Act allow commercial lenders who lend money to an LLC to take a noneconomic voting interest in the LLC and protect the lender's lien by ensuring that the LLC will continue in existence even if all the economic owners withdraw from the entity. ***Chapter 514*** brought Maryland's LLC statute into conformity with the neighboring states of Delaware, Virginia, and North Carolina.

Mergers

Chapter 570 of 2002 authorized a domestic, or Maryland, LLC to merge into one or more domestic or foreign LLCs, unless the operating agreement provides otherwise, and authorized the merger of multiple foreign or domestic LLCs into a single domestic LLC. The Act also altered the manner in which a domestic LLC must approve a merger

by requiring the consent of the members holding at least two-thirds of the interests in profits of the LLC.

Investment Companies

Stock and Stockholders Rights

Chapter 453 of 1999 made two changes in State law governing a corporation that is registered as an investment company under the federal Investment Company Act of 1940. The Act authorized an investment company that has stock issued in more than one class or series to cause the investment portfolio for one class or series to purchase, hold, vote, and receive distributions on stock in another class or series.

The Act also authorized the charter of a closed-end investment company, or any prospectus filed by the company under the federal Investment Company Act of 1940, to require the company to submit to its stockholders, at an annual or special meeting of the stockholders, a proposal to: (1) amend its charter to convert to an open-end investment company; (2) dissolve; (3) require the closed-end investment company to make one or more tender offers for its shares; or (4) take other action intended to eliminate any trading discount to net asset value of its shares. The proposal must be submitted to the stockholders even if the board of directors fails to recommend the proposal or declare the proposal advisable, or even if the board recommends that the stockholders reject it. This change was intended to give stockholders the right to consider and vote on these matters even if the board, at the time of the proposed action, does not believe it to be in the corporation's best interests.

Directors

Sections 2 and 3 of Chapter 397 of 1998 were enacted in response to a 1997 decision of the federal district court in New York that called into question the independence of mutual fund directors who serve on multiple boards of funds managed by the same investment adviser. Section 2 added § 2-405.3 to the Corporations and Associations Article, which provides that a director of an investment company who is not an "interested person" under the federal Investment Company Act of 1940 is deemed to be independent and disinterested when acting as a director of the investment company. Section 3 applied Section 2 retroactively to cases filed on or after January 30, 1998.

After a lawsuit was filed in the Circuit Court for Montgomery County in 1999 seeking a declaratory judgment that § 2-405.3 was enacted in violation of Article III, § 29 of the Maryland Constitution, commonly known as the "one-subject rule," the General Assembly repealed and reenacted Sections 2 and 3 in ***Chapter 1 of 2000*** (the annual "curative" bill) to ratify their enactment. However, before ***Chapter 1*** took effect, the Court of Appeals, in *Migdal v. State*, 358 Md. 308 (2000), held that Sections 2 and 3 of

Chapter 397 were enacted in violation of the one-subject rule and severed them from Section 1 of the Act. In May 2000 a declaratory judgment action was filed in the Circuit Court for Montgomery County challenging the annual curative bill on the basis of the one-subject rule. The decision of the circuit court upholding the statute was appealed to the Court of Special Appeals, and the Court of Appeals granted a petition for a writ of certiorari to hear the case.

In light of the continuing legal challenges to Sections 2 and 3 of Chapter 397, ***Chapter 31 of 2001*** repealed and reenacted these sections in a separate, freestanding bill to remove any doubt as to their validity. The case challenging the annual curative bill subsequently was dismissed.

Business Trusts

Before the enactment of ***Chapter 452 of 1999***, a business trust could exist in Maryland under the common law but was not subject to specific statutory regulation, with the exception of a real estate investment trust. ***Chapter 452*** codified, as the "Maryland Business Trust Act," the standards applicable to business trusts and authorized the establishment of a business trust as an alternative form of business organization in the State. The Act provided a framework governing the formation, operation, termination, and dissolution of a business trust, the interests, rights, and liabilities of a beneficial owner, and the powers, duties, and liabilities of a trustee.

A business trust may be organized under the Maryland Business Trust Act by filing a certificate of trust with the State Department of Assessments and Taxation (SDAT). A business trust established under the Act is regarded for purposes of Maryland law as a separate legal entity.

Chapter 452 specified that it has no effect on the validity, powers, rights, liabilities, trustees, or beneficiaries of a common law business trust, but allowed a common law trust to elect to be governed by the Maryland Business Trust Act by filing a certificate of trust. Real estate investment trusts continue to be governed separately by Title 8 of the Corporations and Associations Article.

Business Entities Generally

SDAT is authorized to charge fees for processing business documents on an expedited basis, in addition to the fees associated with normal business document processing. Because the demand for expedited processing services has grown over the years while departmental funding remained fairly constant, SDAT did not have sufficient resources available to process in a timely manner all the requests it received.

To address concerns about the backlog of expedited service requests, ***Chapter 324 of 2000*** increased from $30 to $50 the fee SDAT is authorized to charge for recording documents on an expedited basis. The Act also required that all revenue derived from expedited processing be credited to a special fund to be used to finance the costs of reviewing, processing, and auditing business documents on an expedited basis.

Electric Cooperatives

Chapter 179 of 1976 decodified the "Electric Cooperative Act" of 1941 and transferred it to the Session Laws as part of the code revision process that created the Corporations and Associations Article. The Electric Cooperative Act included provisions relating to formation and powers, members, officers, and directors, and the consolidation, merger, conversion, and dissolution of Maryland electric cooperatives.

In light of the restructuring of the electric utility industry and the anticipated increase in legislative activity in this area, ***Chapter 604 of 2001*** required the Department of Legislative Services to prepare draft legislation that would provide a nonsubstantive revision of Chapter 179 and transfer that revision to the Annotated Code of Maryland. In response to ***Chapter 604***, ***Chapter 135 of 2002*** revised and restated the Electric Cooperative Act and recodified the law in the Corporations and Associations Article. As directed by the legislature, no substantive changes were made, except that provisions relating to the names of electric cooperatives and filing of security instruments were revised to conform to the requirements of current law and the annual fee paid by electric cooperatives to SDAT was increased.

Part J
Health

Public Health – Generally

Medicaid

In July 1997 the Department of Health and Mental Hygiene (DHMH) implemented a mandatory Medicaid managed care system known as HealthChoice. Since the program's inception, enrollment has grown from just over 300,000 enrollees in fiscal 1998 to more than 435,000 enrollees. In January 2002 DHMH released the first comprehensive evaluation of HealthChoice. This evaluation both demonstrates that HealthChoice has made significant progress in meeting its original goals and identifies areas for improvement. As the program has grown, the General Assembly has sought to balance cost containment measures with policy changes designed to maximize quality of care.

Home and Community-based Services

Developing cost-effective methods for providing long-term care for institutionalized individuals and certain individuals who are dually eligible for Medicaid and Medicare has become critical given the continuous aging of the State's population. It is expected that from 1998 to 2020, the State's elderly population (age 60 and above) will increase from approximately 800,000 to 1.4 million.

The General Assembly addressed concerns about meeting the long-term care needs of the growing elderly population through ***Chapter 126 of 1999***, which required DHMH to apply to the federal Centers for Medicare and Medicaid Services (CMS) for an amendment to the State's existing home and community-based services waiver. The amendment enabled the State to receive federal matching funds for waiver services received by eligible "medically and functionally impaired" individuals participating in the waiver.

Home and community-based services can be a cost effective alternative to nursing home placement. From fiscal 2000 to 2002, the amended home and community-based services waiver, now known as the Waiver for Older Adults, provided services to 1,135 individuals, a dramatic increase from the 135 individuals receiving services prior to the amendment. In January 2001 the target population of individuals eligible for the waiver expanded to include individuals 50 years of age or older, new services became available, and additional provider types were able to participate in the waiver. After five years, the amended waiver will cover 5,135 individuals, depending on budget appropriations.

Expedited Eligibility

Chapter 272 of 2000 required DHMH to implement "expedited eligibility for any individual who applies for Medicaid or the Maryland Children's Health Program (MCHP) through a local health department. Expedited eligibility is a streamlined process for determining eligibility that must be completed within ten working days of the date of application.

Continuity of Care

Chapter 437 of 2000 required DHMH to establish mechanisms to ensure that a participant in HealthChoice is able to select and keep his or her primary care provider (PCP), even if that provider has left the recipient's managed care organization and contracted with another managed care organization (MCO).

Following the withdrawal of CareFirst's FreeState MCO from HealthChoice, enrollees and providers complained of interruptions in continuity of care when enrollees were auto-assigned to MCOs that did not have a contract with the enrollees' existing providers. ***Chapter 546 of 2001*** reaffirmed that a HealthChoice enrollee has the right to choose the enrollee's MCO and a PCP.

Performance Incentives for Managed Care Organizations

Chapter 77 of 2001 established a HealthChoice Performance Incentive Fund in DHMH to be used for provider reimbursement and financial incentives for MCOs that exceed performance targets designed to measure quality of care. The fund consists of fines imposed by DHMH on MCOs for failure to comply with quality assurance requirements.

Reimbursement Issues

Chapter 702 of 2001 required DHMH to establish a process to annually set the fee-for-service reimbursement rates for Medicaid and MCHP in a manner that ensures the participation of providers. ***Chapter 702*** also included several reporting requirements, including an analysis of the fee-for-service reimbursement rates paid in other states and how those rates compare with Maryland rates. Expanding on ***Chapter 702***, ***Chapter 464***

of 2002 required DHMH to establish and report on a process to annually set the fee-for-service reimbursement rates for the public mental health system in a manner that ensures participation of providers.

Maryland Children's Health Program

Chapter 110 of 1998 created MCHP, extending coverage for comprehensive medical care and other health care services to children up to age 19 with family incomes up to 200 percent of federal poverty guidelines (currently $30,040 for a family of three). Since the program's implementation in July 1998, several incremental expansions have been enacted, and more than 100,000 children are enrolled in the program.

Chapters 15 and 16 of 2000 expanded coverage under MCHP to include children under the age of 19 with family incomes between 200 and 300 percent of federal poverty guidelines (FPG) and pregnant women with incomes between 200 and 250 percent of FPG. ***Chapters 15 and 16*** also established a private option plan that allows children with family incomes between 200 and 300 percent of FPG to receive subsidized health insurance either through employer-sponsored health benefit plans or through a HealthChoice MCO. Implemented in July 2001 the MCHP Premium Program requires a monthly family contribution for children of $38 or $48 per month based on family income.

In 2001 the federal government removed the requirement that employers participating in the MCHP private option plan make a contribution to the cost of family coverage equal to 60 percent of the total cost of family coverage. In response to this change, ***Chapter 197 of 2002*** altered the employer premium contribution requirement from 50 to 30 percent in the MCHP private option plan. ***Chapter 197*** provided that the State's cost for coverage of an MCHP private option plan enrollee covered by employer health insurance cannot be greater than the cost of coverage if the enrollee were covered under a HealthChoice MCO. If the State's cost is greater for an MCHP private option plan enrollee, DHMH must insure the enrollee through a HealthChoice MCO instead.

Tobacco

Cigarette Restitution Fund

The Master Settlement Agreement was a watershed in the long history of tobacco litigation. Under this unprecedented agreement, the settling manufacturers will make regular payments to 46 states, 5 territories, and the District of Columbia, as well as conform to a number of restrictions on marketing to youth and the general public.

Chapters 172 and 173 of 1999 created the Cigarette Restitution Fund (CRF) for payments received by the State from the tobacco settlement. The Acts established nine

health- and tobacco-related spending priorities and required the Governor to propose a budget that directs at least half of annual settlement revenues to these spending priorities.

To establish parameters for tobacco and cancer control programs supported by the CRF, ***Chapters 17 and 18 of 2000*** established the Tobacco Use Prevention and Cessation Program and the Cancer Prevention, Education, Screening, and Treatment Program under DHMH.

Tobacco Use Prevention and Cessation Program: This program is charged with developing initiatives to reduce tobacco use in Maryland and otherwise benefit public health. The program consists of five components: surveillance and evaluation, statewide public health, countermarketing, local public health, and administration. Program activity is primarily conducted through local health departments, which are responsible for developing and implementing community- and school-based programming to reduce tobacco use.

Cancer Prevention, Education, Screening, and Treatment Program: This program is charged with developing initiatives to reduce morbidity and mortality rates in Maryland for cancer- and tobacco-related diseases. The program consists of four components: surveillance and evaluation; local public health; statewide academic health centers; and administration.

Cancer prevention, education, screening, and treatment is primarily provided by local health departments. Funded by the CRF, the programs are intended to complement existing cancer screening and treatment programs with an emphasis on ensuring that the uninsured and underinsured receive appropriate treatment.

Cancer program funding also supports research by the University of Maryland Medical Group and the Johns Hopkins Institutions relating to tobacco-related cancers and diseases and increasing the rate at which research is translated into treatment protocols. Money also supports minority participation in clinical trials, development of best practices for addressing cancer- and tobacco-related disease, and providing coordination among State health providers and hospitals.

Distribution of Funds: CRF monies support the nine health- and tobacco-related spending priorities established by ***Chapters 172 and 173***, including the tobacco and cancer programs. Funding was also directed to substance abuse treatment, Medicaid reimbursements, and tobacco crop conversion. Funding for these health-related programs has increased as the programs have established baseline data and increased capacity, reducing funds available for primary and secondary education initiatives that were also funded through the CRF. **Exhibit J.1** details the distribution of settlement revenues since the establishment of the spending priorities, exclusive of attorney fees held in escrow, which totaled 25 percent of settlement revenues in fiscal 2002 and 2003.

Exhibit J.1
Cigarette Restitution Fund
FY 2001–2003
($ in Millions)

	FY 2001 Actual	FY 2002 Working Appropriation	FY 2003 Legislative Appropriation
Health			
Tobacco	$7.3	$19.7	$20.2
Cancer	23.8	34.3	37.7
Substance Abuse	18.5	18.5	18.5
Maryland Health Care Foundation	1.5	1.0	1.0
Medical Provider Reimbursements	24.6	0.0	31.0
Subtotal	$75.7	$73.5	$108.4
Education (K-12)			
Teachers Salaries	$6.9	$0.0	$0.0
Baltimore City Partnership	8.0	3.2	0.0
Academic Intervention	12.0	19.5	0.0
Aid to Nonpublic Schools	5.0	5.0	3.8
Judy Hoyer Centers	4.0	4.0	4.0
School Wiring	0.0	0.0	1.9
Education Modernization	2.5	0.0	0.0
Teacher Mentoring	2.5	2.5	2.5
Teacher Certification	2.0	2.0	1.5
Technology Academy	1.6	1.7	1.7
Readiness and Accreditation	3.0	3.0	0.0
Subtotal	**$47.5**	**$40.9**	**$15.4**
Higher Education			
MAITI Technology	$3.7	$0.0	$0.0
Access/Success	1.0	1.0	1.0
Digital Library	0.5	0.0	0.0
Subtotal	**$5.2**	**$1.0**	**$1.0**
Crop Conversion	**$9.0**	**$6.3**	**$6.3**
Attorney General	**$0.4**	**$0.1**	**$0.1**

Source: Department of Legislative Services

Access by Minors

Restricting access to tobacco products by minors, with particular emphasis on access to cigarette vending machines, has been long debated, but not passed by the General Assembly. Change ultimately occurred through ***Chapter 247 of 2000*** which prohibited the sale of tobacco products through a vending machine unless the vending machine is:

- located in an establishment that minors are prohibited by law from entering or a bona fide fraternal or veterans organization; or
- operable only through the use of a token, card, or similar device obtained from the owner or an employee or agent of the owner of an establishment.

Chapter 220 of 2000 further discouraged youth access to cigarettes by prohibiting the sale or distribution of packages of cigarettes that contain less than 20 cigarettes. This prohibition, originally a part of the Master Tobacco Settlement Agreement, expired on December 31, 2001. ***Chapter 220*** ensured that the prohibition continued in Maryland law.

Mental Health

Funding of the Public Mental Health System

Beginning in the 2001 session, there has been a strong legislative focus on the funding problem of Maryland's public mental health system. The budget for the Mental Hygiene Administration (MHA) has shown reasonable growth from fiscal 2000 to 2003 (see **Exhibit J.2**). Total growth has been just over $113 million dollars, an annual average increase of 5.9 percent, slightly under the rate of growth in the State budget overall (6.8 percent). Most of this growth (just under $92 million, 81 percent of the total increase), has been in general funds. The Community Services budget increased by $78 million, 6.6 percent annually, primarily a result of enrollment growth in the fee-for-service mental health system. Spending on State-run psychiatric facilities increased by $34 million, 4.8 percent annually, primarily from increased personnel and drug costs.

Exhibit J.2
Mental Hygiene Administration Budget Change
FY 2000–2003
($ in Millions)

	FY2000 Actual	FY2001 Actual	FY2002 Working	FY2003 Allow.	$ Change 00-03	% Change 00-03
Program Direction	$5.1	$5.5	$5.8	$6.5	$1.4	8.4
Community Services	368.5	442.1	404.2	446.5	78.0	6.6
MPRC	3.8	3.9	3.9	3.8	0	0
Facilities	226.0	232.7	241.0	260.0	34.0	4.8
Total	**$603.4**	**$684.2**	**$654.9**	**$716.8**	**$113.4**	**5.9**

MPRC = Maryland Psychiatric Research Center

Source: Department of Legislative Services

However, this budget growth belies the funding problems of MHA. In the 2001 session, significant funding deficits were identified in MHA's community services budget. These deficits were primarily due to MHA's inability to accurately track expenditures in the fee-for-service mental health system. As a result, MHA's budget has been, and continues to be, inadequate to support the service delivery system that it has developed. ***Chapter 275 of 2001*** established a Tax Amnesty Program which allowed the transfer of $30 million from the Dedicated Purpose Account to MHA to cover prior year deficits.

Despite this transfer, MHA's budget remains structurally imbalanced. It is anticipated that the fee-for-service mental health system will close-out fiscal 2002 with a deficit of $65–70 million. The legislature took further action to address this problem in the 2002 session. ***Chapter 440 of 2002***, the Budget Reconciliation and Financing Act, captured higher-than-anticipated federal disproportionate share payments in fiscal 2002 and 2003 and dedicated those funds to address this deficit. These adjusted payments are estimated to yield an additional $40 million in fiscal 2002 and $14 million in fiscal 2003 (amounts not reflected in Exhibit J.2). This still leaves MHA with a substantial deficit carried forward into fiscal 2003 as well as a budget that does not meet current services.

Consent to Treatment

In Maryland a minor who is 16 years old or older has the same capacity as an adult to consent to consultation, diagnosis, and treatment by a physician or a clinic for a mental or emotional disorder . ***Chapter 217 of 1999*** provided that the legal capacity of a minor does not include the capacity to refuse treatment to which a parent, guardian, or custodian of the minor has given consent.

Chapter 284 of 2001 provided that a minor has the same capacity as an adult to consent to psychological treatment if, in the judgement of the attending physician or psychologist, the life or health of the minor would be adversely affected by delaying treatment to obtain the consent of another individual.

Substance Abuse

The General Assembly increased treatment capacity with enactment of ***Chapter 675 of 2000***, which established the Substance Abuse Treatment Outcomes Partnership (S.T.O.P.) Fund. The fund, administered by DHMH, makes grants to counties that submit proposals for substance abuse treatment programs. Participating counties are required to provide a local match of 50 percent, although the matching requirement may be waived at DHMH's discretion.

The Integration of Child Welfare and Substance Abuse Treatment Services Act, ***Chapter 551 of 2000***, required the Department of Human Resources (DHR) and DHMH, in consultation with a broad range of child welfare professionals, to develop a statewide protocol for integrating child welfare and substance abuse treatment services. The protocol addressed training requirements for substance abuse treatment and child welfare personnel and requires the Secretaries of DHR and DHMH to enter into a memorandum of understanding to implement the provisions of the Act.

In addition to these initiatives, funds were dedicated to regions with the greatest need, determined by a formula that combines drug and alcohol addiction prevalence, the number of reported HIV cases, and the number of drunk driving arrests by jurisdiction to determine grant awards. As a result of these recent initiatives and the dedication of Cigarette Restitution Funds to substance abuse treatment, the budget for the Alcohol and Drug Abuse Administration has nearly doubled since fiscal 2000. Program growth is detailed in **Exhibit J.3**.

Exhibit J.3
Growth in Alcohol and Drug Abuse Administration Funding
FY 2000–2003

	Actual 2000	Actual 2001	Working 2002	Appropr. 2003
Program Direction	**$4,180,904**	**$4,536,797**	**$4,692,271**	**$4,825,069**
Addiction Treatment Services				
Prevention and Evaluation	$5,343,913	$5,485,556	$5,658,399	$4,977,338
Treatment – General	64,888,842	71,051,274	78,010,683	87,908,983
Cigarette Restitution Funds	0	16,260,566	18,500,000	18,500,000
Regions with the Greatest Need	0	0	5,000,000	5,000,000
Substance Abuse Treatment Outcomes Partnership	0	0	4,000,000	7,200,000
Integration of Child Welfare and Substance Abuse Treatment	0	0	4,000,000	2,407,834
Subtotal	**$70,232,755**	**$92,797,396**	**$115,169,082**	**$125,994,155**
Total	**$74,413,659**	**$97,334,193**	**$119,861,353**	**$130,819,224**

Source: Department of Legislative Services

Developmental Disabilities Administration

Concern that direct-support workers employed by community providers were not being compensated at the same rate as employees in State residential centers led to an initiative to eliminate the wage disparity. ***Chapters 109 and 110 of 2001*** required DHMH to increase rates of reimbursement for community service providers to eliminate the wage disparity over a five-year period. The Acts further required all increases in rates of reimbursement be used to directly increase compensation for community direct service workers. In its first year, fiscal 2003, the initiative will cost $16 million.

The Waiting List Initiative will enter its fifth and final year in fiscal 2003. The initiative, designed to reduce the waiting list for community services, will have served

5,977 individuals by the end of fiscal 2003, as illustrated in **Exhibit J.4**. The initiative has increased the budget of the Developmental Disabilities Administration by an average of $32 million annually since its inception in fiscal 1999; the cumulative cost of the initiative is $481 million. From fiscal 2000 to 2003, the budget for the Developmental Disabilities Administration has increased an average of 9 percent annually as a result of these efforts to expand the availability of community services and increase wages for community direct service workers. Increases are detailed in **Exhibit J.5**.

Exhibit J.4
Additional Clients Served by the Waiting List Initiative
FY 1999–2003

Program	1999	2000	2001	2002	2003	Total
Transitioning Youth	315	275	275	275	275	1,415
Emergencies	612	395	355	315	275	1,952
Waiting List						
Residential	250	150	150	150	150	850
Day	300	200	200	200	200	1,100
Support	1,425	485	485	485	485	3,365
Total Clients	**2,177**	**980**	**960**	**940**	**920**	**5,977**

Source: Department of Legislative Services

Exhibit J.5
Growth in Developmental Disabilities Administration Funding
FY 2000–2003
($ in Millions)

	Actual 2000	Actual 2001	Working 2002	Appropr. 2003
Program Direction	**$4.0**	**$4.7**	**$4.7**	**$4.7**
Community Services				
Services – General	$274.4	$276.1	$276.1	$276.0
Waiting List Initiative	65.7	92.5	127.1	161.0
Wage Initiative	0.0	0.0	0.0	16.2
Subtotal	**$340.1**	**$368.6**	**$403.2**	**$453.2**
State Residential Centers	63.2	65.5	66.3	66.7
Total	**$407.3**	**$438.8**	**$474.2**	**$524.6**

Source: Department of Legislative Services

Confidentiality of Medical Records

Based on legislative actions in the past term, health privacy advocates regard Maryland as a national leader in the area of protecting medical record confidentiality.

In response to the recommendations of a 1998 ad hoc interim workgroup, ***Chapter 270 of 2000*** strengthened Maryland's law regarding medical records confidentiality and established the 29-member State Advisory Council on Medical Privacy and Confidentiality to provide guidance on confidentiality issues, monitor federal law, and study emerging best practices. ***Chapter 270*** prohibited the disclosure by sale, rental, or barter of any medical record and mandated that patients or interested parties be notified of the transfer of health records. The Act also required payors to accept claims only from accredited or certified clearinghouses and authorized the use of "personal notes" that are intended to grant patients and mental health providers greater privacy, while protecting the third party payor's right to analyze diagnoses and treatment plans for payment authentication.

To further strengthen medical records privacy, ***Chapter 402 of 2001*** required DHMH, after consulting with specified interested parties, to adopt regulations governing the destruction of medical records in order to ensure confidentiality, provide limited access, and ensure that the destruction of records renders the records unreadable. ***Chapter 402*** also included monetary penalties of up to $25,000 per day for violations of the records destruction law.

Lead Paint

Baltimore City's lead poisoning rate is over 15 times the national average and Maryland's lead poisoning rate is almost 7 times the national average. ***Chapter 677 of 2000*** required children residing in areas designated as at risk for lead poisoning to receive a blood test for lead poisoning. The Secretary of DHMH must require providers caring for children in such areas to administer blood tests to children by ages 12 months and 24 months, and to children over age 24 months who have not received a blood test for lead poisoning. Medical laboratories must report blood lead test results to the Department of the Environment and in Baltimore City to the Commissioner of the Baltimore City Health Department. By September 2003 parents and legal guardians of children residing in areas designated as at risk for lead poisoning must provide proof that their children have received blood lead testing at the time the children enter a public prekindergarten program, kindergarten program, or first grade.

Anti-Terrorism

Following the events of September 11, 2001, ***Chapter 1 of 2002*** authorized the Governor to proclaim a catastrophic health emergency if the Governor determines that exposure to a "deadly agent" presents an imminent threat of extensive loss of life or serious disability to persons in the State. It also required DHMH to create a Catastrophic Health Emergency Disease Surveillance and Response Program and submit a report on any plans, procedures, or protocols developed as a result. For a more detailed discussion of ***Chapter 1*** and other anti-terrorism initiatives see the "Public Safety" subpart of Part E - Crimes, Corrections, and Public Safety and the "State Offices, Agencies, and Officials" subpart of Part C - State Government of this *Major Issues Review*.

Health Occupations

Health Care Providers

Dentists and Dental Hygienists

Dentists: In response to growing evidence of a shortage of dental providers, particularly in rural areas of the State where dental clinics were being forced to close because of insufficient staff, ***Chapter 83 of 2000*** established qualifications and

conditions for two retired volunteer licenses. These volunteer licenses allowed dentists and dental hygienists to volunteer their needed services without having to pay to keep their general license current.

Dental Hygienists**:* To increase access to dental care, the State Board of Dental Examiners has issued waivers on a case-by-case basis to allow dental hygienists to practice under the "general supervision" of dentists in government-owned facilities serving the poor, elderly, or disabled. The authority to issue these waivers terminated on September 30, 2001. ***Chapter 140 of 2002 continued the ability of authorized dental hygienists to practice dental hygiene under this "general supervision."

Nurses

Nurse Practitioners: Nurse practitioners have been recognized, reimbursed, and used as primary care providers under a variety of circumstances. Medicare, Medicaid, and the Veterans Administration Maryland Health Care System all use nurse practitioners as primary care providers. ***House Bill 473 of 2001 (vetoed)*** would have authorized health maintenance organizations (HMO) to provide patient access to primary care services through nurse practitioners. However, Governor Glendening vetoed the legislation citing concerns that HMOs would undermine the intent of the legislation and restrict access to physicians.

The issue of designating nurse practitioners as primary care providers was revisited during the 2002 session. ***Chapter 250 of 2002*** required the State Board of Nursing, in consultation with HMOs operating in the State, to report on whether HMOs should individually credential nurse practitioners and allow HMO members to designate a nurse practitioner as a primary care provider.

Nurse Overtime: ***Chapter 322 of 2002*** prohibited an employer from requiring a nurse to work more than the nurse's regularly scheduled hours according to a predetermined work schedule except in specified emergency circumstances.

Pharmacists

As a way to enhance health care delivery to patients, some states have permitted prescribing physicians and pharmacists to enter into drug therapy management contracts, which permit pharmacists to modify drug dosages or extend or discontinue drug therapy for patients without a physician's prior approval. ***Chapter 249 of* 2002** authorized physicians and pharmacists to enter into voluntary drug therapy management contracts. The Act provides for the several steps involved in the establishment of a drug therapy management contract. The Board of Physician Quality Assurance (BPQA) and the State Board of Pharmacy must report to the Governor and the General Assembly by October 1, 2006, on the effect of these provisions and make any recommendations for legislative or regulatory action. ***Chapter 249*** terminates on May 31, 2008.

Physician Assistants

Legislation passed during the 1999 session expanded the scope of practice of a physician assistant, while legislation passed during the 2002 session further clarified the law governing physician assistants.

Chapter 655 of 1999 authorized a physician to delegate to a physician assistant the authority to exercise prescriptive authority under an approved delegation agreement. The Act provides that a supervising physician may not enter into more than two concurrent delegation agreements with physician assistants in a nonhospital setting. Furthermore, a physician may only delegate acts that are appropriate to education, training, and competence of the physician assistant. A delegation agreement must be reviewed and approved by BPQA and must contain attestations by the supervising physician regarding the physician's acceptance of responsibility for patient services and care rendered by the physician assistant. The supervising physician must be available for consultation and must review and co-sign all prescribing activities of the physician assistant.

Chapter 374 of 2002 clarified the grounds on which BPQA can modify or disapprove a delegation agreement. The Act also provides that individual members of BPQA are not civilly liable for actions regarding the approval, modification, or disapproval of delegation agreements. The Act also requires the State Board of Nursing, BPQA, and certain nurse anesthetists and physician assistant professional organizations to meet and propose regulations or legislation with regard to the approval of delegation agreements by BPQA pertaining to the administration of anesthesia.

Physicians

Physician Self-referrals: Physicians are prohibited from referring patients to a health care facility in which the physician has a financial interest. This prohibition against "physician self-referral" is designed to avoid conflict of interest regarding medical decisions and to discourage overutilization of services. Federal law includes specific exceptions to this prohibition to accommodate legal business arrangements. ***Chapter 229 of 2000*** conformed Maryland law to the prevailing federal standards by incorporating three specific federal exceptions into Maryland law. By conforming Maryland law with federal standards, the Act reduced uncertainty for physicians in creating new business arrangements and provided new options and flexibility in the reorganization of hospitals.

Professional Counselors and Therapists

***Chapter 358 of* 2000** renamed the State Board of Examiners of Professional Counselors to be the State Board of Examiners of Professional Counselors and Therapists to assist licensed marriage and family therapists in educating the general

public and insurance carriers about their role as mental health providers and allow them greater access to provider panels.

Legislation introduced during the 2001 and 2002 sessions addressed the need for a trainee status for counselors and therapists so that individuals undergoing the licensure or certification processes had a mechanism through which to obtain the required clinical experience. ***Chapter 355 of 2001*** provided a trainee status to alcohol and drug counselors to allow graduates to practice without licensure or certification in order to fulfill experiential or course of study requirements under the supervision of a certified or licensed professional.

To increase employment opportunities for graduate alcohol and drug and professional counseling students and for graduate marriage and family therapists who must acquire clinical experience before qualifying for State licensure, ***Chapter 367 of 2002*** established new licenses that allow these graduate students to practice counseling without licensure for a limited time if the individual meets certain educational and practical requirements.

***Chapter 49 of* 2002** added a licensed clinical professional counselor to the list of professionals who may independently file and present a petition for emergency psychiatric evaluation of an individual, which includes clinical social workers, physicians, psychologists, police officers, and health officers and their designees.

Health Occupations Boards

State Board of Nursing

Multistate Licensure: In 1997 the Assembly of State Boards of Nursing adopted language for an interstate compact to establish mutual recognition licensure. ***Chapter 186 of 1999*** enabled the State to join the Nurse Multistate Licensure Compact. This compact allows nurses licensed in Maryland to practice in another state without having to obtain a license in the other state if the other state is a party to the compact.

Certified Nursing Assistants: In 1998 the General Assembly established a certification and regulatory process for nursing assistants by requiring an individual to obtain certification by the State Board of Nursing before practicing as a nursing assistant in the State. ***Chapter 360 of 2001*** altered the law governing the certification of nursing assistants by strengthening the Certified Nursing Assistant (CNA) certification program and clarifying the licensing, duties, and behavioral responsibilities of CNAs. The Act requires the board to expand the regulations to establish categories of CNAs and standards for qualification for certification.

Nursing Scholarships: Legislation introduced during the 2001 session sought to provide increased scholarship aid to nursing students and address the critical shortage of nurses in Maryland. ***Chapter 409 of 2001*** increased the maximum annual and total award for a nursing scholarship, and ***Chapter 106 of 2001*** allowed recipients of nursing scholarships to receive additional scholarships.

State Board of Physician Quality Assurance

Physician Profiles: Prior to 1999, BPQA was only required to maintain, as a public record, a list of the public addresses of licensed physicians. ***Chapter 338 of 1999*** expanded the information available on physicians by requiring BPQA to create a profile on each licensed physician and make all profiles publicly available on the Internet.

Sunset Evaluations

From 1999 to 2002, several health occupations boards were subject to the Maryland Program Evaluation Act (Sunset Law). The following boards were subject to the sunset review and evaluation process conducted by the Department of Legislative Services (DLS) in order to ensure the continuation of the boards' mandated responsibilities of protecting the citizens of Maryland through the regulation of the health professionals governed by the boards.

Board of Physician Quality Assurance: Senate Bill 613/House Bill 846 of 2002 (both failed) would have extended the termination date of BPQA by five years and made significant changes to its authority and practice. If the General Assembly does not pass a bill extending the termination date of BPQA during the 2003 session, State regulation of physicians by BPQA will terminate July 1, 2003.

Medical Radiation Technologists and Nuclear Medicine Technologists: In the BPQA sunset evaluation, DLS recommended that the regulatory provisions relating to medical radiation and nuclear medicine technologists, as well as the Medical Radiation and Nuclear Medicine Technology Advisory Committee, be codified in a manner similar to the Maryland Respiratory Care Practitioners Act. ***Chapter 373 of 2002*** established the Maryland Radiation Oncology/Therapy Technologists, Medical Radiation Technologists, and Nuclear Medicine Technologists Act, codifying specified regulations regarding certification, disciplinary procedures, and criminal and civil penalties.

State Board of Chiropractic Examiners: ***Chapter 78 of 2000*** extended until July 1, 2012, the termination date for the State Board of Chiropractic Examiners.

State Board of Morticians: ***Chapter 156 of 2002*** extended the termination date of the State Board of Morticians by six years to July 1, 2008. The Act also codifies the

board's existing inspection policy to provide for greater flexibility when inspecting funeral homes.

State Board of Nursing: ***Chapter 165 of 2002*** extended the termination date of the State Board of Nursing to July 1, 2013, and incorporated a reporting requirement.

State Board of Examiners of Nursing Home Administrators: ***Chapter 184 of 2002*** extended the termination date for the State Board of Examiners of Nursing Home Administrators until July 1, 2013. The Act also expands the statute of limitations for prosecuting misdemeanor offenses and alters the definition of unauthorized practice to include persons who knowingly induce, aid, direct, or supervise an unlicensed nursing home administrator.

State Board of Pharmacy: ***Chapter 157 of 2002*** extended the termination date for the State Board of Pharmacy until July 1, 2013. The Act also codifies the board's current practice of annually inspecting pharmacies and repeals the State manufacturer's permit.

State Board of Physical Therapy Examiners: ***Chapter 391 of 2000*** extended until July 1, 2012, the termination date for the State Board of Physical Therapy Examiners.

State Board of Podiatric Medical Examiners: ***Chapter 143 of 2000*** extended until July 1, 2012, the termination date for the State Board of Podiatric Medical Examiners.

State Board of Examiners of Psychologists: ***Chapter 164 of 2002*** extended the sunset termination date for the State Board of Examiners of Psychologists until July 1, 2013.

State Board of Examiners in Optometry: ***Chapter 24 of 2001*** extended until July 1, 2013, the termination date for the State Board of Examiners in Optometry.

Preliminary Sunset Evaluations: ***Chapter 209 of 2002*** extended the termination date for several health occupations boards and one advisory committee as a result of preliminary sunset evaluations conducted by DLS. The following boards were waived from full sunset evaluation and extended as follows:

- State Board of Examiners of Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists, extended until July 1, 2016;

- State Board of Professional Counselors and Therapists, extended until July 1, 2009;
- State Board of Occupational Therapy Practice, extended until July 1, 2015; and
- Physician Assistant Advisory Committee, extended until July 1, 2013.

Health Care and the Workplace

Chapter 504 of 2002 prohibited an employer from taking or refusing to take certain actions regarding a licensed or certified health care employee because the employee discloses or threatens to disclose unlawful activity of the employer to a supervisor or board. The Act also applies to an employee who testifies before a public body that is conducting an investigation into an employer's unlawful activity, or an employee who objects to or refuses to participate in unlawful activity. The protection provided by the Act applies if the employee has a reasonable, good faith belief that the employer has, or still is, engaged in an action or policy that is a violation of law and poses a substantial, specific public health safety risk.

Medical Review Committees

Medical review committees are committees or boards within an alternative health care system that: (1) evaluate and seek to improve the quality of health care provided; (2) evaluate the need for, and the level of, performance of health care; (3) evaluate the qualifications, competence, and performance of providers of health care; or (4) evaluate and act on matters that relate to the discipline of any health care provider. The proceedings, records, and files of a medical review committee are not discoverable and are not admissible in evidence in any civil action. ***Chapter 158 of 2002*** clarified that all health care practitioners have the protections afforded to those reporting to a medical review committee and provides that certain good faith communications intended to lead to redress of a matter within the scope of a medical review committee are protected even when they are not made directly to a medical review committee.

Bloodborne Pathogen Standard

Chapter 408 of 1999 required DHMH to convene a study group to review Maryland's bloodborne pathogen standard governing occupational exposure. In its December 1999 report, the study group found that the State's bloodborne pathogen standard had not been effective in protecting health care workers from injuries resulting from objects that can penetrate the skin and expose the workers to harm. As a result of the study group's findings, ***Chapter 367 of 2000*** adopted the more stringent federal bloodborne pathogen standard established by the federal Occupational Safety and Health Administration (OSHA) as of November 5, 1999. The OSHA standard requires

employers to adopt exposure control plans and to use engineering controls and work practices that include safer medical devices, work practices, administrative controls, and personal protective equipment.

Health Care Facilities and Regulation

Health Care Regulatory Reform

In the late 1990s, health care delivery changed dramatically with the growth of managed care, the evolution of provider networks, and the increased number and types of retirement communities required to care for an aging population. As the health care delivery system evolved in Maryland, both health care provider and payor organizations criticized the regulatory system for not keeping pace with industry developments. Accordingly, Maryland's regulatory structure for ensuring quality of care and maintaining public safety in health care facilities was reformed to meet changing needs.

In 1999 the State had five regulatory entities that oversaw various aspects of health care quality, including DHMH, the Maryland Insurance Administration (MIA), and three independent commissions – the Health Resources Planning Commission (HRPC), the Health Services Cost Review Commission (HSCRC), and the Health Care Access and Cost Commission (HCACC). DHMH provided oversight for quality and services of facilities, practitioners, and HMOs. MIA regulated all aspects of insurance, including financial solvency for insurance carriers and HMOs and contracts that insurers and HMOs entered into with providers and consumers. HRPC adopted the State Health Plan that addressed health care access and efficiency issues. HSCRC set hospital rates and maintained the all-payor system. HCACC oversaw the comprehensive standard health benefit plan (CSHBP) established for the small group insurance market as well as quality and performance report cards for HMOs.

Health Care Commissions

In response to changing regulatory needs, ***Chapter 702 of 1999*** consolidated two health care regulatory commissions. The Act abolished HRPC and transferred its functions and funding to HCACC, which in turn was renamed the Maryland Health Care Commission (MHCC). The Act set an annual limit of $8.25 million on MHCC fee assessments and specified the distribution of fees paid by hospitals, nursing homes, payors, and health care providers. A subsequent study required by the Act recommended increasing the limit on assessments to $10 million. In addition, the Act transferred HRPC health planning functions to DHMH, except for those necessary to support the Certificate of Need (CON) process, which were transferred to MHCC.

In addition to adopting legislation that consolidated two health care regulatory commissions, the General Assembly also passed legislation ***(Chapter 613 of 1999)*** that repealed the termination date for the HSCRC special fund. The Act also increased the annual limit on user fees collected by HSCRC from $3 to $3.5 million. ***Chapter 498 of 2001*** further increased the annual limit on user fees to $4 million, and limited any user fee increase to an amount equal to, or less than, the percentage increase of the user assessment in the same fiscal year for all acute care hospitals. ***Chapter 498*** also clarified that the annual user fee cap applies to the maximum amount HSCRC can assess in any fiscal year, and that HSCRC may not increase its assessment until it reports on the future viability and financial condition of Maryland's hospitals.

Chapter 111 of 1999 repealed the requirement that the former HCACC (now MHCC) foster the development of practice parameters for health care providers and disbanded the Advisory Committee on Practice Parameters. HCACC was given the authority to develop practice parameters, with the assistance of the advisory council, in 1993 (Chapter 9 of 1993). At that time, HCACC assumed it would develop 15 to 20 practice parameters per year. Only two parameters, pediatric asthma and the management of labor, had been adopted when HCACC's authority was repealed.

Chapter 64 of 2000 repealed the authority of MHCC to develop a payment system for all health care practitioners in the State. Instead, MHCC was required to promote the availability of information on charges by practitioners and reimbursements by insurance carriers and HMOs and publish certain reimbursement data.

Chapter 215 of 2001 changed the program evaluation dates of MHCC and HSCRC from July 1, 2002, to July 1, 2007. ***Chapter 215*** was based on the recommendations of the preliminary sunset evaluations of these two health care commissions by DLS. Five-year extensions, rather than the traditional ten, were recommended as health care industry standards may change significantly in the next ten years.

Chapter 565 of 2001 conformed MHCC's statute to its actual responsibilities and authority by making several modifications and clarifications, notably:

- clarifying MHCC's statutory authority to impose reasonable fines on entities that fail to report statutorily required information and reports;

- increasing the maximum total user fees that MHCC may assess from $8.25 to $10 million;

- adjusting the percentages of the annual assessment allocated to health care facilities, payors, and health care practitioners;

- requiring that assessments be allocated in proportion to MHCC's workload attributable to each industry assessed; and

- requiring MHCC to develop regulations to allow a waiver of assessments for health care practitioners.

A 1999 report by the Institute of Medicine (IOM) of the National Academy of Science's Quality of Health Care in America Committee, entitled *To Err Is Human: Building a Safer Health System*, recommended: (1) establishing a national mandatory reporting system for adverse medical events; (2) encouraging voluntary reporting efforts; (3) modifying legal and confidentiality requirements to promote reporting and analysis; and (4) developing performance standards by health care organizations and professionals to focus greater attention on patient safety. Fifteen states have developed laws or regulations requiring the reporting of medical errors or adverse events in hospitals.

The General Assembly responded to the IOM report during the 2001 session by passing legislation ***(Chapter 318 of 2001)*** requiring MHCC, in consultation with DHMH, to study the feasibility of developing a system for reducing incidences of preventable adverse medical events, including a process for reporting medical errors. The Act required MHCC to issue a final report by January 1, 2003.

Long-term Care

Nursing Home Reform

Chapters 382 and 383 of 1999 established a 13-member Task Force on Quality of Care in Nursing Facilities to study the quality of care in Maryland nursing homes, including current quality of care standards, staffing patterns, and procedures for nursing home inspections. The task force was directed to report its findings and recommendations to the General Assembly by December 1, 1999. The work of the task force was continued by ***Chapter 216 of 2000*** through the creation of the Oversight Committee on Quality of Care in Nursing Homes. In response to the task force's findings and recommendations, the General Assembly passed several bills as discussed below.

Sanctions and Penalties: ***Chapters 289 and 488 of 2000*** increased the civil money penalties that the Secretary of Health and Mental Hygiene could impose on a nursing home when a deficiency or an ongoing pattern of deficiencies existed at the nursing home. The civil penalties are calculated and imposed until DHMH verifies corrective action by the nursing home and sustained compliance on the part of the nursing home. DHMH is given the explicit authority, if a deficiency exists in a nursing home, to impose sanctions that may include a plan of correction, imposition of adequate

staffing levels, appointment of an independent monitor, or imposition of civil money penalties.

Quality of Care and Inspections: Federal law requires the Office of Health Care Quality (OHCQ) in DHMH to survey each Medicare and Medicaid certified nursing home at least every 9 to 15 months and requires the State to have an overall 12-month average. All surveys are unannounced. State law requires OHCQ to conduct at least two unannounced surveys each year of each nursing home. In order to ensure that OHCQ has sufficient resources to conduct all required surveys, the fiscal 2001 budget included funds for an additional 27 staff.

Chapter 215 of 2000 continued the requirement that OHCQ make a site visit and conduct a full survey of each licensed nursing home at least twice each calendar year. However, the Act allows OHCQ to waive this requirement for any nursing home that, in the two most recent surveys, had no deficiencies with a potential for minimal harm or greater. This waiver allows OHCQ to focus its resources on those facilities that are out of compliance.

Staffing: ***Chapter 212 and 213 of 2000*** stated that it is the intent of the General Assembly that the Governor include $10 million in the State budgets for fiscal 2002 and 2003 to increase payments in the Nursing Service Cost Center of the State Medicaid nursing home reimbursement formula. The increase was used by nursing homes to: (1) increase hours of direct care to residents; (2) increase nursing staff; and (3) increase wages, fringe benefits, and other forms of compensation for personnel providing direct care. The additional funds could not be used by a nursing home to provide an increase in the facility's profit. Each nursing home's expenditures was subject to audit to ensure that the money was used as required by the Act.

The Act also directed DHMH to reconvene the Medicaid Nursing Home Reimbursement Study Group created in 1998 to review nursing home reimbursement methodology. The study group was required to report its findings to the Senate Finance Committee and the House Environmental Matters Committee by December 1, 2000.

Quality Assurance Programs: ***Chapter 217 and 218 of 2000*** required each nursing home, by January 1, 2001, to develop and implement a quality assurance program and to designate a qualified individual to coordinate and manage the program. In addition, each nursing home must have a quality assurance committee that must meet at least monthly, maintain records of all activities, keep records of committee meetings, and report monthly to the nursing home's ombudsman, residents' council, and family council.

The Acts also required each nursing home to establish a written quality assurance plan that: (1) includes procedures for concurrent review of all residents; (2) includes

methods for identifying and correcting problems; (3) is readily available to all residents and their families, guardians, or surrogate decision makers; and (4) provides criteria for monitoring nursing care. The quality assurance committee must review and approve the quality assurance plan each year.

In addition, ***Chapter 217 and 218*** required each nursing home to designate a physician to serve as medical director and be responsible for monitoring physician services at the nursing home. DHMH was required to establish qualifications for the medical directors of nursing homes, define the duties of the medical director, and adopt regulations relating to physician accountability for attending physicians who treat residents of nursing homes.

The Acts also required each nursing home to establish procedures relating to facility closure and notification of certain changes in the clinical status of a resident. Finally, the Acts authorized DHMH to review the financial and performance records of an applicant for a nursing home license or a management firm under contract with an applicant for a license to determine the ability of the applicant or management firm to comply with laws and regulations governing nursing homes.

Ombudsman Program: ***Chapter 214 of 2000*** required the Secretary of Aging to submit a budget for minimum staffing ratios in the Maryland Long-term Care Ombudsman Program at the higher of: (1) one full-time ombudsman per 1,000 long-term care beds; (2) 20 hours of ombudsman time per week per area agency; or (3) 10 hours of ombudsman time per week per nursing home. The ombudsman program is administered statewide by the Department of Aging but was implemented at the county level by 19 local area agencies on aging. The local ombudsman programs is staffed by the equivalent of 18 full-time ombudsmen, as well as numerous volunteers. The ombudsmen visit local nursing homes on a regular basis to familiarize themselves with the homes' operations and residents and to address residents' questions and concerns.

Nursing Home Reimbursement Increase

In accordance with ***Chapters 212 and 213,*** which expressed the General Assembly's intent that the Governor increase funding for the Medicaid nursing home reimbursement formula by $10 million in general funds in fiscal 2002 and another $10 million in fiscal 2003, the fiscal 2002 budget provided for a $20 million ($10 million in general funds and $10 million in federal matching funds) enhancement to the formula. To reduce reliance on nursing homes for long-term care services, the budget also included $10.1 million to expand home- and community-based services to an additional 1,000 people, bringing the total number of people served through this Medicaid waiver program to 2,135.

Continuing Care Retirement Communities

Continuing Care Retirement Communities (CCRCs) offer a continuum of care within the same campus to a senior citizen who wishes to age in place. A resident may choose to live in independent living units, assisted living units, or nursing homes, depending on the type of care needed.

In general, a nursing home must have a Certificate of Need (CON) to establish a certain number of nursing home beds. However, CCRCs could have CON-exempt nursing home beds if: (1) the CCRC did not admit new residents directly to the nursing facility on the CCRC campus, but only used the nursing facility for independent living residents or assisted living residents of the CCRC; and (2) the number of nursing beds in the CCRC's nursing facility does not exceed 20 percent of the independent living units on the CCRC campus. Eleven of the 29 CCRCs in Maryland in 1999 had CON-exempt nursing home beds.

These restrictions posed a number of problems for CCRCs. For a recently opened facility, the restriction on direct admission meant that the beds in the nursing facility remained mostly unused until independent living residents or assisted living residents needed nursing care. For an older facility, the restriction on the number of beds meant that aging residents may not have a nursing bed waiting for them when they need nursing care.

Chapter 626 of 1999 relaxed this restriction by providing that a CCRC could remain CON-exempt when it admitted an individual directly to a nursing home within the community if the admittee's spouse, relative, or significant other is admitted at the same time to an independent living or assisted living unit within the CCRC.

Chapter 274 of 2000 increased from 20 to 24 percent the restriction on the ratio of nursing home beds to independent living units for CCRCs with fewer than 300 independent living units. Facilities with 300 units or more continue to be subject to the 20 percent restriction.

Chapter 238 of 2000 allowed a CCRC to directly admit a new resident into the CCRC's nursing facility if the resident pays entrance fees, before entering, that are at least equal to the lowest entrance fee charged for an independent living unit or an assisted living unit. The new resident must, at the time of admission, have the potential for an eventual transfer to an independent living unit or assisted living unit, as determined by the resident's personal physician who is not an owner or employee of the CCRC. The number of residents directly admitted to the nursing facility may not exceed 20 percent of the total number of nursing home beds in the facility, and a resident may not be admitted directly if the admission would cause the occupancy of the nursing beds in the

CCRC to exceed 95 percent of capacity. ***Chapter 238*** was to have terminated on June 30, 2002.

However, ***Chapter 57 of 2002*** repealed the termination date. According to a January 1, 2002, report by MHCC, there were 86 direct admissions to CCRC nursing home beds during a one-year period, a number that did not significantly impact admissions to traditional nursing homes. Concern that CCRCs would be in direct competition with nursing homes prompted the original termination date.

Chapter 526 of 1999 sought to reduce the administrative burden placed on CCRCs by the assisted living regulations that went into effect January 1, 1999. The Act exempted an assisted living program in a CCRC from having to execute an agreement or disclosure statement that is separate from the CCRC resident agreement and disclosure statement. However, if a CCRC decided not to execute a separate resident agreement and disclosure statement for assisted living, it would be required to include information on assisted living in its standard resident agreement and disclosure statement.

Chapter 233 of 2001 required a continuing care agreement between a subscriber and a provider to allow a subscriber to designate a beneficiary for receipt of any refundable portion of the entrance fee paid by the subscriber. All designations must be on a form acceptable to the Department of Aging, in writing, and witnessed by two or more competent witnesses.

Chapter 150 of 2002 adopted recommendations made by the Department of Aging's Continuing Care Advisory Committee to broaden the health related services CCRCs must provide and what it means to make medical and nursing services or other health related services available to subscribers. Health related services must include priority admission to a nursing home or assisted living program, or assistance in daily living activities that does not include meals. Making available either medical and nursing services or other health related services means the provider or affiliate has the services readily accessible for subscribers whether or not the services are specifically offered in the written agreement for shelter.

Assisted Living

Chapter 147 of 1996 consolidated various types of community-based senior housing under the category "assisted living" and designated DHMH as the lead agency for regulating assisted living programs. Assisted living is a category of care and housing for the elderly and individuals with disabilities that provides housing and supportive services, supervision, and health-related services to meet the needs of individuals who are no longer able to perform the activities of daily living.

Assisted living regulations to implement Chapter 147 went into effect January 1, 1999. There were, at that time, approximately 4,000 assisted living programs, of which about 2,800 had 15 or fewer residents. Concerns existed as to whether the regulations would cause small providers to either leave the industry or increase their resident fees. In response to these concerns, ***Chapters 156 and 157 of 1999*** extended from July 1, 1999 to July 1, 2000, the date on which DHMH could begin imposing sanctions on small assisted living programs, unless a resident's physical or emotional health had been harmed or was jeopardized.

Chapter 195 of 1999 required DHMH to submit a report to the Governor and the General Assembly each year on the number and duration of "level of care 3 plus waivers" granted in the preceding year. This type of waiver is a resident-specific waiver granted by DHMH under the assisted living regulations for an individual who has a condition that would ordinarily require nursing home level of care but who desires to age in place. DHMH can grant resident-specific waivers for up to 20 percent of the bed capacity of an assisted living program, or for 20 beds, whichever is less.

Chapter 678 of 2000 created the Assisted Living Facilities Grant Program to provide capital funding for assisted living facilities. The program was modeled after two existing grant programs that related to adult day care facilities and community mental health facilities. However, no capital funds were appropriated to the program in either fiscal 2002 or 2003.

Criminal Background Checks of Workers

An employer, before hiring a worker to provide care in a nursing home, assisted living facility, group home, adult day care program, hospice program, home health setting, congregate housing, or residential service agency, is required to conduct a background check on the worker, either by applying through the State Criminal Justice Information System (CJIS) for a State-only check or by contracting with a private agency to do a private background check. ***Chapter 69 of 2000*** provided that, if an employer in one of these settings requested a private agency to conduct a background check, the agency was required to conduct a background check in each state in which the employer knew or had reason to know the employee worked or resided in the seven years preceding the application for employment. The Act also established criteria to be met by any private agency prior to its being retained to conduct a background check.

Hospitals

Hospital Closures

From 1980 to 2000, the daily average hospital census in Maryland dropped from 11,000 to approximately 6,000. According to a 1999 report by the former HRPC (now

MHCC), up to 41 percent of Maryland's 12,249 licensed acute care hospital beds would not be needed by 2000. Shorter hospital stays and less hospital utilization continued to push down hospital occupancy rates.

To provide funds for hospital closure costs, HSCRC assesses a fee on hospitals that is paid to the Health and Higher Education Facilities Authority. The authority issues bonds that help pay for the hospital's closing costs. ***Chapter 678 of 1999*** facilitated the closing or downsizing of certain hospitals by broadening CON exemptions, establishing a category of "limited service hospital," and providing for the delicensing of excess hospital beds and the financing of closing costs of a hospital that converts to a limited service hospital.

Hospital and Ambulatory Surgical Center Report Card

Chapter 657 of 1999 required the former HCACC (now MHCC) to develop a quality of care indicator report card by July 1, 2001, for hospitals and ambulatory surgical facilities. HCACC was required to consult with the Association of Maryland Hospitals and Health Systems, the Maryland Ambulatory Surgical Association, and other interested parties in developing the report card.

Hospital Inspection and Oversight

Until 2001, when a Maryland hospital was cited by the Centers for Medicare and Medicaid Services and the Joint Commission on Accreditation of Health Care Organizations for serious and potentially life-threatening deficiencies in patient care services, DHMH had no authority to ensure that any required corrective action was being implemented.

Chapter 76 of 2001 expanded the authority of the Secretary of Health and Mental Hygiene to monitor the implementation of plans of correction and to impose sanctions for serious life-threatening patient care deficiencies in hospitals and accredited residential treatment centers.

Uniform Emergency Security Codes

Hospitals use a variety of emergency security codes to alert staff to emergencies such as cardiac or respiratory arrest, fire, bomb threats, infant abductions, hostage situations, and hazardous material spills. ***Chapter 234 of 2001*** required the Secretary of Health and Mental Hygiene, in consultation with the Association of Maryland Hospitals and Health Systems and the Maryland Association of Hospital Security and Safety Directors, to develop a uniform set of emergency security codes for hospitals. Emergency security code uniformity will enable a health care professional who works at

different facilities to immediately identify the nature of an emergency and respond appropriately.

Long-term Care Facilities

Innovations in Aging Services Program

Chapter 394 of 2001 established the Innovations in Aging Services Program in the Department of Aging. Under the program the Secretary of Aging will be advised by a 14-member Innovations in Aging Services Advisory Council on the development of an annual program plan to be presented to the Governor and the General Assembly for approval as part of the State budget. The program provides grants to design and test innovative ideas in programs and services for older individuals, publicly disseminate the results of the tests, and help meet the need for trained personnel to provide services to seniors.

Nursing Staff Agencies

Chapters 427 and 428 of 2001 transferred the oversight of nursing staff agencies from the State Board of Nursing to Office of Health Care Quality. It did not, however, change the current role and requirements of the board in regard to the licensing of nursing personnel. Further, ***Chapters 427 and 428*** required a nursing staff agency that provides nursing personnel on a temporary basis to be licensed by OHCQ, which may inspect a nursing staff agency, or investigate a complaint, to verify that the agency meets certain requirements. The Act also required a nursing staff agency to warrant that it is in compliance with applicable federal legislation and establishes penalties for violations.

Mental Health

Chapter 15 of 2001 extended, for the third time, the termination date of Chapter 385 of 1991, which provided for the creation and use of clinical review panels to authorize the administration of psychiatric medication to an individual without the individual's consent in an emergency or if the individual is hospitalized involuntarily or committed by court order for treatment. The 1991 Act was extended from June 30, 2001, to June 30, 2005. An evaluation report recommending reestablishment or termination of the Act is required by January 1, 2004.

Chapter 267 of 2001 required residential mental health facilities and Veterans' Administration hospitals to expand their aftercare plans to include discussion of advance directives. Advance directives are written documents that allow people to make future health care choices – such as taking medication – in the event that they are physically or mentally unable to make them.

Health Insurance

Health insurance quality, coverage, and regulation continued to be major issues during the 1999–2002 legislative term. The General Assembly addressed numerous issues to ensure quality of health care, increase access to health care, resolve provider reimbursement issues, mandate important health benefits, regulate the business practices of health insurance carriers and HMOs, and address the possible conversion of Maryland's largest nonprofit health service plan.

Quality of Health Care

Health Maintenance Organization Quality Assurance Unit – Quality Assurance Medical Director

Recognizing ongoing consumer concerns about the quality of care provided by HMOs, ***Chapter 697 of 1999*** established an HMO Quality Assurance Unit within DHMH. The Quality Assurance Unit has broad authority to review and determine whether an HMO meets quality standards established by law and to make recommendations to the Secretary for any required corrective changes.

Patients' Bill of Rights

Chapter 120 of 1999 established additional protections for patients in a managed care environment. To facilitate a patient's access to and use of available health care options, the bill established the Maryland Insurance Administration as the "single point of entry" for consumers who seek to obtain information relating to health insurance. The bill also provided patients, under certain circumstances, the right to direct access to specialists, to obtain prescription drugs that are not included in a carrier's formulary, and to a home visit following a mastectomy or surgical removal of a testicle. These home visiting provisions, however, terminate on September 30, 2003.

Prescription Drug Formulary Development Process – Accreditation Status for HMOs

The HMO report card is an annual consumer guide on the quality of Maryland HMOs distributed annually by MHCC to HMOs, consumers, employers, health care providers, and governments. ***Chapter 676 of 1999*** required MHCC to include in the report card a summary of the drug formulary accreditation standards developed by the National Committee for Quality Assurance (NCQA) and to indicate whether the formulary development process of each HMO evaluated complies with the NCQA accreditation standards.

Access to Care

Maryland Children's Health Program

Chapter 110 of 1998 established the Children and Families Health Care Program pursuant to the federal Children's Health Insurance Program (Title XXI of the federal Social Security Act). ***Chapter 381 of 1999*** required DHMH to study ways to expand eligibility for the program by using private market insurance (private option) coverage.

As a result of the study, ***Chapters 15 and 16 of 2000*** established a private option plan that allows children with family incomes above 200 percent and at or below 300 percent of federal poverty guidelines to receive subsidized health insurance either through an employer's health benefit plan or through a HealthChoice managed care organization. For a further discussion of this issue, see the "Public Health" subpart of this Part J.

Short-term Prescription Drug Subsidy Plan

From 2000 to 2002, the General Assembly focused on the need to provide assistance to Medicare enrollees without prescription drug coverage. Medicare is the nation's largest health insurance program, covering approximately 39 million Americans. It provides health insurance to people aged 65 and over, those who have permanent kidney failure, and certain people with disabilities. Medicare does not, however, provide any type of prescription benefits.

At the end of 1999, the last insurance carrier offering a Medicare managed care plan pulled out of several rural Maryland counties, leaving as many as 15,000 seniors with no access to the added benefits of a Medicare managed care plan, most significantly prescription drug coverage.

Chapter 565 of 2000 established a Short-term Prescription Drug Subsidy Plan for certain Medicare enrollees who live in medically under-served counties. Enrollment under the 2000 Act was limited to 15,000 individuals annually. The bill specified certain premiums, copayments, deductibles, and annual maximum benefit allowances. The subsidy plan was funded by the health insurance carriers that received a 4 percent differential in hospital rates for participating in a Substantial, Affordable, and Available Coverage (SAAC) program. Total contributions to the fund were $5.4 million in each of fiscal 2001 and 2002. ***Chapter 565*** charged CareFirst BlueCross/BlueShield of Maryland with the administration of the prescription drug subsidy plan, which was to terminate on the earlier of June 30, 2002, or when Medicare provides prescription drug benefits for its enrollees.

In the continued absence of a prescription drug benefit provided by Medicare and only limited uptake of benefits provided under ***Chapter 565***, a number of bills were introduced in the 2001 session to provide additional prescription drug assistance to low-income and Medicare eligible individuals. ***Chapters 134 and 135 of 2001*** provided for the expansion and modification of the Short-term Prescription Drug Plan created the previous year and established two additional prescription drug programs designed to facilitate access to medically necessary prescription drugs for Medicare beneficiaries and low-income Marylanders.

Chapters 134 and 135 expanded the Short-term Prescription Drug Subsidy Plan statewide to all Medicare beneficiaries without prescription drug coverage with annual household incomes at or below 300 percent of FPG. The Acts also: (1) increased the plan's enrollment cap from 15,000 individuals to 30,000 individuals; (2) reduced the monthly premium from $40 to $10; (3) eliminated the $50 deductible; and (4) increased funding for the plan from $5.4 million to approximately $22 million (funding derived from health insurance carriers participating in the SAAC program). The Short-term Prescription Drug Plan was subsequently modified by ***Chapter 153 of 2002*** as discussed below.

Maryland Pharmacy Discount Program

Chapters 134 and 135 also created the Maryland Pharmacy Discount Program (MPDP), which allows Medicare beneficiaries without prescription drug coverage to purchase medically necessary prescription drugs at the Maryland Medical Assistance (Medicaid) reimbursement rate, less the amount of certain federally mandated manufacturers' rebates. The Acts required DHMH to submit an amendment to the State's existing demonstration waiver to the federal Centers for Medicare and Medicaid Services (CMS) seeking matching federal funds for MPDP. MPDP also provides State subsidies to certain individuals based on income levels. If CMS approves an amendment to the State's waiver, enrollees whose annual household income is at or below 175 percent of FPG would receive a 35 percent discount on the price of prescription drugs.

If CMS does not approve the waiver amendment, MPDP will be administered as part of the Maryland Pharmacy Assistance Program (MPAP), instead of Medicaid, and will be open to Medicare beneficiaries without prescription drug coverage whose annual household income is at or below 250 percent of FPG. Under this "default" version of MPDP, an enrollee is entitled to purchase prescription drugs at the MPAP rate, less the amount of any manufacturer's rebates. The rebates provided to MPAP are not federally mandated and are less than the rebates provided under Medicaid. Individuals whose annual household income is at or below 175 percent of FPG would receive a 25 percent discount on the price of prescription drugs. At the time of writing, DHMH has not received a response from CMS regarding the waiver proposal, and the implementation of MPDP is pending.

Medbank Program

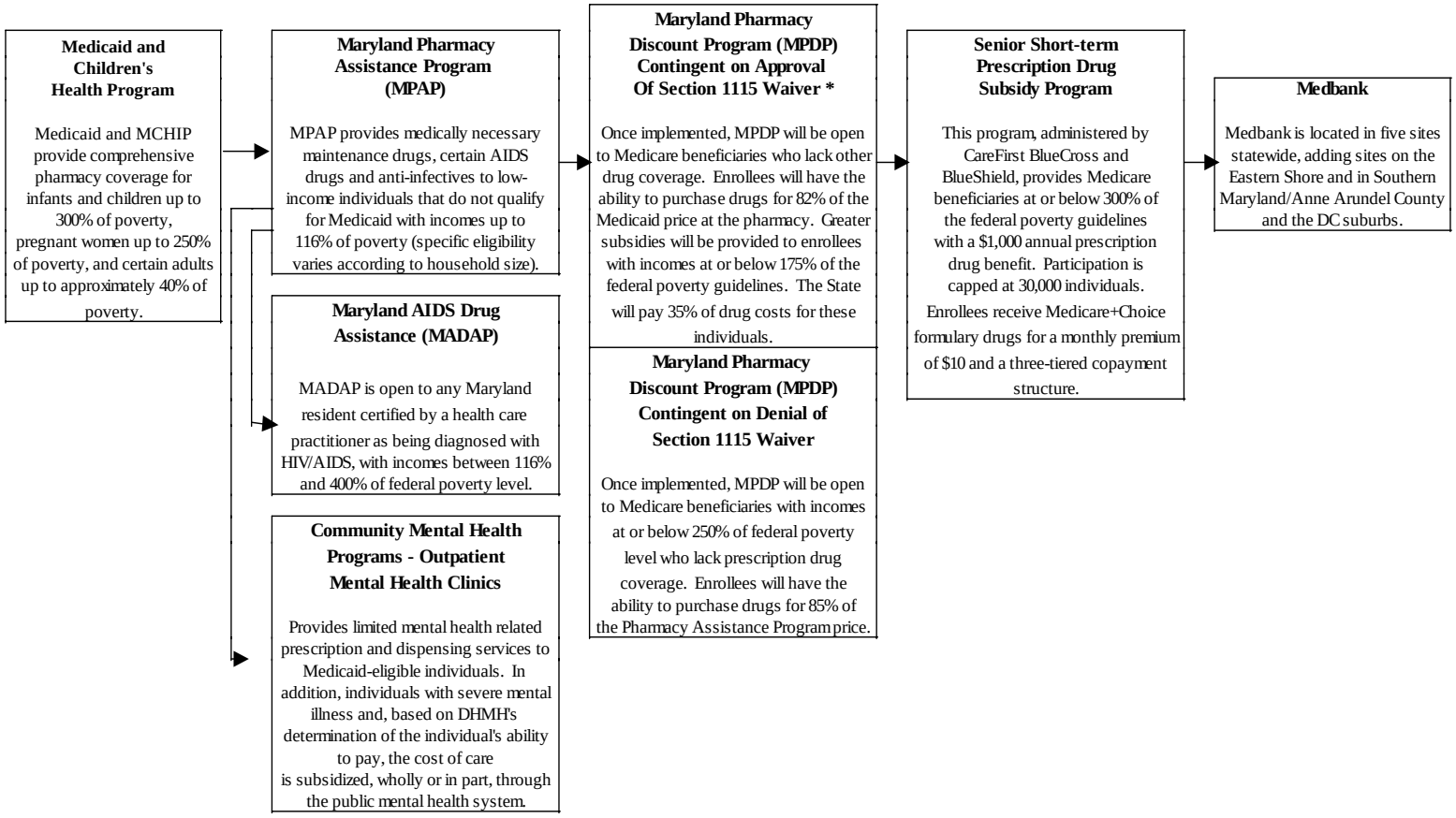
In addition, ***Chapters 134 and 135*** created the Maryland Medbank Program patterned after a similar program that was funded by a grant from the Maryland Health Care Foundation. The program assists low-income individuals who lack prescription drug coverage by accessing medically necessary prescription drugs through patient assistance programs sponsored by pharmaceutical drug manufacturers. It was also anticipated that Medbank funds would be used in part to purchase interim supplies of prescription drugs for individuals who have applied to a manufacturer's patient assistance program but have not yet received the drug. The bills require the foundation to ensure that Medbank is available to residents in each geographic region of the State. The fiscal 2002 budget included $2.5 million to support the program and the fiscal 2003 budget included $2 million.

Exhibit J.6 details the prescription drug coverage programs currently in place in Maryland.

SAAC Reform and Senior Prescription Drug Program (Health Insurance Safety Net Act of 2002)

Approximately 30 states operate high-risk pools or other programs that grant medically uninsurable individuals access to health insurance coverage. Risk pool premiums are generally higher than comparable private insurance, but all pools have caps on premiums set by legislation to benefit consumers. Because the individuals enrolled in risk pools tend to be less healthy and more likely to use health care services, the pool's costs always exceed the premiums that can be collected. As a result, premium revenue is generally supplemented with other funds.

Exhibit J.6
Maryland's Current Prescription Drug Coverage Program



* These programs have not yet been implemented.

Source: Department of Legislative Services

In Maryland, instead of operating a high-risk pool, the State has offered a financial incentive to health insurance carriers that offer a SAAC product to individuals who are medically uninsurable because of their health status. Carriers that offer a SAAC product receive a 4 percent differential on hospital rates, allowing them to pay less for hospital charges for certain enrollees than carriers that do not offer a SAAC product. Prior to the start of the 2002 session, each of the State's three insurance carriers that offered SAAC products expressed their intention to withdraw from the program. As a result, ***Chapter 153*** reformed the SAAC product and the related funding of the Short-term Prescription Drug Subsidy Plan.

Chapter 153 established a Maryland Health Insurance Plan (MHIP) for medically uninsurable individuals and the Senior Prescription Drug Program for Medicare beneficiaries whose household income is at or below 300 percent of the federal poverty level. MHIP is an independent unit of the Maryland Insurance Administration, established to decrease uncompensated care costs by providing access to affordable, comprehensive health benefits for medically-uninsurable residents by July 1, 2003. Under the Act, premium rates for MHIP must be no more than 110 to 200 percent of a standard risk rate.

Chapter 153 provided funding for MHIP through the State's hospital rate setting system. The Act establishes a methodology under which HSCRC collects funds from each acute care hospital in an amount proportionate to the 2002 value of the SAAC differential provided by each hospital. Prior to the start of enrollment under MHIP on July 1, 2003, the Act requires health insurance carriers that currently participate in the SAAC program to continue to insure SAAC enrollees and specifies that one of the three carriers must hold two open enrollment periods for SAAC eligible individuals during calendar 2002. The Act also requires HSCRC to establish a plan for transitioning from the SAAC program to MHIP in the last quarter of fiscal 2003.

Chapter 153 also renamed and altered both the funding mechanism and regulatory oversight of the Short-term Prescription Drug Subsidy Plan initially created by ***Chapter 565***. Beginning July 1, 2003, the Senior Prescription Drug Program will provide Medicare beneficiaries who lack prescription drug coverage with access to affordable, medically necessary prescription drugs until June 30, 2005, or until such time as an outpatient prescription drug benefit is provided through the federal Medicare program. The program must be administered and subsidized by a nonprofit health service plan that issues comprehensive health care benefits in Maryland. The subsidy may not exceed the nonprofit health service plan's premium tax exemption. Enrollment is subject to the availability of funds. An enrollee continues to be subject to a $10 monthly premium, no deductible, and copayments ranging from $10 to $35 per prescription. The MHIP board may limit the total annual benefit to $1,000 per enrollee.

Reimbursement of Providers

Continuity of Patient Care Act

Chapter 644 of 1999 required HMOs to reimburse an urgent care facility physician, oral surgeon, periodontist, or podiatrist for providing any medically necessary follow-up care related to the condition for which a covered emergency surgical procedure was performed. The Act also prohibited an HMO from imposing any copayment or other cost-sharing requirement on the member that exceeds what the member is required to pay for services rendered by a physician, oral surgeon, periodontist, or podiatrist who is a member of the HMO's provider panel.

Reimbursement for Emergency Screening

Chapter 188 of 1999 repealed a termination provision on a statutory requirement that HMOs pay hospital and emergency providers for the cost of medical screenings performed to meet the requirements of the federal Emergency Medical Treatment and Active Labor Act. Commonly known as the antidumping law, this federal Act requires hospital emergency facilities to assess and stabilize all patients seeking treatment as a condition of receipt of Medicare reimbursements.

Retroactive Denial of Reimbursement – Improper Coding

With certain exceptions, an insurer, nonprofit health service plan, HMO, or dental plan organization (carrier) may retroactively deny reimbursement of a claim only if the denial is made: (1) within 18 months after payment of the claim, if the claim is for a service that is subject to coordination of benefits with another carrier, the State Medical Assistance Program, or the federal Medicare program; or (2) within 6 months after payment of the claim, for all other claims. These time limitations do not apply if a provider submits information that was fraudulent or improperly coded. The term "improperly coded," however, was not defined.

Chapter 162 of 1999 clarified that information is improperly coded if it: (1) uses codes that do not conform to the coding guidelines used by the carrier on the date that the service is provided; or (2) does not otherwise conform to the contractual obligations of the provider on the date that the service is provided. ***Chapter 162*** also provided that the "improper coding" exception to the current time limitations on retroactive denials is applicable only if the carrier gives the provider sufficient information regarding the coding guidelines used by the carrier at least 30 days before the date of the service.

Provider Bonuses and Incentives

Prior to 1999 health insurers, nonprofit health service plans, HMOs, and dental plan organizations (carriers) were permitted to provide bonuses or other incentive-based compensation to health care practitioners if the bonuses or other incentive-based compensation complied with statutory standards relating to quality of care and did not deter the delivery of medically appropriate care to an enrollee. ***Chapter 255 of 1999*** altered this authority to require that the bonus or other incentive-based compensation "promote" the delivery of medically appropriate care to an enrollee. The Act prohibited a bonus or other incentive-based compensation for services, other than preventive health care services, based on the cost or number of medical services provided, proposed, or recommended by the health care practitioner without reference to the medical appropriateness or necessity of the services.

Reimbursement of Noncontracting Providers

Chapter 275 of 2000 required an HMO to pay a claim for a covered service rendered to an enrollee by a health care provider that is not under written contract with the HMO at the greater of:

- 125 percent of the rate the HMO pays in the same geographic area, for the same covered service, to a similarly licensed provider under written contract with the HMO; or

- the rate as of January 1, 2000, that the HMO pays in the same geographic area, for the same covered service, to a similarly licensed provider not under a written contract with the HMO.

The provisions of ***Chapter 275*** were to terminate June 30, 2002. However, ***Chapter 250 of 2002*** extended the termination date until June 30, 2005.

Reimbursement of Trauma Physicians

Chapter 423 of 2001 required an HMO to pay a claim submitted by a trauma physician for trauma care rendered at a trauma center (as designated by the Maryland Institute of Emergency Medical Services System) at the greater of:

- 140 percent of the rate paid by the Medicare program; or

- the rate as of January 1, 2001, that the HMO paid in the same geographic area for the same covered service to a similarly licensed provider.

The Act authorized an HMO to require a trauma physician not under contract with the HMO to submit appropriate claims documentation and to include a provider number assigned to the trauma physician on the uniform claims form submitted for payment. The provisions of ***Chapter 423*** were to terminate June 30, 2002. However, ***Chapter 250 of 2002*** extended the termination date until June 30, 2005.

Regulation of Business Practices

Collection, Use, and Disclosure of Genetic Information

In response to increasing concerns about the ability of employers to use genetic information as the basis for refusing to hire, fire, or otherwise discriminate against an individual, ***Chapters 50 and 51 of 1999*** expanded the scope of provisions of law relating to the use of genetic tests. The Acts prohibit an insurer, nonprofit health service plan, or HMO carrier from using a genetic test or the results of a genetic test to reject, deny, limit, cancel, refuse to renew, increase the rates of, affect the terms and conditions of, or otherwise affect a health insurance policy or contract. The Acts expanded a provision of law that prohibited a carrier from requesting or requiring a genetic test for the purpose of determining whether or not to issue or renew health benefits coverage.

Chapters 50 and 51 also modified disclosure requirements to prohibit the release of identifiable genetic information or the results of a genetic test to any person who is not an employee of the health insurer or a participating health care provider without the written authorization of the individual from whom the test results or genetic information was obtained.

Unfair Claims Settlement Practices

Chapter 71 of 1999 expanded the types of conduct that constitute unfair claims settlement practices by insurers and nonprofit health service plans to include, as a general business practice, the refusal to pay a claim for an arbitrary or capricious reason. The Act authorized the Maryland Insurance Administration (MIA) to impose new penalties for violations relating to unlawful, misleading, deceptive, or fraudulent conduct of HMOs. The Act also expanded the authority of MIA to impose these same sanctions on an HMO that engages in specific types of unlawful, misleading, deceptive, or fraudulent conduct.

Stop-loss Insurance Policies

In *American Medical Security, Inc., et al. v. Bartlett*, 111 F.3d 358 (4th Cir. 1997), *cert. denied* 118 S.Ct. 2340 (1998), the U.S. Court of Appeals for the Fourth Circuit considered the issue of whether the federal Employee Retirement Income Security Act of 1974 (ERISA) preempts MIA from establishing by regulation the minimum attachment point for stop-loss insurance policies issued to self-funded employer-based

health plans covered by ERISA. Stop-loss insurance provides coverage to self-funded plans above a certain level of risk.

The court acknowledged the legitimate concern of the State regulator over the sale of such policies but found that Congress, through a change in ERISA, must remedy the problem. In June 1998, the Supreme Court declined to review the Fourth Circuit decision. In an effort to clarify the issue, ***Chapter 683 of 1999*** prohibited an insurer from issuing, delivering, or offering in Maryland a policy or contract of stop-loss insurance if the policy or contract has: (1) a specific attachment point of less than $10,000; or (2) an aggregate attachment point of less than 115 percent of expected claims. The Act further provided that its requirements are imposed only on insurers and that any stop-loss policy must not be treated as a direct policy of health insurance.

Private Review Agents – Retroactive Adverse Decisions

Chapter 554 of 1999 narrowed the circumstances under which a private review agent may retroactively deny preauthorized or approved services. Specifically, the Act disallowed retroactive denials if: (1) the patient, on the date the services were rendered, was not insured; or (2) the services were not covered in whole or in part under the policy or contract.

Health Care Decisions – External Complaints and Internal Grievances

During the 1998 session, the General Assembly passed legislation that required health insurers, nonprofit health service plans, dental plan organizations, and HMOs (carriers) to establish internal grievance procedures for adverse decisions relating to their enrollees. The 1998 legislation also authorized an enrollee to file a complaint with the Insurance Commissioner after completing the internal grievance process and authorized the Insurance Commissioner to collect a health care regulatory assessment from carriers to cover the cost of the implementing the complaint process.

Chapter 593 of 1999 expanded the types of carriers that are exempt from the requirements relating to appeals and grievances and the health care regulatory assessment and also established that the current complaint and grievance procedures apply to individuals who reside or work in Maryland even if the health benefit plan is delivered or issued in another state when the other state does not have a comparable process for reviewing external complaints.

Under current law, carriers are required to have an established internal appeals process for medical necessity determinations. ***Chapter 371 of 2000*** required carriers to expand their internal appeals process to include coverage determinations.

Managed Behavioral Health Care Organizations

Chapter 579 of 1999 required carriers to file a report on the mental health expense ratio of behavioral health care services to MIA. The mental health expense ratio is the percentage of premium revenues spent on mental health care services. The Act also required carriers to distribute to its members at the time of enrollment certain information about behavioral health care services.

Subrogation

Subrogation is the substitution of one party in the place of another who has a lawful cause of action for the purpose of receiving compensation from a third party tort-feasor. In a recent decision issued by the Maryland Court of Appeals, *Victor G. Riemer et al. v. Columbia Medical Plan, Inc.*, (*No. 90, September Term, 1999)*, the court held that an HMO is barred from pursuing a member for restitution, reimbursement, or subrogation when the member receives damages arising from a third-party tort claim. In its decision, the court relied in part on a provision of law that limits an HMO to one of three forms of compensation: (1) a copay; (2) a deductible; or (3) a predetermined periodic premium rate.

In addition, the court noted several provisions of State law that specifically confer a right of subrogation, including a statute that authorizes the State to be subrogated to a cause of action that a Medicaid recipient has against another person. The court ultimately determined that the lack of a similar provision applying to HMOs was proof that "the Legislature did not intend for HMOs to have general subrogation rights against members or subscribers."

Chapter 569 of 2000 authorized a contract between an HMO and a subscriber or a group of subscribers to contain a provision that allows the HMO to be subrogated to a cause of action that a subscriber has against another person to the extent that any actual payments made by the HMO result from the occurrence that gave rise to the cause of action. Similar authority is provided for a nonprofit HMO that exclusively contracts with a group of physicians for the provision of health care services to its enrollees, subject to an established fee schedule for the service provided.

Responsibility for and Regulation of Downstream Risk

In 1995, the National Association of Insurance Commissioners (NAIC) studied arrangements where integrated delivery systems, physician hospital organizations, and independent practice associations contract for a capitation or other risk-assuming payment arrangement to arrange for or provide all or certain health care services to HMO, MCO, or medicare provider sponsored organization members. NAIC concluded that many of these groups were assuming insurance risks and should therefore be

regulated as an insurer or a hybrid entity. The NAIC issued a model bulletin in 1995 to advise insurance commissioners of how these arrangements could best be regulated, and drafted a model law in 1998 to assist insurance commissioners with the creation of a regulatory framework for the licensure of all risk-bearing entities.

During the 1998 interim, the Governor along with the Chairman of the House Economic Matters Committee asked MIA, in consultation with MHCC and HSCRC, to study the issue of downstream risk arrangements between licensed carriers and subcontracting provider entities such as managed behavioral health care organizations. MIA delivered its final report to the General Assembly in January 2000.

The MIA report defined downstream risk arrangements as "the transfer by an entity such as an HMO, of the responsibility to pay for certain health care services to another entity, such as a group of health care providers." The actual payment transfer occurs when a fixed sum is paid to the downstream provider who accepts the risk that the cost of the health care services that the downstream provider must provide may exceed the fixed sum received from the HMO. The transfer of this risk is an outgrowth of managed care, which permits the payment of a fixed sum per patient per month for health care services (capitation).

Chapter 323 of 2000 enhanced the ability of MIA to regulate downstream risk contracts between HMOs and health care provider groups. Important provisions included:

- establishing a registration process for contracting providers with MIA;
- requiring contracting providers to provide HMOs with monthly financial reports and annual audited financial statements;
- providing the Insurance Commissioner with discretion to consider various ownership and control relationships when determining the sufficiency of a segregated fund;
- requiring the contracting provider to submit to the HMO information demonstrating that the fund is sufficient to satisfy the contracting provider's obligations to external providers;
- requiring the HMO to conduct quarterly reviews of the contracting provider's books and financial records and to file the results of this review with the Insurance Commissioner; and

- allowing the Insurance Commissioner to impose fines on the contracting provider and the HMO for failure to comply with the terms of the administrative service provider contract or the plan filed with MIA.

Provider Panels

Chapter 253 of 2000 prohibited, with one exception, a health insurer, nonprofit health service plan, or HMO that contracts with health care providers through one or more provider panels from requiring a provider, as a condition of participation or continuation on a provider panel, to serve on the provider panel of another health benefit plan of the carrier. The definition of provider panel was expanded to include arrangements in which a provider participates solely by contracting with the carrier to provide health care services at a discounted fee-for-service rate. The exception is that a carrier may require a provider to serve on its Medicaid MCO panel. Carriers that have multiple provider panels, in certain cases, condition the participation of a provider on the provider's contractual consent to serve on one or more of the carrier's other provider panels (commonly known as an "all-products" clause).

Chapter 253 also required a carrier to give a provider a 90-day notice before terminating participation on a panel if the termination is for reasons unrelated to fraud, patient abuse, or loss of licensure status.

Nonrenewal of Individual Health Benefit Plan

Chapter 247 of 2002 required carriers that offer health insurance through an affiliate in the individual market and that elect not to renew all individual health benefit plans in the State to give notice to each affected individual at least 180 days before the effective date of the nonrenewal. The notice must inform the individual of the option to purchase all other individual health benefit plans currently offered by the carrier's affiliate. A carrier must offer the plan on a guarantee issue basis (i.e., the plan must be offered regardless of health status) and cannot rate the coverage on a substandard basis unless the individual was rated on a substandard basis under the prior coverage. ***Chapter 247*** also provides that a carrier must waive the preexisting coverage waiting period to the extent that the individual has satisfied a waiting period under the individual's prior policy.

Small Group Market Reforms

The Comprehensive Standard Health Benefit Plan (CSHBP) was established in 1994 as a result of health care reforms adopted by the General Assembly to provide better access to coverage in the small group market. CSHBP is a standard health benefit package that carriers must sell to small businesses (50 or fewer employees). CSHBP includes guaranteed issuance and renewability, adjusted community rating with rate

bands, and the elimination of preexisting condition limitations. In order to maintain affordability, the average CSHBP premium rate per employee must remain below 12 percent of Maryland's average wage.

Chapter 388 of 2001 required an independent evaluation of Maryland's small group market. This study required an examination of the existing small group delivery system in comparison to similar small group markets in other states. The report, issued on February 19, 2002, found that the small group market in Maryland is functioning well and that Maryland's performance on key measures is generally comparable to, and in some instances better than, the study states as a whole. Nevertheless, during the 1999–2002 term, the General Assembly passed a number of pieces of legislation designed to further reform the small group market.

Community Rating

Chapter 671 of 1999 altered the rate that carriers are authorized to charge based on adjustments to the community rate for age and geography to a rate that is 40 percent above or below the community rate. Prior to ***Chapter 671***, carriers were authorized to charge a rate that was 33 percent above or below the community rate.

Employer Size

Chapter 400 of 2000 modified the method for determining employer group size for purposes of inclusion in the small group insurance market. The Act provided that a small employer, when determining its group size, must count an employee who is otherwise covered under a public or private health insurance plan or other health benefit arrangement. The Act also altered the eligibility requirements for the self-employed by requiring self-employed individuals to work and reside in the State in order to be eligible for coverage in the small group market.

Open Enrollment Periods

Chapter 284 of 2002 changed the frequency of the open enrollment periods offered to self-employed individuals in the small group market from one every 6 months to one every 12 months.

Producer Commissions

Chapter 29 of 2002 prohibited a carrier from implementing a producer commission schedule that varies the amount of a commission based on the size of a small employer group unless the variation: (1) is inversely related to the size of the small employer group; (2) applies to the cumulative premium paid over a specific period of time, is uniformly applied, and is inversely related to the cumulative premium paid

during the period of time; or (3) is established by a contract between the carrier and each outside producer.

Mandated Benefits and Coverages

Mandated health insurance benefits are health care services that must be covered in a health insurance policy or contract. Depending on the mandate, a commercial insurance carrier, nonprofit health service plan, HMO, or dental plan organization subject to State regulation must provide the benefit. ***Chapter 582 of 1999*** required MHCC to: (1) annually update the full cost of all existing mandated health benefits; (2) annually evaluate the social, medical, and financial impacts of proposed mandates; and (3) do a full evaluation of all existing mandates if their total cost reaches 2.2 percent of Maryland's average wage. Currently, Maryland has 39 mandated benefits or offerings for services and provider reimbursement. According to the MHCC's 2001 report, the full cost of existing mandates is just under 2.1 percent of Maryland's average annual wage. The mandates adopted during the 1999–2002 term of the General Assembly are discussed below.

1999 Session

Access to the 911 Emergency System*: *Chapter 268 of 1999 prohibited carriers from establishing or promoting an emergency medical transportation system that competes with Maryland's 911 system and prohibits carriers from requiring enrollees to obtain prior authorization before accessing the 911 system for an emergency medical condition.

Annual Chlamydia Screening Test:* *Chapter 57 of 1999 required carriers to provide coverage for an annual chlamydia screening test for men and women who have certain risk factors.

Medical Clinical Trials:* *Chapter 146 of 1999 expanded health insurance coverage for the costs associated with clinical trials to include the costs of Phase I clinical trials for life-threatening conditions. Carriers were already required to cover costs associated with Phases I, II, III, and IV clinical trials for cancer and Phases II, III, and IV clinical trials for other life-threatening conditions.

Coverage for a Prosthesis:* *Chapter 155 of 1999 required carriers to provide coverage for a prosthesis for an individual who has undergone a mastectomy and has not had breast reconstruction. Federal law already required prosthesis coverage for a patient who elects to undergo breast reconstruction surgery.

Universal Newborn Hearing Screening: ***Chapter 127 of 1999*** expanded the Program for Hearing-Impaired Infants within DHMH to include universal hearing screening for all newborns and required carriers to provide coverage for the hearing loss screenings.

Home Visits after Mastectomy or Removal of Testicle: As discussed earlier in this subpart, ***Chapter 120 of 1999*** created a new mandated benefit for home visits after a mastectomy or surgical removal of a testicle.

2000 Session

Coverage for Hair Prostheses: ***Chapter 326 of 2000*** required carriers to provide coverage up to $350 for a hair prosthesis for an individual whose hair loss results from chemotherapy or radiation treatment. To be eligible for coverage, the prosthesis must be prescribed by an oncologist.

Expansion of In Vitro Fertilization Mandate: ***Chapter 282 of 2000*** required carriers to provide policyholders with coverage for in vitro fertilization services for male factor infertility and to reduce the waiting period provided for coverage of infertility services from five to two years. Under the Act, HMOs must provide the benefits to the same extent as for other infertility services. ***Chapter 282*** also allowed insurers to limit the required infertility coverage to three in vitro fertilization attempts per live birth, not to exceed a maximum lifetime benefit of $100,000. The Act further required a carrier to exclude coverage for in vitro fertilization from a policy or contract with a religious organization that has bona fide beliefs and practices that conflict with the coverage requirement, at the organization's request.

Habilitative Services: ***Chapter 92 of 2000*** required carriers to provide coverage for habilitative services for children with congenital and genetic birth defects. Habilitative services are defined in the bill as "services, including occupational therapy, physical therapy, and speech therapy, for the treatment of a child with congenital and genetic birth defects to enhance the child's ability to function."

2001 Session

Hearing Aids for Minors: ***Chapter 445 of 2001*** required carriers to provide coverage for hearing aids for minor children if the hearing aids are prescribed, fitted, and dispensed by a licensed audiologist. A carrier may limit the benefit to $1,400 per hearing aid, once every 36 months.

Colorectal Cancer Screening: ***Chapter 128 of 2001*** required carriers to provide coverage for colorectal cancer screening in accordance with the latest screening guidelines issued by the American Cancer Society. Carriers may impose a copayment,

coinsurance, or deductible requirement if these cost-sharing requirements are imposed for similar coverages under the same policy or contract.

Morbid Obesity – Surgical Treatment: ***Chapter 736 of 2001*** required carriers to cover surgical treatment of morbid obesity. Carriers must cover gastric bypass surgery or another surgical method that is recognized by the National Institutes of Health (NIH) as effective for the long-term reversal of morbid obesity and consistent with criteria approved by NIH.

2002 Session

Habilitative Services: ***Chapter 382 of 2002*** modified the mandate for habilitative services established by ***Chapter 92 of 2000*** by defining congenital or genetic birth defects and specifying that the definition includes autism, autism spectrum disorder, and cerebral palsy. ***Chapter 382*** also provided that a carrier determination denying a request for habilitative services or denying payment for habilitative services on the grounds that the condition is not a congenital or genetic birth defect is considered an "adverse decision" and therefore subject to appeal under Maryland's appeals and grievance procedures.

Residential Crisis Services: ***Chapter 394 of 2002*** required carriers that provide hospital, medical, or surgical benefits to individuals or groups to provide coverage for medically necessary residential crisis services and specified that the services may be delivered through a managed care system.

Nonprofit Health Entity Accountability

At least eight states have enacted mandatory community benefit laws for nonprofit health entities. Of these, three have established minimum expenditure guidelines for community benefits as a condition of state or local tax-exempt status. In Maryland there are 48 hospitals, of which 47 operate as nonprofit hospitals. In addition, there are a number of nonprofit health service plans licensed in Maryland, the largest of which is CareFirst BlueCross/BlueShield of Maryland. Under current law, nonprofit health service plans in Maryland are exempt from the 2 percent tax on gross direct premiums that almost every other insurer, including the Maryland Automobile Insurance Fund, is required to pay. Nonprofit hospitals in Maryland are exempt from State income and real property taxes.

Chapter 178 of 2001 established a process to monitor the community benefit activities of nonprofit health benefit plans and hospitals. The Act required nonprofit hospitals to submit an annual community benefit report to HSCRC detailing the community benefits provided during the preceding year. HSCRC is required to compile the reports and issue an annual nonprofit hospital community health benefit report.

Community benefits include: (1) health services provided to vulnerable or underserved populations; (2) financial or in-kind support provided to public health programs; (3) donations of funds, property, or other resources that contribute to a community priority; (4) health care cost containment activities; and (5) health education, screening, and prevention services.

In addition, ***Chapter 178*** required each nonprofit health service plan that insures 10,000 or more covered lives to file a premium tax exemption report with MIA demonstrating that the plan has used funds, equal to the value of the premium tax exemption provided to the plan, in a manner that serves the public interest. If the Insurance Commissioner determines that a nonprofit health service plan does not meet minimum requirements, the plan has one year to comply.

Conversion of CareFirst BlueCross/BlueShield of Maryland

The conversion of nonprofit health entities, including hospitals, HMOs, and health service plans, has been the subject of great debate in recent years. State regulators have grappled with preserving the public assets of nonprofit entities that choose to convert to for-profit corporations. The assets accrued by a nonprofit are generally considered public assets and in the event of a conversion must remain with the public.

In the 2001 and 2002 sessions, the General Assembly considered numerous bills regarding CareFirst BlueCross/BlueShield of Maryland's possible conversion to, or acquisition by, a for-profit entity. The conversion issue came to the forefront on November 20, 2001, when CareFirst announced its intention to convert to a for-profit company and subsequently be acquired by California-based WellPoint Health Networks, Inc.

CareFirst is statutorily obligated to file a conversion application with all three jurisdictions to which its charitable assets would inure: Maryland, the District of Columbia, and Delaware. That application was filed with MIA on January 11, 2002. The $1.3 billion purchase price is proposed to be paid in cash ($450 million) and stock options ($850 million) and divided among the three jurisdictions.

Chapter 180 of 1997 provided that if CareFirst chooses to convert, it is required to distribute the fair value of its public or charitable assets to the Maryland Health Care Foundation. The foundation was established in 1997 (Chapter 180 of 1997) as a charitable, nonprofit organization to support efforts to increase and improve access to quality health care for the uninsured, underinsured, and medically underserved residents of Maryland. The foundation awards grants to help fund programs that expand access to health care for Marylanders without health insurance.

Assets of a Conversion – Maryland Health Care Trust

Chapter 701 of 2001 created the Maryland Health Care Trust in the event that an acquisition of a nonprofit health service plan or a nonprofit HMO occurs and, as a result, the foundation receives a distribution of assets. The foundation is the trustee, and the trust consists of the public and charitable assets received by the foundation as a result of the acquisition of a nonprofit health service plan or HMO approved by MIA on or after June 1, 2001.

Chapter 701 provided that the trust accepts and retains assets for future initiatives aimed at improving the health status of Maryland residents. Assets may only be expended to implement acts of the General Assembly that specifically direct the use of trust assets. The Act also repealed a requirement that MIA consider whether the acquisition of a nonprofit health service plan or nonprofit HMO has been approved by at least two-thirds of the certificate holders who have voted on the acquisition.

Modification of the Acquisition Process

Chapter 155 of 2002 shifted the burden of proving whether an acquisition is in the public interest from the regulating entity to the proponents of the acquisition. The Act also repealed a provision of law that deems an application approved if the appropriate State regulating entity fails to take action on the application within 60 days after the record has been closed. Both changes give the appropriate regulating entity more control over the determination of whether an acquisition is in the public interest. ***Chapter 154 of 2002*** prohibited a nonprofit health service plan from organizing under the laws of another jurisdiction unless the Insurance Commissioner determines that it is in the public interest. It also prohibited a plan from altering its structure, operations, or affiliations if such alterations result in the plan's for-profit activities becoming so substantial that the Insurance Commissioner determines the plan's purpose may no longer be characterized as operating as a nonprofit health service plan. The Act further authorized the Insurance Commissioner to revoke the certificate of authority of a foreign corporation operating a nonprofit health service plan that is affiliated with a Maryland nonprofit health service plan if the affiliation is terminated.

With respect to the acquisition of a nonprofit health service plan, ***Chapter 154*** prohibited a nonprofit health service plan officer, director, or trustee from receiving any immediate or future remuneration as the result of an acquisition or proposed acquisition. The Act required public or charitable assets distributed to a public or nonprofit charitable entity under the State's nonprofit health entity acquisition laws to be in the form of cash. In addition, the Act required the appropriate regulating entity to determine whether a payment or "break-up fee," required under an acquisition contract or agreement if the agreement or contract is broken by the nonprofit health entity, is in the public interest.

Lastly, ***Chapter 154*** provided that a determination regarding the acquisition of a nonprofit health entity may not take effect until 90 calendar days after the date the determination is made. This provision effectively reserves the right of the General Assembly to review and disapprove, by an act of the legislature, the acquisition of a nonprofit health entity.

Part K
Natural Resources, Environment, and Agriculture

Natural Resources

Water Resources

Protection of Critical Areas

The scope of State authority to regulate growth in environmentally critical areas, as implemented and enforced by each local jurisdiction, has increased significantly over the course of the 1999–2002 term of the General Assembly. First, criteria applicable to the granting of variances have been clarified so as to fortify the impact of the critical area law; and second, the size of the critical area covered under law has been expanded.

Authority of the Chesapeake Bay Critical Area Commission and Local Jurisdictions: The Chesapeake Bay Critical Area consists of a 1,000-foot shoreline strip around the Chesapeake Bay and its tributaries. This area is in particular need of environmental protection in order to ensure the survival of the bay's tidal waters and its vulnerable fish, wildlife, and plant habitats. Chapter 794 of 1984 established the Chesapeake Bay Critical Area Protection Program in the Department of Natural Resources (DNR) with the goal of fostering more sensitive and consistent development activity along this shoreline area.

Subject to review and approval by the Chesapeake Bay Critical Area Commission, each local jurisdiction has the primary responsibility for producing and implementing its local critical area protection program. Included in each local program are limitations on development within the critical area. Regulations, however, require local jurisdictions to provide for variances to the program where enforcement would result in an unwarranted hardship to an applicant.

In 1999 and 2000, three decisions by the Maryland Court of Appeals significantly impacted the common understanding of variance law as applied in the critical area. Under these rulings, a variance would be granted for development when an applicant was denied reasonable and significant use of any portion of the property, even if alternative sites were available on the applicant's property; grandfathered structures would be considered when deciding whether denial of a variance for new development would be unfair to an applicant; and rather than satisfying all the standards for a variance, it would be sufficient if an applicant could generally meet these standards.

In response, ***Chapters 431 and 432 of 2002*** statutorily defined the conditions under which a local program may grant a variance. These conditions include: consideration of the entire property when determining whether unwarranted hardship exists; the applicability of comparisons only to development since the implementation of a local critical area program; and the satisfaction of all variance standards. Further, a local program must consider the reasonable use of the entire parcel. Building permits or other activities in compliance with an approved buffer exemption or buffer management plan are exempt from the coverage of these Acts.

Also, ***Chapter 475 of 2000*** required each local critical area program to include provisions for reasonable accommodations for individuals with physical disabilities when the accommodations are necessary to avoid discrimination on the basis of physical disability. The Act likewise provided for the removal of any structure built or installed to accommodate a physical disability once the permitted accommodation is no longer necessary.

Expansion of Critical Area to Include the Atlantic Coastal Bays: Maryland's coastal bays, often called the back bays, are shallow water lagoons west of Ocean City and Assateague Island. More than 300 species of migratory waterfowl, songbirds, and birds of prey seek these shallow bays for food and shelter. Additionally, the shallow bays provide habitat for rare species of plants and animals as well as blue crabs, flounder, and clams.

Chapter 433 of 2002 applied the already-existing provisions of the Chesapeake Bay Critical Area Protection Program and corresponding regulations to the Atlantic Coastal Bays Critical Area. In addition to all waters and lands under the coastal bays and their tributaries and all areas within 1,000 feet of wetlands and the heads of tides, the Atlantic Coastal Bays Critical Area also includes additional areas proposed for inclusion by local jurisdictions and approved by the Critical Area Commission.

Local jurisdictions within the Atlantic Coastal Bays Critical Area were required to map the coastal bays area and establish the three land use designations used in the existing Chesapeake Bay Critical Area Program: Intensely Developed Areas (IDA), Limited Development Areas (LDA), and Resource Conservation Areas. These costal bay designations were based on land uses and development in existence as of June 1, 2002.

In the same manner as the Chesapeake Bay Critical Area, in order to accommodate future population growth, ***Chapter 433*** authorized the increase of total IDA and LDA acreage by a "growth allocation." This development increase is to be calculated by formula and may be transferred between the Chesapeake and Atlantic coastal bays critical areas under certain conditions.

Further, ***Chapter 433*** authorized each program to include provisions regarding: the use of bioretention and other nonstructural stormwater best management practices; minimum buffer requirements applicable to specified tributary streams located outside the critical area but within the coastal bays watershed; and wetland improvements, also known as "wharfing out." The Act required that local programs approved or adopted by the commission take effect by September 29, 2003. It also allowed for the limited grandfathering of certain development projects as to their initial development or current use.

Submerged Aquatic Vegetation

Submerged aquatic vegetation (SAV) beds, or sea grasses, are rooted plants that live under water. These ecologically significant habitats are essential for maintaining healthy finfish and shellfish populations in Maryland. When it became evident that hydraulic clam dredges, used for the commercial harvest of several clam species, were causing significant damage to SAV, Chapter 385 of 1998 prohibited their use in SAV beds.

In an effort to enhance SAV protections, ***Chapter 527 of 2002*** prohibited the use of a traditional bottom dredge or shinnecock rake in any SAV bed or in specified portions of the Chesapeake Bay closed to hydraulic clam dredging. In addition, the Act required DNR to update aerial surveys of SAV protection zones and to adjust these zones, to the extent possible, so that delineations are geographically manageable. Thus, DNR will be able to draw delineations in straighter lines that utilize existing points of reference.

Also, ***Chapter 682 of 2000*** required DNR to study the direct impact of recreational watercraft activities on the ecological value of SAV beds in the Chesapeake Bay and the coastal bays. Moreover, DNR is to evaluate the effectiveness of its various efforts to minimize detrimental impacts on SAV habitats. DNR must report on these study results by January 1, 2003.

Vessels

Effect on Water Quality:

Marine Sanitation: It is prohibited to dump raw sewage into the Chesapeake Bay. In tandem, a key component of the 1987 Chesapeake Bay Agreement was the elimination of pollutant discharges from recreational boats. Even with the increased

availability of marine pumpout facilities in recent years, however, it was still unknown whether there were enough facilities for boaters to dispose of sewage waste safely and conveniently. Likewise unknown was the impact of treated sewage on State waters.

In order to ascertain the degree to which the State was actually protecting the Chesapeake Bay through use of pumpout facilities, ***Chapters 574 and 575 of 1999*** required DNR to determine the effectiveness of the State's marine sanitation policy. DNR completed this work in April 2000, and further information is available in DNR's report entitled *Report to the Legislature on Marine Sanitation*. The Acts also required DNR to ensure the availability of adequate facilities in the identified sensitive areas for the safe, sanitary removal and treatment of sewage from all vessels. In response, DNR regularly contacts and visits marine facility owners and operators and has increased the grant funds available for marine sanitation projects.

Operation of Personal Water Craft: DNR began to regulate the operation of personal water craft (PWCs) in 1994, but with limited authority in particular waterways. In order to reduce water turbidity and the disruption of SAV beds, ***Chapter 638 of 2001*** required the adoption of regulations prohibiting the operation of PWCs above idle speed in any area of water with a depth of less than 18 inches. The Act also authorized DNR to adopt regulations limiting the use of PWCs in any area of water with a depth of less than one meter.

Water Safety: ***Chapter 215 of 1999*** made the results of a blood test admissible as evidence in a criminal prosecution for operating a vessel while impaired by a drug or a controlled dangerous substance. Moreover, because Maryland law did not include an evidentiary presumption of what alcohol concentration constituted prima facie evidence of being under the influence of alcohol while operating a vessel, the Act conformed presumptions applicable while boating to those applicable while driving. The Act re-established that an alcohol concentration meeting the "per se" definition of being under the influence of alcohol is prima facie evidence that the person was operating a vessel while under the influence of alcohol.

Two years later, ***Chapter 429 of 2001*** prohibited, with specified exceptions, the operation of a recreational vessel less than 21 feet in length if a child under age seven is aboard, unless the child is properly wearing a personal flotation device. Also, in response to an increase in the number of abandoned boats causing navigation hazards and environmental damage in State waters, ***Chapter 575 of 2001*** reduced the length of time, from 180 days to 90 days, that a vessel could remain without consent at a private marina, boatyard, or dock, or at or near waters' edge on private property in order to be declared "abandoned." ***Chapter 575*** also provided for notice by certified mail to the owner of an abandoned vessel before its seizure.

Waterway Improvement Fund

Income to the Fund: Except under specified conditions, an excise tax is levied at the rate of 5 percent of the fair market value of a vessel on: (1) the issuance of every original certificate of title required for a vessel; (2) the issuance of every subsequent certificate of title for the sale, resale, or transfer of the vessel; (3) the sale within the State of every other vessel; and (4) the possession within the State of a vessel purchased outside the State to be used principally in the State. Revenues generated by the tax are credited to the Waterway Improvement Fund to be used for a variety of waterway improvement projects.

Chapter 260 of 2002 required the Secretary of Natural Resources to declare an amnesty period for delinquent taxpayers from September 1, 2002, through October 31, 2002, for penalties attributable to the nonreporting, underreporting, and nonpayment of vessel excise tax liability. The Act also increased misdemeanor penalties for violations relating to the collection and remittance of the vessel excise tax from $5,000 to $10,000, effective November 1, 2002, the end of the amnesty period. These proceeds are to benefit the Waterway Improvement Program.

Fund Expenditures: Under previous law, local jurisdictions could receive complete financing of a marine construction project from the Waterway Improvement Fund only if the total annual cost was $50,000 or less. Project costs over $50,000 had to be matched on a 50/50 basis. Some counties chose to provide the match, while others chose to extend projects over more than one year so as to have them completely funded. In order to expedite the completion of local marine construction projects, ***Chapter 271 of 2001*** increased this funding cap from $50,000 to $100,000.

Maryland Seafood and Aquaculture Industries

Each year the Maryland seafood industry contributes an estimated $400 million to the State's economy. Yet the economic base of the seafood industry has experienced a marked decline as a result of the decline in wild stocks of commercially important species, competition from imports, a shortage of processing labor, regulatory pressures, and overall economic pressures. In addition, although the State's aquaculture industry has presented great potential to meet increasing worldwide demand for seafood products, the extent of its growth has been slower in Maryland than in other states. ***Chapter 535 of 2002*** addressed these issues by the creation of the Task Force to Study the Economic Development of the Maryland Seafood and Aquaculture Industries. The task force consists of two workgroups: one focusing on the seafood industry and the second focusing on the aquaculture industry. Each workgroup is to study the development of its respective industry and report on specific development aspects and related recommendations by September 30, 2004.

Land Preservation

State Programs

Several State programs focus on the preservation and conservation of land. Among these are: Program Open Space (POS); the Rural Legacy Program; and, most recently instituted, the Maryland GreenPrint Program. Funding for these programs from fiscal 2000 through fiscal 2003 is shown in **Exhibit K.1**.

Exhibit K.1
Funding for Specified Land Preservation Programs
FY 2000–2003
($ in Millions)

	FY 2000	FY 2001	FY 2002	FY 2003	Total FY 2000–2003
POS State Land Acquisition & Local Program	65.6	58.3	53.7	26.2	203.8
Rural Legacy	24.4	27.9	29.7	21.4	103.4
GreenPrint	0.0	0.0	30.0	16.0	46.0
Total	90.0	86.2	113.4	63.6	353.2

Note: Numbers do not include administrative expenses. Fiscal 2002 reflects planned $15 million special fund transfer from the State POS program to the general fund. The fiscal 2003 number reflects proposal to take the fiscal 2001 overattainment of $11.227 million and half the fiscal 2003 revenue after administrative expenses for the general fund.

Source: Department of Legislative Services, State Budget

Program Open Space: POS was established by the General Assembly in 1969 to expedite the acquisition of outdoor recreation and open space and to accelerate the development of outdoor recreational facilities. POS funds both State and local acquisition and development. Local jurisdictions receive approximately 50 percent of POS funds. Until the enactment of ***Chapter 658 of 2001***, if local recreational acreage acquisition goals were met, a local jurisdiction could use up to 75 percent of its POS funds for development projects. Effective through September 30, 2006, ***Chapter 658 of 2001*** increased this maximum percentage for allowable development to 100 percent.

Rural Legacy Program: In an effort to control sprawl development and enhance protection of Maryland's natural resources, agricultural community, and the environment, Chapters 757 and 758 of 1997 provided funding to local governments and conservation organizations for the purchase of property and conservation easements within designated "rural legacy" areas. The Rural Legacy Board was required to adopt regulations for implementing the program, establish a method for appraisal of the fair market value of real property interests, and review applications. ***Chapter 648 of 2000*** expanded the authority of the Rural Legacy Board to allow the use of funds for the purchase, holding, and resale of transferable development rights (TDRs), which are a method used by local jurisdictions to protect land from development. The authority to resell TDRs was limited to priority funding areas, and the local government in which a priority funding area is located is required to use 50 percent of the proceeds from the resale of TDRs in order to fund local capital projects.

Maryland GreenPrint Program: In 2000 Maryland's green infrastructure contained about two million acres of undeveloped land. It was characterized as a system of "Green Hubs," that is, large habitat areas typically hundreds of acres in size, that were linked together by linear corridors of land referred to as "Green Links." Based on this perspective, Governor Glendening initiated a new land preservation program, the Maryland GreenPrint Program, which was aimed at protecting a 50,000-acre network of these ecologically valuable lands by using computer-based assessment, mapping, and targeting tools in order to identify the most strategic acquisitions. Thus, ***Chapter 570 of 2001*** created the five-year GreenPrint Program in order to build a statewide green infrastructure network by acquiring property interests, including easements, so as to complement existing conservation programs.

With specified exceptions, the Act authorized DNR to use program funds to acquire real property interests in the network, as well as to provide grants for the acquisition of network property interests by local governments and land trusts. Twenty-five percent of total program funds must be spent on the acquisition of easements on agricultural land within districts approved by the Maryland Agricultural Land Preservation Foundation (MALPF). For purposes other than purchasing easements under MALPF, priority must be given, to the extent possible, to counties in which DNR holds a real property interest in less than 9 percent of the land. An annual report on program expenditures is required.

Chapter 570 of 2001 represented one part of the Governor's Smart Growth initiative for 2001, which also included the creation of the Office on Smart Growth to provide overall coordination for the Smart Growth program; the Community Legacy Program, designed to fill funding gaps in existing community development programs so that neighborhoods are revitalized; and an investment of funds to expand community parks and public transportation. For a more detailed discussion of the Office of Smart Growth, see the "Environment" subpart of this Part K. For further information regarding the Community Legacy Program, see the "Economic and Community Development"

subpart of Part H – Business and Economic Issues of this *Major Issues Review*. For an additional discussion of enhanced funding for public transportation, see Part G – Transportation and Motor Vehicles of this *Major Issues Review*.

Recreation: Parks and Wildlands

Deep Creek Lake: In 1980 DNR contracted with the Pennsylvania Electric Company for the management of Deep Creek Lake. In anticipation of the State's purchase of the lake and its surrounding properties, which occurred in 2000, ***Chapters 560 and 561 of 2000*** established a Deep Creek Lake Policy and Review Board to review and advise the department on the Deep Creek Lake Recreation and Management Fund and the Deep Creek Lake Management Program. These Acts also repealed the Deep Creek Lake Advisory and Review Committee and provided for the development of a recreation and land use plan for Deep Creek Lake.

Savage Ravines Wildland and South Savage Wildland: ***Chapter 174 of 2002*** designated Savage Ravines Wildland and South Savage Wildland as State wildlands. The Act authorized DNR, under specified conditions, to allow research in the South Savage Wildland area that ordinarily would be prohibited or restricted. The Act also required DNR and the University System of Maryland, through Frostburg State University and the University of Maryland Biotechnology Institute, to develop a plan relating to such research.

Enhanced Funding for Community Parks and Playgrounds: The Community Parks and Playgrounds Program in DNR was one component of the Governor's Smart Growth policy in the fiscal 2002 budget. A three-year initiative, the program administers competitive grants to local governments for the rehabilitation, expansion, or improvement of existing parks. Designated as areas of special focus were older neighborhoods and intensely developed areas throughout the State. The program was funded at $5.5 million in both fiscal 2002 and fiscal 2003.

Hunting and Fishing

Wildlife Management

Hunting Licenses

Because the hunting license structure had long been considered unnecessarily complicated by the user community, ***Chapter 177 of 2002*** streamlined this structure by reducing the number of hunting licenses, stamps, and permits. In order to keep up with rising administrative costs, the Act increased the license and stamp fees for the first time in several years. Likewise, the licensing agents' service fee was increased. One dollar from each of several licenses was dedicated to the processing of venison for donation to

the needy. Finally, ***Chapter 177*** expressed a specific legislative intent that the Department of Natural Resources (DNR) utilize special fund revenue generated by these fee increases to provide public hunting opportunities on the Chesapeake Forest Land properties.

Deer

The State's population of white-tailed deer has steadily increased over the past 50 years. DNR estimates have placed the number of white-tailed deer at over 250,000, which is far beyond the State's carrying capacity of 100,000. Moreover, it is anticipated that without population controls this number will soon double. This situation has led to a marked increase in the number of human-deer conflicts, such as vehicle-deer collisions and substantial damage to crops, as well as a far higher incidence of Lyme disease. Given the diminished number of natural predators plus the high cost and lower return associated with various nonlethal control methods, hunting is widely viewed as the most efficient type of deer population control.

In Maryland there are three seasons to hunt deer. These are: bow and arrow; firearm; and muzzleloader, which is also known as black powder. ***Chapter 641 of 1999*** sought to diminish the deer population by establishing an early black powder hunting season. On the second weekend of this early season the Act limited hunting to antlerless deer, that is, females and young males. These provisions were effective for two years only. Also during the 1999 session, ***Senate Bill 566/House Bill 906 (both failed)*** would have allowed the hunting of forest game birds and mammals on Sunday. ***House Bill 906***, as amended, would have limited this legislation to hunting on private land on Sundays in November and December with bow and arrow only.

The following year, ***Chapter 122 of 2000*** codified already existing regulations by allowing the issuance of a limited number of bonus antlerless deer stamps in order to increase the harvest. Also in accordance with DNR regulations, ***Chapter 640 of 2000*** authorized the use of dogs to recover killed, wounded, or injured deer, an especially difficult endeavor in heavily vegetated areas.

Because the majority of the deer harvest occurs during firearm season, another approach was to extend the length of that season. Moreover, since the first Saturday of firearm season annually accounts for approximately 35 percent of the season's take, the first Sunday was viewed as the single most strategic day to maximize the harvest. Therefore, ***House Bill 9 of 2002 (passed)***, which was vetoed by the Governor, would have increased the firearm season from 13 to at least 21 days, including the first Sunday of the season, in seven counties. Also, in an urban management region in which the deer population had become, or if left unattended would become, a threat to public health or safety or a nuisance because the population was in excess of the carrying capacity of the area, DNR's deer management plan would have been authorized to allow for increased

harvest by the use, as appropriate, of bait, professional sharpshooters, lethal darts, or capture and euthanasia.

Use of Blinds to Hunt Wild Waterfowl

For many years, the licensing of stationary blinds and blind sites for the hunting of wild waterfowl was administered by the circuit court clerks. The system varied from county to county as to application dates, placement distances, and other requirements. Several other provisions, including those applicable to hunting from shore and from boats, were equally confusing and antiquated. ***Chapter 703 of 1999*** revised these outmoded laws. It standardized the process by assigning the authority to license blinds to DNR and its designated agents. In addition, the Act streamlined the application process for riparian (waterfront) landowners and established 250 yards of continuous shoreline as the minimum necessary for the establishment of a blind.

The following year, two Acts refined the licensing scheme established by ***Chapter 703 of 1999***. ***Chapter 361 of 2000*** repealed Talbot County's licensing requirements and made them consistent with the rest of the State. Also, ***Chapter 627 of 2000*** allowed a riparian owner with less than 250 yards of continuous shoreline to establish an offshore blind site if no other shoreline is licensed within 125 yards of that site.

An additional component of ***Chapter 703*** was a prohibition against nonresident riparian property owners obtaining a Maryland license to erect stationary blinds or blind sites along the Potomac River. Because the Office of the Attorney General advised that this law discriminated against nonresidents in a commercial setting and was, therefore, in violation of the Privileges and Immunities Clause of the U.S. Constitution, ***Chapter 106 of 2002*** amended the 1999 legislation to provide Virginia and West Virginia landowners with the same rights Maryland residents have with respect to licensing their riparian shoreline. Furthermore, the Act specified those portions of the Potomac shoreline where blinds may be licensed.

Upland Wildlife Habitat Fund

Since 1989, DNR has contracted with farmers to set aside land for the planting of food for wildlife. A portion of hunting license revenue was used for this purpose. ***Chapter 607 of 2000*** created new funding opportunities through voluntary donations for the improvement and restoration of upland wildlife habitat. To this end, the Act created the Upland Wildlife Habitat Fund and authorized DNR to use a portion of each nonresident hunting license fee to plant food or cover for upland game birds and mammals and wetland game birds.

Fishery Management

Fishing Licenses, Fees, and Restrictions

Chesapeake Bay Sport Fishing Licenses: Striped bass stamp and tag provisions were established in 1990, largely to assist in the recovery of the striped bass stock in the Chesapeake Bay. Also in response to the depletion of this species, DNR instituted a striped bass hatchery program that was funded by stamp and tag permit fees. When DNR ended the hatchery program in 1995, it began to use these fees to fund its striped bass surveys. Because the striped bass population has increased in recent years, ***Chapter 660 of 1999*** repealed these stamp and tag provisions, including the associated fees. In order to offset this revenue loss, the Act increased the cost of a Chesapeake Bay sport fishing license, which is issued to individuals, as well as a special Chesapeake Bay sport fishing license, which is issued for boats.

Fishing Guide Licenses:

Freshwater Fishing Guide License: ***Chapter 286 of 1999*** created a new license applicable to professional nontidal freshwater fishing guides. License revenues are deposited into the Fisheries Management and Protection Fund to support fishery science programs and surveys relating to the management of freshwater species.

Freshwater Fishing Guides Operating in Tidal Waters: The following year ***Chapter 286 of 1999*** was fine-tuned by ***Chapter 668 of 2000***, which allowed freshwater fishing guide licensees to operate in specified tidal waters. The purpose of this change was to enable anglers to target largemouth and smallmouth bass more effectively.

Limited Fishing Guide License: Under ***Chapter 724 of 2001***, a limited fishing guide license was instituted. These very tailored provisions allow a license holder to guide small numbers of anglers near shore or in small boats, or any number participating in an educational or recreational program sponsored by a government agency. The Act expressly prohibited the exercise of this license in certain locations and at certain times of the year, all of which relate to the catching of striped bass.

Commercial Tidal Fish Licenses: In addition to the provisions relating to freshwater fishing guide licenses, ***Chapter 286 of 1999*** clarified the process by which a commercial tidal fish license may be transferred to a family member upon the death of a licensee. In a similar vein, ***Chapter 597 of 2000*** allowed tidal fish license authorizations to be transferred upon the death of a licensee. In order to develop a viable program to control fishing efforts and at the same time incorporate new participants in the commercial fishery, ***Chapter 597*** further allowed a holder of three or more tidal fish license authorizations, one of which is a crabbing authorization, to trade in those authorizations for an unlimited tidal fish authorization.

Transfer of a commercial tidal fish license resurfaced as an issue in 2001. ***Chapter 20 of 2001*** required any person to whom such a license has been temporarily transferred to be in possession of the approved transfer application when engaged in any licensed activity. The Act also required these temporary transferees to allow any police officer to inspect the application.

Nonresident Nontidal Fish Licenses: In recognition that neighboring states charged higher fees to Maryland residents for nontidal fish licenses than Maryland charged the residents of those states for equivalent licenses, ***Chapter 414 of 2000*** modified nonresident license fees to be the base amount or a fee equal to what a Maryland resident would be charged in the nonresident's home state, whichever is greater. This principle of equal treatment was extended when ***Chapter 268 of 2002*** established a three-day angler's license for nonresidents. Because Maryland had only offered a choice of a five-day or an annual angler's license to nonresidents, the addition of this shorter-term license was intended to reduce the fee charged to visitors who want to fish over a long weekend.

Blue Crabs

The blue crab, one of the most important species harvested in the Chesapeake Bay, generates approximately $90 million in economic benefit to the State. In the past several years, the blue crab harvest has decreased substantially. Reporting the final results of its two-year study in January 2001, the Chesapeake Bay Commission's Bi-State Blue Crab Advisory Committee found that the blue crab species was almost at the point of collapse and thus recommended a three-year, 15 percent reduction in fishing effort. Both Maryland and Virginia agreed to reduce their harvests accordingly. This crisis was the backdrop for a substantial number of initiatives, legislative and regulatory, in 2001 and 2002.

2001 Session:

Commercial Harvest: ***Chapter 294 of 2001*** required each commercial crab licensee to declare Sunday or Monday as a day off, with certain holiday weekend exemptions. Additionally, the Act authorized DNR to establish alternate days off for a licensee, other than a Sunday or Monday, and to restrict all crabbing on certain days of the week. To the extent possible, restrictions imposed were not to discriminate unfairly among groups of fishermen or have allocation as a sole purpose. ***Chapter 294*** will terminate on May 31, 2004. ***Chapter 272 of 2001*** prohibited DNR from adopting regulations to: restrict licensees to less than an eight-hour work day; establish time restrictions on the use of trotline gear for setting and taking up gear; or prohibit the obstruction of the cull ring of a hard crab pot in order to catch peeler crabs.

Recreational Crabbing Licenses: ***Chapter 272*** also instituted two types of recreational crabbing licenses. First, the requirement to obtain a recreational crabbing

license was, with certain exceptions, based on the type and quantity of gear to be used. Recreational crabbing was prohibited until at least one-half hour after the commencement of the commercial work day. Second, the Act established a recreational crabbing boat license allowing a boat owner to catch crabs for recreational purposes anywhere in the Chesapeake Bay. Finally, an individual licensed to provide services as a fishing guide or to fish recreationally in the Chesapeake Bay was authorized to possess any number of peelers or soft crabs for fishing purposes.

2001 Interim: Commercial crabbing regulations effective July 23, 2001, reduced the workday from 14 hours to 8 hours, established the mandatory day off, and closed the fishery a month early. About the same time, Virginia and the Potomac River Fisheries Commission implemented their new restrictions. These restrictions were likewise aimed at reducing the crab harvest by 15 percent over three years, but by different means than had been adopted in Maryland.

Shortly before the convening of the 2002 session, DNR proposed regulations to increase the minimum size of male hard crabs, soft crabs, and peeler crabs that could be caught for commercial or recreational purposes or possessed in the State during the crabbing season.

2002 Session: In response to this DNR proposal, several legislative approaches were considered (***Senate Bill 717/House Bill 1321***, ***House Bill 747***, and ***House Bill 1276***), each designed to override the effect of DNR's regulatory activity and each unsuccessful.

Meanwhile, as finally adopted on March 12, 2002, DNR's regulations varied from the original proposal but still increased the minimum sizes of male hard crabs, soft crabs, and peeler crabs that could be taken. They implemented a possession ban on peeler and soft crabs smaller than those size limits, except for those harvested from the Potomac River, but allowed the importation of certain-sized crabs for use in wholesale and retail markets.

Native Oysters

Populations of the native Chesapeake Bay oyster have experienced a modest recovery in the last few years after hitting record lows in the early 1990s. However, the oyster population remains far below historical highs from the late 19th century.

Dredging: Power dredging is a method of harvesting oysters by which a motorized boat pulls a dredge across the bottom of the water. Dredging serves dual purposes: it catches oysters, and it cleans debris from the water bottom, which, in turn, gives oyster spat a clean surface on which to grow.

Chapters 407, 478, and 633 of 1999 authorized power dredging licensees to harvest oysters in designated waters of Calvert County, St. Mary's County, and Dorchester County, respectively, for a limited season with a daily maximum catch. Also, ***Chapter 580 of 1999*** expanded the area where a person may power dredge in the waters of Tangier Sound in Somerset County. Except for provisions relating to oyster sanctuaries discussed below under the caption "Sanctuaries" under this subheading, these Acts terminate on May 31, 2004. In order to enhance monitoring and enforcement activities, ***Chapter 278 of 2000*** modified the requirements for power dredging in these four counties from a license system to a permit system.

Sanctuaries: In addition to the dredging provisions of ***Chapters 407, 478, 580, and 633 of 1999,*** each Act further required that an oyster sanctuary be established in specified waters of each county in order to enhance the spawning potential within power dredging areas. DNR was required to reserve areas on a rotational basis for restoration and harvesting purposes.

Although the law prohibited the taking of oysters from these oyster sanctuaries or from any area closed or reserved for propagation of oyster seed, there were no penalties specific to this offense. Only general fisheries penalties applied. Under ***Chapters 407, 478, 580, and 633***, DNR was required to establish regulatory penalties for such a taking. This requirement was not met, however, by regulation. Rather, ***Chapter 224 of 2002*** established a monetary fine and the immediate suspension of a person's tidal fish license as penalties for the unlawful taking of oysters from a marked oyster sanctuary or reserve.

Aquaculture: In order to stimulate growth in the oyster population, the State produces seed oysters to be used in aquaculture and to support the commercial fishery. ***Chapter 513 of 2001*** enabled aquaculturists to catch their own spat, rather than relying completely on purchasing seed oyster from the State. The Act allowed oyster bottom lessees to use suspended and material devices placed on the bottom to catch oyster spat for their own use. Lessees were also authorized to catch spat by suspended strings, trays, bags, or similar devices if they do not interfere with navigation.

Other Matters Related to Wildlife and Fishery Management

Interstate Wildlife Violator Compact

The concept of a wildlife violator compact was first advanced in the early 1980s by member states of the Western Association of Fish and Wildlife Agencies. Since that time, compact legislation has been enacted in several states. ***Chapter 425 of 1999*** authorized Maryland's participation in the Interstate Wildlife Violator Compact, thus becoming a party to reciprocal interstate agreements to suspend hunting and fishing licenses for serious wildlife conservation violations and for the failure to appear in court

to answer for these violations. By decreasing the caseload involving immediate appearances, bonding, and incarceration, the burden on enforcement officers, courts, and jail facilities is reduced.

Non-native Species

The introduction of non-native species into the Maryland habitat is widely believed to have a grave impact on the health of the local ecosystem, particularly the marine environment. Once introduced, these species tend to multiply quickly and establish a sizable community that is difficult to eradicate. During both the 2001 and 2002 sessions, the attention of the General Assembly was focused on this issue in regard to a number of species.

Transgenic and Genetically Altered Species: ***Chapter 54 of 2001*** prohibited the issuance of an aquaculture permit for the raising of a transgenic or genetically altered species unless the permit limits the operation to waters that do not flow into any other body of water and the operation is constructed so as to assure that transgenic or genetically altered stocks are precluded from entering any other waters or contaminating other aquatic species of the State. This Act will abrogate on September 30, 2006.

Crabs: Because introduction of the green crab, Japanese shore crab, and Chinese mitten crab would likely harm State aquatic life, ***Chapter 100 of 2001*** authorized limitations, including an outright prohibition, on the importation, use, catching, or possession of these species.

Oysters: Because of overall environmental deterioration and the advent of two parasitic oyster diseases, MSX and Dermo, the native Chesapeake Bay oyster has declined significantly over the past 20 years. In an effort to address this shortage of native oysters, there has been a growing interest in the cultivation of non-native species, many of which are more resistant to parasitic oyster diseases and grow much more quickly than their native counterpart. This interest, however, has been coupled with concern regarding the potential impact of a non-native population on the native ecosystem. ***Chapter 508 of 2002*** sought to balance these perspectives. It required the study of the Suminoe oyster and other non-native species while requiring that proper biosecurity measures be followed in order to minimize the risk of de facto introduction. By December 1, 2002, DNR is to issue an interim report; the final report is due by December 1, 2004.

Mute Swans: Also a non-native species, mute swans feed year-round on submerged aquatic vegetation (SAV), thus simultaneously depleting the restorative effects of SAVs on the bay's water quality and diminishing an important food source for several species of migratory birds. ***Chapter 679 of 2001*** required DNR to establish a program to control the population of mute swans, including the managed harvest of adult mute swans.

In December 2001, however, the U.S. Court of Appeals for the District of Columbia held that mute swans are protected under the federal Migratory Bird Treaty Act. That decision reversed the U.S. Fish and Wildlife Service (USFWS) policy allowing the taking of swans and their eggs. In response to this court decision, ***Resolutions 18 and 19 of 2002*** urged the USFWS to conduct expedient regulatory processes in order to allow Maryland to control the mute swan population and to mitigate their impact permanently. These resolutions also urged the U.S. Department of the Interior to appeal the ruling of the U.S. Court of Appeals.

Environment

The mission of the Maryland Department of the Environment (MDE) is to protect and restore the quality of Maryland's air, water, and land resources for the benefit of the environment, public health, and future generations. MDE accomplishes its mission by assessing, preventing, and controlling sources of pollution. Several legislative proposals were introduced during the 1999–2002 term in an effort to strengthen the State's environmental programs.

Air Quality

Administrative Civil Penalties

Violators of the State's air quality and radiation laws are subject to various criminal and civil penalties. In an effort to increase the ability of MDE to assess penalties for air pollution violations administratively, ***Senate Bill 62 of 2000 (failed)*** would have increased the maximum administrative civil penalty for an air pollution violation that MDE may assess to $10,000 per day per violation with a $200,000 limit for any single administrative hearing.

In 2002, a similar, though more extensive, bill was introduced by the Administration. As introduced, ***Chapter 435 of 2002*** would have increased administrative penalties imposed by MDE and instituted cost recovery as an enforcement mechanism available to MDE. As passed and enacted, however, this Act enhanced enforcement efforts by extending the statute of limitations applicable to both criminal and civil actions. Prior to the enactment of this law, a prosecution for a misdemeanor was required to be instituted within one year of the offense. Civil actions were also required to be instituted within one year of the violation, with specified exceptions. This Act allowed the initiation of a criminal prosecution or a civil action within three years after the violation was committed.

Permits and Standing

Effective August 2, 1996, the U.S. Environmental Protection Agency (EPA) granted Maryland interim approval of its air quality operating permit program under Title V of the federal Clean Air Act. In order to receive full EPA approval of its Title V program, Maryland was required to submit a package of proposals to correct deficiencies identified in the interim approval. In its interim approval notice, EPA stated that Maryland's standing provisions must be amended to provide standing to all persons who would have standing to seek judicial review of air quality permit decisions under Article III of the U.S. Constitution.

During the 2001 session, a number of bills were introduced to address the standing issue. ***House Bills 203 and 1427 (both failed)*** would have addressed EPA's concerns but were not successful. As a result, the State failed to meet the deadline for revising its standing law and MDE lost federal approval of its Title V air quality operating permit program on December 3, 2001.

During the 2002 session, legislation was finally enacted to resolve the issue of standing. ***Chapters 437 and 438 of 2002*** expanded standing for judicial review of Title V air quality permit decisions. Specifically, except for an applicant seeking judicial review in accordance with the Administrative Procedure Act, the Acts provided that a final decision by MDE on the issuance, renewal, or revision of an operating permit issued pursuant to Title V of the federal Clean Air Act Amendments of 1990 is subject to judicial review by any person who: (1) meets the threshold standing requirements under federal constitutional law; and (2) participated in a public participation process through the submission of written or oral comments, unless an opportunity for public participation was not required by statute or regulation. The Acts required that judicial review be on the administrative record before MDE and limited to objections raised during the public comment period, unless the petitioner demonstrates that the objections were not reasonably ascertainable during the comment period or that grounds for the objections arose after the comment period.

Water Quality

Septic Systems

In August 1999, the Governor created the Septic System Advisory Committee to address concerns relating to nutrient pollution from septic systems. The committee was charged with defining and developing recommendations for an "areas of concern" approach to reducing nutrient pollution from septic systems.

The committee, in its report to the Governor issued in January 2000, provided several recommendations relating to nitrogen removal requirements and changes to

MDE's regulations. ***Senate Bill 210/House Bill 283 of 2000 (both failed)*** would have addressed the advisory committee's recommendations by requiring MDE to adopt regulations requiring nitrogen removal technology in specified areas of special concern for the installation of new septic systems or the repair, replacement, or change in use of existing septic systems. The bills also would have required MDE to propose regulations applicable statewide regarding the inspection, operation, and maintenance of on-site sewage disposal systems consistent with the bills. To offset some of the compliance costs, the bills would have provided tax credits for purchasing and installing nitrogen removal technology.

Sewerage Systems

Overflows from outdated sanitary sewerage systems have discharged millions of gallons of raw sewage into Maryland waters affecting the vitality of the Chesapeake Bay as a whole. In March 2001 Governor Glendening appointed a task force to address the issues and costs associated with separating and upgrading combined sewerage systems in the State and installing additional nutrient removal technology at wastewater treatment plants. In its December 2001 report to the Governor and the General Assembly, the Task Force on Upgrading Sewerage Systems identified a total estimated capital need of $4.3 billion to upgrade sewerage systems, including conveyance pipes and pumping stations, correction of combined sewer overflows and sanitary sewer overflows, and upgrades at wastewater treatment plants in order to maintain compliance, implement biological nutrient removal, and provide capacity for existing and projected growth. Annualized over 20 years, the estimated annual cost was $289 million.

Although the task force identified some of the needs of local wastewater treatment plants, the 2002 General Assembly determined that more detailed research was necessary. ***Chapter 178 of 2002*** required MDE to conduct inflow and infiltration data studies and finance utility rate studies for wastewater treatment plants in the State. ***Chapter 534 of 2002*** established the State Advisory Council on Water Security and Sewerage Systems to study a variety of other issues relating to sewerage systems. The Act also established an Interagency Technical Assistance Committee on Wastewater Treatment Systems to advise local jurisdictions on the effective operation and financial management of wastewater treatment systems.

Drinking Water

Penalties for Violations: MDE is responsible for the primary enforcement (primacy) of the federal Safe Drinking Water Act (SDWA) in Maryland. To meet the primacy conditions related to enforcement of SDWA, MDE was required to adopt a mechanism for assessing administrative penalties on all public water systems. ***Chapter 572 of 2001*** established a graduated administrative civil penalty system for violations of drinking water provisions for public water systems. The maximum administrative civil

penalty that may be imposed by MDE is based on the population of the area being served by a supplier of water.

Regulations: The Secretary of the Environment is also authorized to adopt and enforce State primary drinking water regulations. The regulations may not be more stringent than the complete interim or revised national primary drinking water regulations in effect at the time. Concern relating to methyl tertiary butyl ether, a gasoline additive for which no federal drinking water standard yet exists, highlighted MDE's inability to adopt standards for contaminants for which no federal standards exist. As a result, ***Chapter 436 of 2002*** authorized the Secretary of the Environment to adopt and enforce State primary drinking water regulations for a contaminant if the Secretary determines that the contaminant poses a significant risk to public health and if the federal government has not adopted complete interim or revised national primary drinking water regulations for the contaminant.

Disposal of Dredged Material

Dredged material is collected as a result of the need to periodically dredge the bottom of the major approach channels to the Port of Baltimore, as well as the port itself, to ensure that these waterways are deep enough to allow ships to enter and exit without scraping the bottom. During the 1999 and 2000 sessions, several bills were introduced in response to the proposed plan by the Maryland Port Administration (MPA) and the U.S. Army Corps of Engineers to deposit up to 18 million cubic yards of dredged material in an open water site, known as "Site 104," located about a half mile north of the Chesapeake Bay Bridge and a mile west of Kent Island. Many of the proposals would have prohibited disposal at that site due to environmental concerns. Although such proposals were unsuccessful, ***Chapter 107 of 1999*** required the Governor to appoint a 12-member Kent Island Citizens Oversight Committee to: (1) consult with MPA; (2) monitor the redeposit of dredge spoils; and (3) hear and respond to complaints relating to the redeposit of dredge spoils in the waters off Kent Island.

Following several years of controversy over the plan to use Site 104, which was halted by the Governor, ***Chapter 627 of 2001*** represented an agreement between the Maryland Department of Transportation and the environmental community on prohibiting the use of open water disposal of dredged material. The Act established a high-level executive committee to provide oversight in the development of the State's dredged material plan and to make recommendations on placement sites.

Water Conservation

According to MDE, the winter of 2001–2002 was one of the driest winters on record. As a result, Maryland faced one of the worst droughts in the State's history in the spring of 2002. In addition to that drought, Maryland experienced two severe drought situations in the past 40 years, one in the mid-1960s and more recently in the late 1990s.

Many public water systems had difficulty meeting high demands combined with diminishing sources. Following the 1999 drought emergency, Governor Glendening issued an Executive Order establishing two committees to advise him on issues related to water conservation and drought management. The State developed a three-pronged approach to promote water conservation.

State Facilities: On May 24, 2001, Governor Glendening issued an Executive Order requiring all State facilities to conduct water use audits and take actions to reduce their water use. The Executive Order was intended to make State facilities a model for Maryland's citizens and for other states. Any building that was owned, leased, or managed by the State was required to reduce water use by 10 percent by the year 2010.

Water Utilities: MDE asked the State's largest water utilities, which together serve more than 3.5 million individuals, to conduct audits to evaluate the amount of residential water used per person. These utilities will be asked to develop and implement a water conservation plan, including customer education and possible incentive and rebate offers.

Public Education: MDE has undertaken a public awareness initiative to educate Maryland's citizens about the importance of conserving water.

Chapter 537 of 2002 declared that it is the policy of the State to: (1) encourage investment in cost-effective measures that improve the efficiency with which water is used, treated, stored, and transmitted in the State; (2) reduce costs associated with treating, storing, and transmitting water; and (3) protect the State's natural resources. The Act required MDE to issue guidelines by October 1, 2003, to public water systems serving at least 10,000 individuals regarding the use of best management practices for water conservation. The Act provided that those systems must provide information relating to the use of such practices to MDE when applying for a new water appropriation permit, an expanded water appropriation permit that seeks a significant increase in the withdrawal of water, or State financial assistance. In reviewing requests for permits and financial assistance, the Act required MDE to consider existing local initiatives, voluntary efforts, and the best management practices set forth for implementation.

Chapter 484 of 2002 required MDE to encourage the use of "reclaimed water" for irrigation of farmland, golf courses, athletic fields, turf, landscaping, and any other use that MDE considers appropriate. Additionally, the Act declared that it is State policy to encourage the use of reclaimed water in order to: (1) conserve water supplies; (2) facilitate the indirect recharge of groundwater; (3) reduce the amount of wastewater effluent discharged into the surface waters of the State; and (4) pursue the goal of the Clean Water Act to end the discharge of pollutants and meet the nutrient reduction goals of the Chesapeake Bay Agreement.

Smart Growth

In 1992 the General Assembly adopted the Economic Growth, Resource Protection, and Planning Act (Chapter 437) establishing the State Economic Growth, Resource Protection, and Planning Policy and reconstituting the State Planning Commission as the State Economic Growth, Resource Protection, and Planning Commission. The 1992 Act attempted to implement statewide growth management in a cooperative manner between the State and local governments. The Smart Growth Act of 1997 (Chapter 759) built upon the State policy adopted under the 1992 legislation by focusing State spending in those areas that provide the most efficient and effective use of taxpayer dollars and support and revitalize existing neighborhoods and rural villages. Beginning October 1, 1998, the State was prohibited from providing funding for any growth-related project not located within a priority funding area, with specified exceptions.

A number of programs across several State agencies became involved with implementing the Smart Growth program. In order to adequately implement the expanding program, ***Chapter 566 of 2001*** established an Office of Smart Growth in the Executive Branch to coordinate the program. The Act required that the office promote interagency consensus and cooperation on projects that are consistent with the State's Smart Growth policy; provide education and information to the public on Smart Growth; and facilitate the development of comprehensive redevelopment projects with local governments, developers, and the public. The office was designed to be a "one-stop" shop for local governments, nonprofit organizations, developers, and members of the public to learn about Smart Growth and its various associated programs.

Other segments of the Governor's Smart Growth initiative for 2001 included the GreenPrint Program, designed to enhance current land preservation efforts; the Community Legacy Program, designed to fill funding gaps in existing community development programs so that neighborhoods are revitalized; and an investment of funds to expand community parks and public transportation. For a more detailed discussion of the GreenPrint Program, see the "Natural Resources" subpart of this Part K. For a more detailed discussion of the Community Legacy Program, see the "Economic and Community Development" subpart of Part H – Business and Economic Issues of this *Major Issues Review*. For an additional discussion of enhanced funding for public transportation, see Part G – Transportation and Motor Vehicles of this *Major Issues Review*.

Lead Poisoning

Lead poisoning impacts the cognitive and physical development of young children. Children are exposed to lead through breathing lead paint dust, eating lead

paint chips, or absorbing lead while in-vitro. Most of the exposure to lead can be eliminated by removing lead paint from the homes of children and pregnant women.

Chapter 411 of 1994 established the Lead Paint Poisoning Prevention Program in MDE. The program provides limited liability relief for owners of rental property built before 1950 and others in exchange for the reduction of lead hazards in these older rental properties. It also provides limited compensation for children poisoned by lead. Although the number of cases of lead poisoning has decreased (from 772 cases in 1998 to 353 cases in 2000), lead paint remains a health issue. In order to provide tenants with important information regarding lead contaminated paint in rental housing, ***Chapter 453 of 2000*** required property owners of affected properties to give the tenant a copy of the current verified lead inspection certificate when providing the required notice of tenant rights at the inception of a tenancy or upon execution of a lease. ***Chapter 707 of 2001*** expanded the requirements for landlords, modified provisions regarding the assessment of penalties related to violations of registration requirements, and expanded reporting requirements relating to blood tests for lead poisoning. The Act also established administrative penalties for violations of the blood test reporting requirements and modified the membership of the Lead Poisoning Prevention Commission.

Hazardous Substances and Chemicals

The federal Emergency Planning and Community Right-to-Know Act (EPCRA) was established in 1986 as part of the Superfund Amendments and Reauthorization Act. EPCRA established an infrastructure at the State and local levels to plan for chemical emergencies. Facilities that have spilled hazardous substances or that store, use, or release certain chemicals are subject to various reporting requirements. All this information is publicly available so that interested parties may become informed about potentially dangerous chemicals in their communities. MDE is the State repository for this information. However, concern was raised during the 2002 session that the information was not easily accessible during times of emergency and was often outdated.

In an effort to improve the ability of emergency responders, ***Chapter 434 of 2002***, part of the Administration's legislative package, established a Community Right-to-Know Fund in MDE to be used for emergency planning, enforcement, data collection, and other activities related to chemicals and hazardous substances. The Act required facilities that are required to report under the EPCRA (with specified exemptions) to pay a fee of up to $1,000 annually to MDE for the fund. MDE must use 50 percent of the fund to provide grants to local emergency planning committees. The Act also established civil penalty provisions.

Agriculture

Agricultural Land Preservation

The Maryland Agricultural Land Preservation Foundation (MALPF) was created by the Maryland General Assembly in 1977 to preserve productive agricultural land and woodland. Agricultural preservation districts are formed when qualifying landowners sign voluntary agreements to keep their land in agricultural or woodland use for at least five years. Landowners who agree to place their farms within an agricultural preservation district may sell a development rights easement on that property to MALPF. Subject to some limitations, once an easement has been sold the property is protected from further development.

Chapter 634 of 2000 established a task force to study MALPF. The Act required the task force to: (1) study the program and practices of MALPF; (2) study the financial standing of MALPF; (3) review and make recommendations on legislation considered by the General Assembly in the 2000 session that would have affected MALPF; and (4) make recommendations to improve the program, practices, and financial standing of MALPF.

In August 2001 the task force reported its findings and recommendations to the Governor and the General Assembly. As part of the report, the task force recommended a number of legislative proposals. The following Acts implemented some of those proposals.

Task Force to Study the Maryland Agricultural Land Preservation Foundation

The task force created in 2000 recommended that its charge be extended to complete the development of proposals in the 2003 legislative session. ***Chapter 473 of 2002*** was a direct result of that recommendation. The Act established an 18-member Task Force to Study the Maryland Agricultural Land Preservation Foundation. Specifically, the task force was charged with studying and making recommendations on a number of issues, including: (1) guidelines for farmland preservation acreage goals for each county that complement the State goal; (2) guidelines for designation by counties and certification by the State of priority preservation areas; (3) increased funding from new sources that is targeted to priority preservation areas and that enables the program to achieve its legislative goals; (4) the creation and funding of a statewide critical farms program and methods to encourage the creation of county critical farms programs; (5) current and alternative easement valuation systems under the program; and (6) an installment purchase option. The task force was required to submit a report of its findings to the Governor and the General Assembly before June 1, 2004.

Easement Sale Applications

The task force noted that several procedural processes, including the submission of a landowner's offer to sell an easement, resulted in a delay in reaching settlement. In order to address the issue, the task force recommended that MALPF spread several application periods over the course of a year rather than handling all applications at one time. ***Chapter 258 of 2002*** implemented this recommendation by repealing the requirement that an application to sell an easement be submitted to MALPF by July 1 of the fiscal year in which the application is to be considered; instead, the application deadline is to be determined by the foundation's board of trustees.

Preservation of Agricultural Land

The task force recommended establishing a preliminary statewide goal to preserve 1.1 million acres of productive agricultural land by the year 2020. The acreage goal recommended by the task force represented half the remaining privately-owned farmland in the State. In its report, the task force noted that agricultural land and woodland were continuing to decline statewide. Although MALPF had preserved 186,000 acres across the State since 1980, 371,000 acres of agricultural land had left the agricultural assessment tax rolls since that time; these lands have been or will ultimately be developed, principally for residential use. Development of agricultural land is expected to continue through 2020 at high rates. In consideration of this recommendation, ***Resolutions 16 and 17 of 2002*** established a statewide goal to triple the existing numbers of acres of productive agriculture land preserved by a number of land preservation programs, including MALPF, GreenPrint, Rural Legacy, and local preservation programs, by the year 2022.

Nutrient Management

During the 1997 interim, members of the General Assembly and the Governor's Blue Ribbon Citizens Pfiesteria Action Commission studied the scientific and public policy issues regarding fish kills that had occurred in lower Eastern Shore rivers in late 1996 and the summer of 1997. Of particular concern was the nutrient over-enrichment of the waters of the State and its implications for promoting the growth of *Pfiesteria piscicida*, a toxic microorganism. Specifically, the commission focused on the role of the chicken industry and the large quantities of chicken litter generated and ultimately applied to agricultural fields as nutrients for the soil. Chapters 324 and 325 of 1998, the Water Quality Improvement Act of 1998 (WQIA), required farms to develop and implement nutrient management plans by certain dates, depending on what kind of nutrients were being applied to the land.

Chapter 485 of 2000 amended WQIA of 1998 based on recommendations from the Nutrient Management Advisory Committee (NMAC) that was charged by the law to

advise the Maryland Department of Agriculture (MDA) and assist with the development of regulations. The Act required the State to facilitate the transfer of livestock manure from farms that experience excess levels of phosphorus in the soil. The Act also expanded the Poultry Litter Transportation Pilot Project to provide cost share assistance for the transport of all types of livestock manure from farms; removed a cap on cost share assistance for the development of nutrient management plans; removed the requirement that MDA provide for a religious exemption; modified the definition of "animal unit;" and allowed MDA to adopt regulations exempting specified agricultural research, education, and demonstration projects from the requirements to develop nutrient management plans. ***Chapter 522 of 2002*** removed the "pilot" status from the manure transportation program and established it as an ongoing program.

For a variety of reasons, including a dearth of certified consultants and problems with public awareness, many agricultural operations did not meet the 2001 deadlines established by WQIA. While MDA repeatedly stated that it had no intention of fining farmers who did not meet the deadline, four bills were introduced during the 2002 session to address these implementation problems. ***House Bill 124 (failed)*** would have transferred the nutrient management program from MDA to the Maryland Department of the Environment. In addition, the bill would have provided a process by which a farmer who was required to prepare a nutrient management plan could have received an extension of time in which to develop and implement such a plan. ***Senate Bill 303/House Bill 984 (both failed)*** would have repealed the December 31, 2002, deadline for complying with certain nutrient management plans for farmers that did not have a plan completed by October 1, 2002. Furthermore, farmers would have had the opportunity to be taught to prepare their own plans. Finally, under ***House Bill 778 (failed)*** the minimum annual gross income of an agricultural operation subject to nutrient management plan requirements would have increased from $2,500 to $5,000.

Tobacco Crop Conversion

In November 1998, Maryland, along with other states that had filed civil suits against tobacco manufacturers, entered into a national settlement with the manufacturers. Under the settlement agreement the State will receive annual payments on April 15 of each year for perpetuity or until cigarettes are no longer shipped in the United States for consumption. Through fiscal 2003, the State will also receive an annual payment on January 11 of each year. Beginning in fiscal 2008, and through 2017, the State will receive strategic contribution payments.

Subsequently, ***Chapters 172 and 173 of 1999*** created the Cigarette Restitution Fund (CRF) for the settlement payments and specified the spending purposes of the fund, including implementation of the Southern Maryland Regional Strategy–Action Plan adopted by the Tri-County Council for Southern Maryland.

Narrative in the *1999 Joint Chairmen's Report* specified that in future years (after fiscal 2002), 5 percent of the funds available to CRF were to be appropriated annually for implementation of the plan. The plan has four basic components: buyout programs; infrastructure; agricultural land preservation; and administration. In 2001, contracts for a buyout plan of five or ten years were in place for approximately 5.44 million pounds of tobacco; in 2002, the figure increased to 6.4 million. As of early 2002, approximately 66 percent of Maryland's farmers were participating in the buyout program.

Chapter 103 of 2001 authorized the issuance of up to $5 million in general obligation bonds per year for six years for use in implementing the plan. The bonds may only be issued if the funding provided by CRF for the plan is not sufficient.

For further discussion of the Cigarette Restitution Fund, see the "Public Health – Generally" subpart of Part J – Health of this *Major Issues Review*.

Part L
Education

Education – Primary and Secondary

School Finance

In Maryland, financial support of primary and secondary schools is a shared responsibility of the State, local, and federal governments. In fiscal 2002 the State, local, and federal governments appropriated a total of $7.1 billion for education services. Of this amount, the State share was $2.9 billion (41 percent), the local share was $3.8 billion (54 percent), and the federal share was $355 million (5 percent).

Numerous pieces of legislation enacted during the 1999–2002 term modified the amount and type of education aid provided by the State. During the first three years of the term, the General Assembly continued a trend that had developed over the last decade by passing legislation that created a number of new categorical aid programs that provided funding for specific educational purposes. In fiscal 2002 State aid for education was distributed through approximately 50 separate funding programs. In the last year of the term, the General Assembly passed legislation that made dramatic and extensive changes to the State's school finance system. The 2002 legislation consolidated a variety of existing State aid programs and established a new school finance system based on principles of adequacy and equity recommended by the Commission on Education Finance, Equity, and Excellence, which had been created pursuant to legislation enacted in 1999.

Expansion of Categorical Programs

Class Size Reduction: In 1999 the average elementary reading class in the State consisted of 27.8 students, ranging from 22.5 students in Kent County to 36.5 students in Allegany County. Concerns about class sizes resulted in the enactment of ***Chapters 513 and 514 of 1999***, which established the Maryland Learning Success Program. This

program provided funding to local boards of education to reduce class sizes to a maximum of 20 students for reading instruction in the first and second grades. The program consisted of two components: (1) reading instruction to reduce class sizes in the first and second grades; and (2) professional development, materials, and facilities. The reading component was based on the number of students enrolled in the first and second grades and 130 percent of the standard salary for a beginning teacher. Each board's share of the professional development component was determined by the State Superintendent, with the statewide amount capped at $3 million. The State budgets for fiscal 2001–2003 included appropriations for the class size initiative of $11.7 million, $17.3 million, and $24.6 million, respectively. However, comprehensive school finance reform legislation enacted in 2002 (***Chapter 288 of 2002***) eliminated this program in future years and folded the funding associated with the program into a new foundation program.

Teacher Incentive Programs: The General Assembly passed legislation in 1999 to extend a three-year pilot program, first created in 1997, that provided financial assistance to teachers seeking certification from the National Board of Professional Teaching Standards (NBPTS), an organization of teachers and other education personnel working to advance the teaching profession and improve student learning. Under the 1997 legislation, the State Board of Education was authorized to select up to 48 teachers to participate in the pilot program each year. ***Chapter 536 of 1999*** extended this program through fiscal 2004 and authorized the State board to select up to 300 teachers to participate in the program each year. ***Chapter 578 of 2001*** expanded the program to 500 teachers. NBPTS currently charges each teacher a $2,300 application and certification fee. Under ***Chapter 536*** the State covers two-thirds of the fee, and the county covers the rest. Teachers who fail to complete the requirements for assessment by NBPTS must reimburse the State and county for any aid received under this program.

The General Assembly also passed a bill in 1999 that established a number of new programs intended to enhance the State's ability to recruit and retain public school teachers. ***Chapter 600 of 1999*** enabled a public school teacher who has a standard professional certificate or an advanced professional certificate to claim a credit against the State income tax for up to $1,500 of tuition paid by the teacher for graduate level courses required for maintaining certification beginning in fiscal 2001. ***Chapter 600*** also provided several salary enhancements for teachers including a salary enhancement for teachers obtaining national certification, a signing bonus for teachers graduating in the top of their class, and a stipend for teachers working in reconstitution, reconstitution-eligible, or challenge schools. In addition, the bill required that $5 million in grants be provided to local school systems for teacher mentoring programs.

Chapter 600 required the State to provide a teacher who has obtained certification from NBPTS with a salary supplement equal to the incentive grant provided by the local school system up to a maximum of $2,000. Under ***Chapter 600*** the State must pay a salary signing bonus of $1,000 to an individual graduating from an institution of higher

education in the top 10 percent of his/her class who remains employed as a teacher in a public school for at least three years. If the individual leaves employment with the public school system before the three-year commitment ends, the individual must reimburse the State for the cost of the signing bonus. Also, the State must pay a $2,000 stipend to a teacher with an advanced professional certificate who teaches at a reconstitution, reconstitution-eligible, or challenge school.

Finally, ***Chapter 600*** allowed for the extension of the probationary period for certain public school teachers who are not approved for tenure after the second year. The normal two-year probationary period may be extended for an additional year if the teacher demonstrates strong potential for improvement and is assigned a mentor.

In fiscal 2001–2003 the State provided a total of $5.7 million, $7.8 million, and $7.2 million, respectively, for the teacher incentives created by ***Chapter 600***. The $5.7 million appropriation in fiscal 2001 funded the costs associated with NBPTS certification for 69 teachers, salary stipends for 2,714 teachers, and signing bonuses for 148 teachers. The $7.8 million appropriation in fiscal 2002 was expected to fund the costs associated with NBPTS certification for 124 teachers, salary stipends for 3,270 teachers, and signing bonuses for 840 teachers. The $7.2 million appropriation in fiscal 2003 was expected to fund the costs associated with NBPTS certification for 224 teachers, salary stipends for 3,257 teachers, and signing bonuses for 135 teachers.

Teachers' Salaries: During the 2000 session, the General Assembly created incentives for local school systems to increase teachers' salaries in fiscal 2001 and 2002. ***Chapters 492 and 493 of 2000*** established the Governor's Teacher Salary Challenge Program, which allowed local school systems to enter into a partnership with the State to increase teacher salaries by 10 percent over the next two fiscal years. Local boards were required to provide at least a 4 percent salary adjustment to teachers in fiscal 2001 and 2002 to qualify for a portion of the State funding (i.e., percentage and wealth-adjusted components). The State would then provide an additional 1 percent salary match. Funding under the program consisted of five components: (1) percentage; (2) wealth-adjusted; (3) targeted; (4) hold harmless; and (5) transitional.

Under ***Chapters 492 and 493***, eligible counties received a percentage component equal to 1 percent of a local school system's teacher salary base in fiscal 2001 and 2 percent in fiscal 2002. The legislation required that the percentage component be used to provide an additional 1 percent salary increase for teachers. Local school systems with below average wealth received a wealth-adjusted component. The targeted component was provided to local school systems with wealth per pupil below 75 percent of the statewide average. The hold harmless component ensured that a local school system's current expense aid equaled at least the amount received in the prior year. The legislation required that a $9 million transitional component be funded in either fiscal 2001 or 2002.

The Governor's Teacher Salary Challenge Program was originally scheduled to terminate at the end of fiscal 2002. The State budgets for fiscal 2001 and 2002 included appropriations of $35 million and $85 million, respectively, for the program. In 2001 the General Assembly passed legislation (***Chapter 420 of 2001***) that extended this program through fiscal 2003. Under comprehensive school finance reform legislation enacted in 2002 (***Chapter 288 of 2002***), the program will be phased out gradually in fiscal 2004–2005 and the funding associated with the program will be folded into a new foundation program. The fiscal 2003 State budget includes an appropriation of $72.8 million for the program, and it is expected that the State budgets for fiscal 2004 and 2005 will include appropriations of $36.4 million and $18.2 million, respectively.

Academic Intervention: The legislation that created the Governor's Teacher Salary Challenge Program, ***Chapters 492 and 493***, also established an academic intervention and support program for the purpose of implementing strategies to improve the academic performance of students who are not performing at grade level. The fiscal 2001 budget included an appropriation of $12 million for this initiative. The fiscal 2002 and 2003 State budgets included an appropriation of $19.5 million for this program. Under the comprehensive school finance reform legislation enacted in 2002 (***Chapter 288***), this program was eliminated in future years and the funding associated with the program is folded into a new funding program for low income students.

Baltimore City Remedy Plan: In 1997, following a consent decree approved by the Baltimore City Circuit Court regarding the Baltimore City Public School System (BCPSS), the General Assembly passed legislation establishing the Baltimore City-State Partnership. At the time, BCPSS was struggling with poor academic performance of its students and questions about the system's administration and accountability. The partnership was created to improve the system through increased oversight and the infusion of $230 million in additional State operating aid from fiscal 1998–2002. ***Chapter 420 of 2001*** continued the partnership funding through fiscal 2003. The consent decree that formed the basis for the partnership also authorized BCPSS to request additional funding from the State in fiscal 2001 and 2002 and required the State to make "best efforts" to satisfy the request.

BCPSS submitted a $49.7 million "remedy plan" to the State for fiscal 2001 and received an appropriation of approximately $34 million to be used for this purpose. The fiscal 2002 State budget included a $5.5 million fiscal 2001 deficiency appropriation for BCPSS and $55 million ($20.5 million in direct support and $34.5 million through other programs) towards the system's $102 million fiscal 2002 remedy plan. The fiscal 2003 State budget included $51.8 million towards the system's $363 million fiscal 2003 remedy plan and an additional $18.7 million "bridge" grant, as specified under the comprehensive school finance reform legislation enacted in 2002 (***Chapter 288***). Under the 2002 reform legislation, all the special funding provided for the Baltimore City-State Partnership (i.e., the original $50 million grant and the yearly contributions to the remedy

plan) will be phased out gradually from fiscal 2004–2006 and the funding associated with the partnership will be folded into a new funding program for low income students.

Summer Pilot Program: In 2001 the General Assembly passed legislation that established the Maryland Educational Opportunity Summer Pilot Program. ***Chapter 183 of 2001*** authorized local boards of education in Baltimore and Prince George's counties to develop a proposal using existing faculty to provide educational services to students in kindergarten through grade 12 during the summer months. The State Board of Education was required to select proposals with priority given to schools that showed the lowest levels of improvement towards meeting the standards on MSPAP. Upon approving a proposal, the State board was required to distribute funding to the local school system that covered the cost of extending the contracts of participating teachers to implement and operate the pilot program. This program was originally scheduled to terminate on June 30, 2003. ***Chapter 421 of 2002*** extended the program to June 30, 2007. However, ***Chapter 288 of 2002*** terminates the program on June 30, 2003, with its funding folded into a new program for low income students.

Commission on Education Finance, Equity, and Excellence

In response to concerns expressed by local boards of education that current education funding formulas did not accurately account for critical factors such as rapid enrollment growth and increasing costs of special education and student transportation services, ***Chapter 601 of 1999*** created a 27-member Commission on Education Finance, Equity, and Excellence (Thornton Commission). In creating this commission, the General Assembly was also motivated by the fact that several major funding programs were scheduled to terminate at the end of fiscal 2002.

The Thornton Commission was charged with reviewing the State's current school finance system and accountability measures and making recommendations: (1) to ensure adequacy of funding for students in public schools; (2) to ensure equity in funding for students in public schools; (3) to ensure excellence in school systems and student performance; (4) to allow for a smooth transition when current educational funding initiatives terminated at the end of fiscal 2002; (5) to determine whether it is more effective to provide additional State aid in the form of targeted grants or by increasing funding through the base formula; and (6) to ensure that local property tax policies do not affect the equitable allocation of funding for students in public schools.

The Thornton Commission submitted an interim report to the Governor and the General Assembly in December 2000 and a final report in January 2002.

Continuation of State Educational Funding through Fiscal 2003

In its December 2000 interim report, the Thornton Commission recommended that State education funding be enhanced by $133.4 million in fiscal 2002, including

$42.3 million for special education, $22 million for transportation of disabled students, and $69.1 million for programmatic enhancements. In addition, the commission recommended that certain education funding that was scheduled to terminate at the end of fiscal 2002 be continued in fiscal 2003. The recommendations were incorporated into the first reader version of ***Senate Bill 719 of 2001***.

The final version of ***Senate Bill 719***, which is reflected in ***Chapter 420 of 2001***, incorporated a portion of the Thornton Commission's recommendations. This legislation continued $252.6 million in mandated State aid to local school systems in fiscal 2003 that otherwise would have terminated at the end of fiscal 2002. In addition, the bill required the Governor to provide a minimum funding level for several education programs in fiscal 2003, including special education, academic intervention and support, teacher mentoring, the Judith P. Hoyer Early Child Care and Education Enhancement Program, early education initiatives, and reconstitution-eligible schools. The bill also altered the allocation method for $7.5 million in funding for the Academic Intervention and Support Program.

Comprehensive School Finance Reform

In its January 2002 final report, the Thornton Commission recommended comprehensive changes to Maryland's school finance system that reflected a standards-based approach to school finance. The Thornton Commission's recommendations were incorporated into the first reader version of ***Senate Bill 856 of 2002***. The final version of ***Senate Bill 856*** (***Chapter 288***) reflected the framework recommended by the Thornton Commission but included a number of modifications as well. ***Chapter 288*** restructured Maryland's school finance system and phased in enhanced State aid for education over a period of six fiscal years. Additional fiscal 2003 State aid of $74.7 million was financed through a 34-cent increase in the State tobacco tax. From fiscal 2004–2008, 27 existing State aid programs will be eliminated, and the funding that was provided through the programs will be replaced with enhanced funding through programs that distribute State aid to local school systems based on student enrollments and local wealth. By fiscal 2008 it is estimated that the State will provide an additional $1.3 billion in education funding to local school systems above what the State would have provided under the existing State aid structure.

The standards-based approach to school finance that is reflected in the recommendations of the Thornton Commission assumes that the role of the State is to: (1) set academic performance standards for students; (2) ensure that schools have sufficient resources to achieve the standards; and (3) hold schools and school systems accountable when they fail to meet standards. Since the establishment of MSPAP in the early 1990s, Maryland has had statewide academic performance standards and a nationally-recognized accountability system. However, the standards-based approach includes two significant departures from Maryland's existing school finance structure. First, the approach demands that a link be established between the level of funding that

school systems receive and the outcomes that are expected of students. Second, the approach gives local school systems broad flexibility to decide how to best utilize resources to meet the needs of their students.

Establishing a Link between Inputs and Outcomes: The Thornton Commission attempted to establish a rational link between the amount of funding that is needed to ensure that schools and school systems can meet State performance standards and the amount of State funding that is provided to school systems. To accomplish this goal, the commission used results from "adequacy" studies conducted by a private consultant for the commission. The studies estimated per pupil costs that would be needed to ensure that students with no special needs could meet State standards. In addition, the studies estimated the additional costs associated with adequately serving students in three special needs categories: special education students; students with limited English proficiency; and economically disadvantaged students (as measured by eligibility for free and reduced price meals). In accordance with the commission's findings, ***Chapter 288*** established funding formulas that are directly linked to the estimated costs of achieving State performance standards.

Increased Local Flexibility: Many of the approximately 50 State aid programs that existed in fiscal 2002 provided restricted funding to local school systems to be used for specific programs or purposes. Under this model of funding, accountability is driven by educational inputs such as the implementation of specific programs, the reduction of class sizes, or increases to teachers' salaries. In a pure standards-based approach, accountability is driven exclusively by the educational outputs (i.e., student performance) that a school system achieves. This approach assumes that local school boards and superintendents are in the best position to make decisions about how to use education funding. ***Chapter 288*** provides local school systems with education funding through flexible block grants and requires the Maryland State Department of Education (MSDE) to track student performance among all student populations very closely. When a school system is not meeting expectations, the State is granted additional authority to take actions that will improve the system.

Tobacco Tax: To enable the State to begin enhancing education funding in fiscal 2003, ***Chapter 288*** increased the tobacco tax on a pack of cigarettes from 66 cents to $1 beginning June 1, 2002. The increased tax rate is expected to yield over $90 million in fiscal 2003, with the first $80.5 million being placed in a special fund to provide funding for ***Chapter 288*** as well as the costs associated with providing enhanced services to infants and toddlers and adult education and restructuring the Prince George's County School Board. Revenues generated after the first $80.5 million will be placed in the State's general fund. After fiscal 2003 the increased tobacco tax rate is expected to generate approximately $70 million annually with all the revenues going to the general fund.

Fiscal 2003 Bridge Funding: ***Chapter 288*** provided for $80.5 million in additional State aid for education in fiscal 2003, including $64.7 million in unrestricted grants that would be distributed to all 24 local school systems and an additional $10 million board of education restructuring grant for Prince George's County. The remaining funds will be used for enhancing infants and toddlers and adult education programs. The funding was added to the State aid that local systems will receive in fiscal 2003. Three high wealth counties – Montgomery, Talbot, and Worcester – are required to make a local education effort equal to at least 80 percent of the State average to receive their bridge funding. Based on each county's fiscal 2002 local education appropriation relative to local wealth, Talbot and Worcester could be impacted by this requirement.

The Phase-in of New Funding Formulas: Enhanced education funding will be phased in from fiscal 2004–2008. Twenty-seven existing State education aid programs are eliminated or phased out and the funding for these programs is replaced by enhanced funding for four programs – one based on total student enrollment and three based on the enrollments of three categories of students with special needs. The bill also established a new State aid program – the Guaranteed Tax Base Program – and increased State aid for student transportation. Under the funding formulas established in the Act, greater proportions of State aid are targeted to school systems with low wealth and school systems with high numbers of students with special needs. The State aid programs established in the Act are discussed below.

Foundation Program*:* ***Chapter 288*** changed the name of the program that funds a base per pupil amount for all students in the State from the Basic Current Expense Program to the Foundation Program. A higher per pupil amount to be shared by the State and local governments will be phased in from fiscal 2004–2008. The overall State share of the Foundation Program is 50 percent. By fiscal 2008 the minimum State share of the per pupil foundation amount that a local school system may receive is 15 percent.

During the phase-in period, the full-time equivalent enrollment value for a kindergarten student is increased from 0.5 to 1.0. This is consistent with the requirement under the legislation that every school system provide full-day kindergarten for all students by the 2007–2008 school year.

In fiscal 2004 the State share of the Foundation Program will be increased for Baltimore City and Anne Arundel, Howard, and Montgomery counties to account for higher educational costs in these school systems identified from a study conducted for the National Center for Education Statistics. By September 30, 2002, MSDE must contract with a private entity to develop a geographic cost of education index specific to Maryland. Beginning in fiscal 2005, the State share of the Foundation Program will be adjusted to reflect cost differences identified in the development of the index.

Formulas for Students with Special Needs: Based on the work of the Thornton Commission, ***Chapter 288*** enhanced the amount and proportion of State aid that is based on special education, limited English proficient, and economically disadvantaged student enrollments. The amount of State aid distributed through the formulas is linked to the per pupil amounts identified in the adequacy studies as the appropriate levels of funding needed to ensure that students with special needs can meet State performance standards. An overall State share of 50 percent for each program is phased in from fiscal 2004–2008.

Local school systems receive a share of the funding for the programs based on local enrollments of special needs students and local wealth. Less wealthy jurisdictions receive a greater share of the per pupil funding, although, by fiscal 2008, no school system may receive less than a 40 percent State share of the per pupil amounts identified in the formulas. The calculation of State aid through the three special needs formulas use enrollments from the prior fiscal year. However, in fiscal 2004, enrollments from the second prior fiscal year will be used for school systems with declining enrollments.

Guaranteed Tax Base Program: To provide an incentive for low wealth jurisdictions to increase their local board of education appropriations, ***Chapter 288*** established the Guaranteed Tax Base Program, which will be phased in from fiscal 2005–2008. The program distributes State funding to local jurisdictions that: (1) have less than 80 percent of the statewide wealth per pupil; and (2) provide local education funding above the local share required under the Foundation Program. The amount provided to each local school system is equal to the additional funding that would have been provided by the local government if the same education tax effort was made and the jurisdiction had the wealth base that is "guaranteed."

Enhanced Student Transportation Aid: ***Chapter 288*** enhanced State aid for base student transportation grants as well as grants for the transportation of disabled students. The base transportation grant is enhanced for 15 counties that experienced aggregate enrollment increases from 1980–1995, a time when the transportation formula did not include annual adjustments for enrollment increases. For eligible local school systems, the enhancements equal the increase in full-time equivalent enrollment from September 30, 1980, to September 30, 1995, times the fiscal 2002 statewide average per pupil base transportation grant. The amount each school system receives per student who requires special transportation services is increased from $500 to $1,000 by fiscal 2008. In addition, the existing offset for the number of disabled students transported in the 1980–1981 school year is eliminated.

Teachers' Retirement Costs: Teachers' retirement remains a State-paid categorical program under ***Chapter 288***. In addition, the Act required the State to pay the retirement costs for all members of the Teachers' Pension System and the Teachers' Retirement System whose salaries are paid with funding from any State aid program. Currently, local school systems reimburse the State for retirement costs associated with teachers funded through categorical programs.

State Aid Programs Eliminated: To further the shift towards a standards-based approach to education funding, ***Chapter 288*** phases out or eliminates 27 State aid programs. The bill eliminates the following mandated State aid programs by fiscal 2008: the Governor's Teacher Salary Challenge Program; the Baltimore City-State Partnership; the Extended Elementary Education Program; Excellence in Education Incentive Grant Program; teacher mentoring; school library media incentives; the Maryland Learning Success Program (class size initiative); magnet schools; targeted improvement grants; targeted poverty I grants; additional poverty grants; the Effective Schools Program; integrated student support services; provisional teacher development and certification initiatives; teacher development grants; and the Academic Intervention and Support Program.

In addition, the Act states that it is the intent of the General Assembly that the following discretionary programs receive no funding in the State budget in future years: environmental education; the Maryland Student Service Alliance; the pre-kindergarten through third grade initiative; Allegany County resource deficiencies; high school assessment fees; foster care assessment; rural schools performance; rural school nurses; Potomac High School; pilot summer program; and Baltimore City teacher certification.

Affirmation of the State's Ability to Provide Enhanced State Aid: Total fiscal 2004–2008 State aid for education provided under each funding program is shown in **Exhibit L.1**.

Exhibit L.1
Chapter 288 State Education Aid Estimates
FY 2004–2008
($ in Millions)

Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Foundation	$2,005.4	$2,144.7	$2,345.8	$2,522.9	$2,750.8
Compensatory Ed	357.5	490.2	600.3	741.2	891.9
Special Ed	114.3	155.2	188.6	230.9	277.1
LEP	38.3	55.7	73.1	97.1	126.3
Guaranteed Tax Base	0.0	21.9	43.7	67.5	88.6
Transportation	166.5	175.3	184.0	193.1	201.8
Teachers Retirement	373.0	393.5	414.4	446.0	482.9
City Partnership	28.2	21.1	14.1	0.0	0.0
Salary Challenge	35.9	17.9	0.0	0.0	0.0
EEEP	19.3	19.3	19.3	19.3	0.0
Other Programs	199.4	210.9	223.5	237.3	252.5
Total	**$3,337.7**	**$3,705.8**	**$4,106.8**	**$4,555.3**	**$5,071.9**
Current Law Aid	$3,190.3	$3,341.6	$3,467.4	$3,607.1	$3,765.7
Increase	**$147.4**	**$364.2**	**$639.4**	**$948.2**	**$1,306.2**

Source: Department of Legislative Services

The exhibit shows that by fiscal 2008 the State will provide an estimated $1.3 billion in additional aid for education under ***Chapter 288***. The Act requires the General Assembly to affirm by joint resolution during the 2004 session that the fiscal 2005 aid amount is within the State's fiscal resources. If the resolution is not adopted by the fiftieth day of the session, fiscal 2005 State aid for each jurisdiction will increase by 5 percent from fiscal 2004–2005 and by 5 to 6 percent annually from fiscal 2006–2008.

Estimated State Aid by Local School System: The estimated increases in total State aid and per pupil State aid from fiscal 2002–2008 are shown in **Exhibit L.2**. The estimated increases in State aid for fiscal 2003–2008 are displayed in **Exhibit L.3**.

Local Funding for Education: ***Chapter 288*** requires eight local jurisdictions (Baltimore City and Allegany, Caroline, Garrett, Prince George's, Somerset, Washington, and Wicomico counties) to earmark a portion of their disparity grants in fiscal 2003 to enhance local funding for education. The earmarked portions must be used to provide local education appropriations above the maintenance of effort requirement.

Exhibit L.2

Estimated State Education Aid Increases

FY 2002–2008
($ in Millions)

	Total				Per Pupil			
School System	**FY 2002**	**FY 2008**	**Increase**	**Percent Increase**	**FY 2002**	**FY 2008**	**Increase**	**Percent Increase**
Allegany	$47.7	$82.4	$34.6	72.5%	$4,698	$8,884	$4,185	89.1%
Anne Arundel	200.8	309.9	109.1	54.3%	2,733	4,216	1,483	54.3%
Baltimore City	583.4	958.6	375.2	64.3%	6,073	11,381	5,308	87.4%
Baltimore	306.6	527.2	220.6	72.0%	2,960	5,153	2,193	74.1%
Calvert	49.4	86.7	37.3	75.4%	3,121	5,181	2,061	66.0%
Caroline	24.5	45.1	20.6	84.4%	4,572	8,559	3,987	87.2%
Carroll	89.2	140.8	51.6	57.9%	3,264	4,995	1,731	53.0%
Cecil	57.7	97.4	39.7	68.8%	3,743	6,128	2,386	63.7%
Charles	80.9	141.1	60.2	74.4%	3,562	5,722	2,161	60.7%
Dorchester	19.8	30.6	10.7	54.1%	4,258	7,037	2,779	65.3%
Frederick	114.1	200.9	86.8	76.1%	3,155	5,008	1,853	58.7%
Garrett	20.2	30.2	10.0	49.5%	4,203	6,493	2,289	54.5%
Harford	127.9	201.9	74.0	57.9%	3,315	5,136	1,821	54.9%
Howard	117.0	194.9	77.9	66.6%	2,637	4,000	1,363	51.7%
Kent	9.1	13.2	4.1	44.9%	3,400	5,351	1,951	57.4%
Montgomery	274.2	537.1	263.0	95.9%	2,084	3,879	1,796	86.2%
Prince George's	509.7	1,056.0	546.3	107.2%	3,921	7,998	4,077	104.0%
Queen Anne's	21.1	32.1	11.0	51.9%	3,056	4,393	1,337	43.7%
St. Mary's	52.3	79.6	27.3	52.3%	3,591	5,362	1,771	49.3%
Somerset	14.0	27.9	13.9	99.8%	4,807	10,067	5,261	109.4%
Talbot	7.1	13.6	6.5	90.5%	1,646	3,255	1,610	97.8%
Washington	69.6	111.3	41.7	59.9%	3,583	5,710	2,127	59.4%
Wicomico	54.5	109.6	55.1	101.2%	4,017	7,932	3,914	97.4%
Worcester	11.0	21.4	10.4	94.3%	1,656	3,167	1,512	91.3%
Unallocated	21.0	22.5	1.5	7.1%	25	27	2	6.1%
Total	**$2,882.7**	**$5,071.9**	**$2,189.2**	**75.9%**	**$3,469**	**$6,043**	**$2,574**	**74.2%**

Prepared by the Department of Legislative Services

Exhibit L.3
Estimated Increases in State Aid for Education
FY 2003–2008
($ in Millions)

	Increase Over Current Law						Increase Over Prior Fiscal Year					
School System	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**
Allegany	$2.9	$2.8	$7.4	$12.8	$18.9	$25.1	$2.4	$2.1	$6.5	$7.1	$8.0	$8.7
Anne Arundel	2.4	4.4	15.1	28.5	44.2	60.5	11.0	9.5	18.4	21.0	22.5	26.7
Baltimore City	18.7	27.4	68.6	125.4	187.6	258.6	28.8	25.4	60.4	73.5	86.5	100.7
Baltimore	3.1	7.5	26.8	51.3	82.0	120.1	23.0	22.1	36.1	38.9	45.3	55.3
Calvert	0.8	2.8	6.4	10.4	14.0	18.3	6.1	5.7	6.8	5.9	5.6	7.2
Caroline	0.9	2.4	4.8	7.8	10.9	13.6	2.7	2.7	3.2	3.9	4.1	4.1
Carroll	0.9	3.1	5.9	12.0	17.3	23.9	7.1	6.9	7.7	9.5	8.9	11.5
Cecil	0.9	2.3	5.6	10.7	15.8	21.9	4.6	4.5	6.2	7.6	7.6	9.2
Charles	1.3	4.3	8.7	15.2	22.0	30.4	6.3	8.5	9.4	10.8	12.1	13.1
Dorchester	0.4	1.2	2.6	4.1	5.8	7.2	0.5	1.9	2.1	1.7	2.4	2.1
Frederick	1.9	6.2	11.1	20.6	29.8	42.6	11.0	11.9	12.5	15.7	16.3	19.6
Garrett	0.3	0.6	1.6	2.9	4.3	5.4	0.8	1.1	1.8	2.1	2.0	2.2
Harford	1.8	5.8	11.0	20.4	29.1	38.3	8.9	10.2	11.7	13.7	13.5	16.1
Howard	1.8	6.4	10.9	19.2	28.5	39.2	8.2	12.2	11.2	14.1	15.0	17.3
Kent	0.1	0.1	0.5	1.2	2.0	2.2	0.3	0.4	0.6	1.1	1.0	0.7
Montgomery	7.6	19.4	40.7	67.9	105.4	152.4	25.5	32.8	41.5	44.6	55.7	62.8
Prince George's	22.5	36.5	108.3	179.6	258.7	350.4	60.3	50.7	106.6	98.8	108.2	121.7
Queen Anne's	0.1	0.4	1.0	2.3	3.7	5.0	0.8	1.5	1.5	2.0	2.6	2.5
St. Mary's	0.5	1.5	3.3	6.9	10.0	12.8	3.6	3.6	4.0	5.9	4.6	5.6
Somerset	0.6	1.1	2.9	5.1	7.6	10.2	1.3	1.3	2.3	2.6	3.0	3.3
Talbot	1.0	3.8	5.1	6.2	7.0	7.2	0.5	2.6	1.1	0.9	1.0	0.4
Washington	1.2	3.4	6.9	12.4	17.7	23.1	3.7	5.5	6.9	8.1	8.3	9.1
Wicomico	1.4	3.6	8.6	15.7	24.9	37.7	4.1	5.3	7.4	9.8	12.7	15.8
Worcester	1.5	4.7	6.2	6.8	7.5	7.4	1.4	3.8	1.8	1.7	1.2	0.5
Unallocated	0.0	(4.6)	(5.7)	(6.3)	(6.6)	(7.3)	1.6	(1.7)	0.5	0.1	0.5	0.6
Total	**$74.7**	**$147.4**	**$364.2**	**$639.4**	**$948.2**	**$1,306.2**	**$224.4**	**$230.6**	**$368.1**	**$401.0**	**$448.5**	**$516.6**

This chart does not include proposed enhancements to Infants and Toddlers and Adult Education grants enacted through other legislation.

Prepared by the Department of Legislative Services

Kindergarten and Prekindergarten: In recognition of the importance of early childhood educational experiences, ***Chapter 288*** requires every school system to provide full-day kindergarten for all students by the 2007–2008 school year. Also by the 2007–2008 school year, each school system must make publicly funded pre-kindergarten programs available to all economically disadvantaged four-year-old children. Each school system must identify the strategies that will be used to accomplish these requirements in its comprehensive master plan.

Baltimore City-State Partnership

In 1997, following a consent decree approved by the Baltimore City Circuit Court regarding BCPSS, the General Assembly passed legislation (Chapter 105 of 1997) establishing the Baltimore City-State Partnership. At the time, BCPSS was struggling with poor academic performance of its students and questions about the system's administration and accountability. The partnership was created to improve the system through increased State oversight and the infusion of additional State aid for school operating costs. For an additional discussion of additional State aid that has been provided since fiscal 1998 to BCPSS to support the partnership see subpart "School Finance" of this Part L.

The 1997 legislation that created the partnership required a final comprehensive evaluation of the school system to be completed by December 1, 2001. This evaluation was conducted by Westat and presented to the General Assembly on January 17, 2002. Westat concluded that the partnership had worked well to improve student achievement and system management and recommended that the partnership continue. In addition, Westat recommended that BCPSS make a greater effort to engage teachers in the school reform movement. During the 2002 session, the General Assembly passed legislation that ensured the continuation of the partnership in future years and updated aspects of the partnership to reflect recommendations made by Westat.

Chapter 545 of 2002 removed "New" from the name of the New Baltimore City Board of School Commissioners and required the Chief Executive Officer (CEO) of BCPSS to submit a new five-year master plan to the board by June 1, 2002. The board was required to submit the plan to the State Board of Education and the State Superintendent by July 30, 2002, and to begin implementing the plan by August 30, 2002. ***Chapter 545*** required the master plan to incorporate the recommendations of the December 2001 final evaluation conducted by Westat, as well as other specific information. ***Chapter 545*** also clarified that the master plan must satisfy any other requirements in law or regulation applicable to a school system's master plan.

Under ***Chapter 545*** the maximum aggregate principal amount of bonds that the board may issue was increased from $25 million to $75 million. (The same increase in bonding authority was established by ***Chapter 459 of 2002***, discussed in subpart "PublicSchool Construction" of this Part L.) The Act also required Baltimore City to transfer the real property assets associated with operations of BCPSS to the board by June 30, 2009. BCPSS was required to submit a written plan for the property transfer to MSDE by June 30, 2002. ***Chapter 545*** also provided that State funds for the construction of new schools in Baltimore City may only be approved for sites owned by the board. It also required Baltimore City to continue to work with BCPSS to eliminate environmental hazards within public school buildings.

Finally, ***Chapter 545*** continued the existing appointment process for members of the board. The State Board of Education must continue to submit a list of qualified candidates to the Governor and the Mayor of Baltimore City, who jointly appoint individuals from the list to the board.

Prince George's County School Board

Background

The 1995–1998 General Assembly term ended with legislators responding to concerns about student performance and system management in the Prince George's County Public Schools. Chapter 565 of 1998, the School Accountability Funding for Excellence (SAFE) legislation, created a Prince George's County Public Schools Management Oversight Panel (MOP) to monitor the implementation of 297 wide-ranging recommendations that resulted from a performance audit of the school system mandated by the General Assembly.

As the 1999–2002 term began, the county superintendent of schools narrowed the recommendations to 40 priority areas while developing a comprehensive master plan for the school system. The priorities included the improvement of the trust and communication between the county board of education and the county superintendent, the development of strategic plans within school system divisions, increased use of information technology, and the restructuring of specific divisions within the school system. The identification of a manageable number of priority categories framed the work of MOP from 1998–2002, and the panel reported to the General Assembly regularly on the school system's implementation of its stated goals. In general, the panel's reports indicated a slow progression towards the achievement of designated priorities.

Additional apprehensions about the school board arose after a September 2000 financial audit of the board revealed numerous examples of misused expense funds by board members. As a result of the audit's findings as well as continuing substandard student performance and mounting tensions between the board and the county

superintendent, ***HB 1311 of 2001 (failed)*** was introduced in an attempt to restructure the school board. The bill would have removed the sitting board members, who were elected from nine separate school districts, and replaced them with a new board that included four members elected from the county at large and five members elected from five new school board districts. The bill passed in both the House and the Senate, but a conference committee to reconcile the differences between the two versions of the bill was never appointed.

Meanwhile, MOP continued to work with the county board and school system administrators to track system progress towards addressing the 40 priority areas. In its November 2001 assessment of the school system, MOP reported that 20 of the priority recommendations had been addressed by the school system and expressed concern about continued clashes and communication problems among school system leaders. In February 2002 conflicts between the county superintendent and the county board culminated in the board voting to fire the superintendent.

Immediately following the superintendent's dismissal, the House passed emergency legislation, ***House Bill 780 of 2002 (failed)***, that would have created an executive committee within MOP and required the executive committee to review and approve any major actions by the county board. The bill also would have reinstated the county superintendent and prohibited the county board from removing the superintendent during the board's term of office. While the General Assembly was still debating the bill, the State Board of Education overturned the county board's dismissal of the superintendent. The Senate, therefore, never acted on the emergency bill.

The continued inability of the county board and the county superintendent to resolve their differences, however, prompted the General Assembly to take more drastic action before the end of the 2002 session. ***Chapter 289 of 2002*** replaced the existing Prince George's County Board of Education and the county superintendent of schools with a new governance structure. The bill also established new accountability measures for the school system and required the county to impose a local telecommunications tax to provide additional local funding for the school system. In addition, the bill abolished MOP, which was scheduled to terminate in June 2003.

New Organizational Structure

Chapter 289 replaced the elected school board with a new nine-member school board jointly appointed by the Governor and the county executive from a list of nominees submitted by the State Board of Education. The new board, which includes as its chairman the former chair of MOP, was appointed on May 30, 2002, and took office on June 1, 2002. Members of the new board will serve until December 3, 2006. On December 4, 2006, the school board will become a nine-member elected school board, with five members elected from individual school board districts and four members elected from the county at-large.

The organizational structure established by ***Chapter 289*** includes a CEO who is appointed by the new board and is responsible for the overall administration of the county public school system. The legislation gave the new board the option of retaining the county superintendent to act as the CEO. At its first meeting, the new board voted to continue employment of the current superintendent as the CEO for one year and said it would conduct a search for a permanent CEO. The interim CEO is eligible to apply for the permanent position. To complement the school system's executive administration, the CEO must also appoint a Chief Financial Officer, a Chief Academic Officer, and a Chief Accountability Officer.

School System Accountability

Chapter 289 required the CEO to update the school system's comprehensive master plan and to submit annual reports that include a financial statement, an assessment of student performance, and a review of the implementation of the comprehensive master plan. The comprehensive master plan and the reports must be considered annually by the General Assembly before it approves the State budget. In addition, a third-party evaluation of school system reforms in Prince George's County Public Schools must be completed by June 1, 2006.

Local Telecommunications Tax

Chapter 289 required the Prince George's County Council to impose a telephone tax of at least 5 percent on telecommunications services in Prince George's County. The tax must be imposed on telecommunications services that: (1) originate and terminate in the county; or (2) originate or terminate in the county and have a service address in the county. The proceeds from the tax must be used for operating expenditures of the county's school system. The county council has approved an 8 percent tax, which the county estimates will raise $20 million annually for the school system. The new board must consider using the proceeds to fund a Spanish language immersion program and a program for disruptive, delinquent, or low-performing students.

State Funding

Prince George's County Public Schools also qualified for additional State funding by the enactment of ***Chapter 289***. ***Chapter 288 of 2002*** (the Bridge to Excellence in Public Schools Act) provided $10 million in additional operating funds for the school system in fiscal 2003 contingent on the restructuring of the county board and approval of a comprehensive master plan by the State Superintendent. For an additional discussion of the Bridge to Excellence in Public Schools Act, see the subpart "School Finance" of this Part L.

Chapter 289 also maintained enhanced State public school construction funding for the school system. The sunset of State law providing greater State funds for the

system was extended from fiscal 2003–2007, and the funding was enhanced in fiscal 2004–2007. For an additional discussion of this, see subpart "Public School Construction" of this Part L.

Accountability

In recent years, efforts to improve accountability in Maryland's schools have centered around implementation of MSPAP, under which assessments are administered in grades 3, 5, and 8, and the development of new end-of-year assessments to be administered in high school. However, three major developments have occurred since January 2002 that will have a dramatic impact on the State's accountability system in general and MSPAP in particular. First, on January 8, 2002, President Bush signed the No Child Left Behind Act of 2001. Then, one week later, the Visionary Panel for Better Schools (which had been established by the State Superintendent in 2001) issued its final report. Finally, in April 2002, the General Assembly passed legislation that made comprehensive changes to the State's school finance and accountability systems.

High School Assessments

MSPAP was established in 1991 based on the recommendations of the 1989 report of the Governor's Commission on School Performance (Sondheim Commission). The statewide assessment program, which covers six content areas (mathematics, reading, writing, science, language usage, and social studies), has been administered each year in grades 3, 5, and 8. In July 1995 the State Board of Education proposed the High School Improvement Program as an extension of MSPAP and as a replacement for the Maryland Functional Tests, which students are currently required to pass in order to graduate from high school. When the program is fully implemented, it will measure both school performance and individual student performance through a series of 12 end-of-course assessments that measure core academic achievements in English, mathematics, science, and social studies. Eventually, students will be required to pass these assessments in order to graduate from high school.

As of November 2001, the 12 end-of-course assessments were scheduled to be implemented in three phases (**Exhibit L.4)**, with the first phase applying to the class of 2005, the second phase applying to the class of 2007, and the start date for the third phase to be determined at a later date. Students graduating in 2005 and 2006 will be required to take the tests, but passing the tests will not be required for graduation from high school. The scores will be reported as percentile ranks on high school transcripts. The class of 2007 is projected to be the first class that will be required to pass the tests as a graduation requirement. The State budgets for fiscal 2000–2003 included appropriations of $38.2 to support continued development of the high school assessment program.

Exhibit L.4
Time-line for Phase-in of the High School Assessments

Phase I Entering 9th Grade in September 2001 or 2002 and Graduating in 2005 or 2006*	Phase II Entering 9th Grade in September 2003 and Graduating in 2007	Proposed Phase III Initiation to Be Determined
English I	English I	English I, II, & III
Algebra/Data Analysis	Algebra/Data Analysis	Algebra/Data Analysis
Government	Government	Government
Biology	Biology	Biology
Geometry**	Geometry	Geometry
	U.S. History	U.S. History
		World History
		Chemistry
		Physics
		Earth/Space Science

* Students are required to take, but not pass, the tests in Phase I
** Not scored in Phase I
Source: Maryland State Department of Education, November 2001

Visionary Panel for Better Schools

The January 2002 final report of the Visionary Panel for Better Schools outlined eight recommendations and more than 30 strategies that would result in dramatic changes to the State's accountability system. The visionary panel's report recognized the progress that Maryland has made over the past decade in establishing a strong school accountability system but calls for: (1) a greater focus on instruction; (2) reforms in testing, including individual test scores on State tests; (3) greater emphasis on teacher training and development; (4) more time for principals to focus on instruction; and (5) a voluntary statewide curriculum. In May 2002 the State Board of Education approved a framework for strategic planning that is geared towards implementing the recommendations of the visionary panel.

Federal No Child Left Behind Act of 2001 (2001 ESEA)

Maryland's current testing and accountability system was approved by the U. S. Department of Education (USDE) on December 12, 2000, making it one of only 17 states

that were fully compliant with the 1994 Elementary and Secondary Education Act (ESEA), the predecessor to the No Child Left Behind Act of 2001. The 1994 version of ESEA was significant because for the first time it required schools and states receiving Title I (economically disadvantaged) funds to use state tests to measure educational progress. The 2001 version of ESEA (i.e., No Child Left Behind Act of 2001) goes one step further by requiring that the same tests and accountability systems be used for all schools. The 2001 ESEA also calls for other far-reaching changes to the relationship between the federal government and local school systems.

Testing: When Maryland received approval for its testing and accountability system under the 1994 ESEA, it was granted a waiver from the federal requirement for individual test scores. The 2001 ESEA also requires individual test scores and federal officials have made it clear that waivers will no longer be granted. Since MSPAP only provides school scores and not individual scores, it does not meet the federal requirement.

MSPAP was taken for the final time by third, fifth, and most eight grade students in Maryland in the spring of 2002. Certain school systems spending federal Title I funds in middle schools were required to give the test to eight graders to comply with the 1994 ESEA; other systems could opt out. MSDE plans to use MSPAP scores as a baseline for improvement under the new federal requirements.

MSDE is currently in the process of evaluating tests to replace MSPAP that are already being produced by nationally known testing companies to find a commercially available testing series that best aligns with Maryland's content standards. MSDE will develop a custom addition to the selected test that covers the content standards that the test does not address. Maryland's new tests will produce individual test scores and include both multiple choice and constructed response items. The results will be returned to schools before school starts the following year.

Local Master Plans Required by Chapter 288 of 2002

The standards-based model of school finance that is reflected in the comprehensive school finance reform legislation of 2002 (***Chapter 288***) requires strong accountability policies. Local school systems need clear guidance about performance standards that students are expected to meet and must understand the consequences of not meeting these standards. To facilitate the development of strong accountability policies in a standards-based environment, ***Chapter 288*** requires each local school system to develop a comprehensive master plan that describes the strategies to improve performance in every segment of the student population. Each plan must include goals that are aligned with State standards, implementation strategies, methods for measuring progress toward meeting goals, and time lines for the implementation of strategies.

If any segment of the student population in a school system fails to demonstrate progress toward meeting performance standards, ***Chapter 288*** requires the State Superintendent to review the system's plan and authorizes the State Superintendent to require the system to make changes to its plan. The State Board of Education may withhold funding from a school system that fails to demonstrate progress toward State standards and fails to develop an adequate plan. With the exception of the Prince George's County and Baltimore City public school systems, all local school systems must submit a master plan by October 1, 2003. The Prince George's County school system must submit its plan by September 30, 2002, and the State Superintendent may not release Prince George's County's fiscal 2003 $10 million board of education restructuring grant until the plan has been approved. The Baltimore City school system must submit its new plan by July 30, 2002.

Public School Construction

Public School Construction Allocations

Almost $1.0 billion in State school construction funding was allocated from fiscal 2000–2003 (**Exhibit L.5**), the most funds provided over a four-year period for school construction since the creation of the State program in 1971. The strong economy and the State's emphasis on education is reflected in the more than $250 million dollars allocated annually from fiscal 2000–2002. However, anticipated lower revenues significantly reduced the amount of funding the State was able to devote to public school construction in fiscal 2003.

Exhibit L.5
Public School Construction Allocations
FY 2000–2003
($ in Thousands)

LEA	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003	Total
Allegany	$2,921	$787	$1,357	$0	$5,065
Anne Arundel	13,183	19,954	20,331	8,831	62,299
Baltimore County	30,011	38,085	17,012	12,470	97,578
Calvert	7,304	572	430	10,891	19,197
Caroline	600	4,267	8,350	1,055	14,272
Carroll	8,332	6,620	8,321	8,534	31,807
Cecil	5,643	4,222	5,092	0	14,957
Charles	9,353	1,898	711	10,598	22,560
Dorchester	889	757	7,407	3,268	12,321
Frederick	11,020	16,698	25,673	11,525	64,916
Garrett	176	686	213	2,395	3,470
Harford	8,414	9,131	8,072	6,181	31,798
Howard	16,024	20,599	25,005	12,356	73,984
Kent	336	0	642	550	1,528
Montgomery	50,165	50,000	44,400	18,000	162,565
Prince George's	39,517	44,949	44,400	18,000	146,866
Queen Anne's	6,944	872	243	5,000	13,059
St. Mary's	10,348	13,133	12,808	7,443	43,732
Somerset	160	456	462	0	1,078
Talbot	85	3,588	1,518	0	5,191
Washington	3,560	4,697	4,538	1,361	14,156
Wicomico	4,285	4,117	3,391	2,684	14,477
Worcester	3,160	722	2,140	1,518	7,540
Baltimore City	25,070	44,089	44,084	13,840	127,083
Total	**$257,500**	**$290,899**	**$286,600**	**$156,500**	**$991,499**

Note: Does not include Qualified Zone Academy Bonds (QZABs)
Source: Public School Construction Program

Bonding Authority for Baltimore City Public Schools

Chapter 559 of 2000 granted the Baltimore City Board of School Commissioners the authority to issue up to $25 million in bonds to finance or refinance the acquisition, construction, or improvement of any public school facility in Baltimore City. ***Chapters 459 and 545 of 2002*** increased the maximum aggregate principal amount of bonds the board may issue to $75 million. The Mayor and the City Council of Baltimore must pass a resolution of approval before the school board can issue bonds. The Baltimore City board is the only school board in the State authorized to issue bonds. All other jurisdictions issue bonds for school construction through their local governments. However, due to financial constraints the Baltimore City government is limited in the amount of bonds it can issue for school construction.

Baltimore City and Prince George's County State/Local Cost Share

The State and local governments share in the cost of public school construction projects. The State assumes from 50 to 80 percent of the eligible cost of school construction projects, with exceptions for Baltimore City and Prince George's County. Consistent with the 1996 consent decree between the State and the Baltimore City School System, the Board of Public Works adopted a rule in 1997 that required the State to pay 90 percent of the eligible project costs for the first $10 million in public school construction funding allocated by the State to Baltimore City and 75 percent of eligible project costs for any funds in excess of $10 million. ***Chapter 280 of 2001*** further altered that requirement, mandating that the State fund 90 percent of the eligible project costs for the first $20 million in public school construction funding allocated by the State and 75 percent of eligible project costs for any funds in excess of $20 million in fiscal 2002 and 2003.

Chapter 704 of 1998 required the State to fund 75 percent of the eligible project costs in Prince George's County for the first $35 million in State school construction funding and 60 percent of the eligible project costs for any funds in excess of $35 million through fiscal 2002. ***Chapter 420 of 2001*** extended these provisions through fiscal 2003.

Chapter 288 of 2002 extended the applicability of the Baltimore City and Prince George's County rules through fiscal 2004. ***Chapter 289 of 2002*** extended the special rules governing Prince George's County through fiscal 2007 and increased the State share of eligible costs for funding above $35 million from 60 percent to 65 percent for fiscal 2004–2007. ***Chapter 289*** governs the school construction program in Prince George's County. The fiscal 2003 funds may not be disbursed until the State Superintendent and State Board of Education have approved the school system's master plan. In fiscal 2004–2007 the funds may only be disbursed in proportion to the degree the school system has achieved the outcomes in the approved master plan.

Qualified Zone Academy Bonds

Chapter 322 of 2000 authorized the Board of Public Works to issue $9.8 million in interest-free Qualified Zone Academy Bonds (QZABs) to renovate or repair existing eligible public schools. ***Chapter 139 of 2001*** authorized the board to issue another $8.3 million in QZABs. Schools are eligible if they are located in an enterprise or empowerment zone or have at least 35 percent of their students eligible for free and reduced price meals. The federal government created QZABs as a type of debt instrument in the Tax Reform Act of 1997. Only financial institutions, insurance companies, and investment houses may purchase the bonds, which provide a federal tax credit instead of interest earnings. The federal QZABs program expired on December 31, 2001. **Exhibit L.6** shows the allocation of QZABs (in total) by county.

Aging Schools Program

The State has distributed $10.37 million annually since fiscal 1999 to local school boards under the Aging Schools Program for the renovation and maintenance of aging schools. The program was established in fiscal 1998 with $4.35 million. Each local board receives a specific grant amount that is identified in statute. These grant amounts are based primarily on April 1995 data regarding the amount of square footage in each county of school facilities constructed before 1960 that have not been renovated since 1960. The program also provides a $65,000 minimum funding level for each county. The program was scheduled to sunset in fiscal 2003, but ***Chapter 288*** extended the Aging Schools Program through fiscal 2004.

House Bill 937 of 2002 (vetoed) would have removed the sunset provision and modified the allocation method for State funds distributed under the program. ***House Bill 937*** would have required each county's share of the funding to be proportional to the amount of each county's pre-1960 total square footage of school facilities based on data updated in February 2002. Additionally, the minimum funding level would have been removed from the program. The Governor vetoed ***House Bill 937***, leaving the Aging Schools Program with its current distribution as shown in **Exhibit L.7.**

Exhibit L.6
QZABs Allocation
($ in Thousands)

Jurisdiction	Allocation
Allegany	$404
Anne Arundel	948
Baltimore City	5,209
Baltimore County	3,291
Calvert	56
Caroline	141
Carroll	0
Cecil	296
Charles	191
Dorchester	93
Frederick	239
Garrett	121
Harford	670
Howard	171
Kent	70
Montgomery	1,824
Prince George's	2,994
Queen Anne's	0
St. Mary's	221
Somerset	67
Talbot	142
Washington	485
Wicomico	376
Worcester	89
Total	**$18,098**

Source: The Interagency Committee on School Construction

Exhibit L.7
Allocation of Aging Schools Program Funds
($ in Thousands)

Jurisdiction	Allocation
Allegany	$355
Anne Arundel	570
Baltimore City	1,635
Baltimore	2,940
Calvert	65
Caroline	85
Carroll	385
Cecil	355
Charles	65
Dorchester	65
Frederick	85
Garrett	85
Harford	400
Howard	65
Kent	65
Montgomery	1,170
Prince George's	970
Queen Anne's	85
St. Mary's	85
Somerset	65
Talbot	155
Washington	200
Wicomico	355
Worcester	65
Total	**$10,370**

Source: ***Chapter 288 of 2002 and Chapter 105 of 1997***, as amended by ***Chapter 420 of 2001***

Technology in Maryland Schools

The Technology in Maryland Schools Program (TIMS) was first funded in fiscal 1997 as part of the Governor's Maryland Connected for Learning Initiative. TIMS provides funding for wiring schools for technology, as well as funding for software, equipment, and professional development.

Since 358 of the State's public schools still needed funding for wiring at the end of the 2000 session, the Governor enhanced funding for the wiring. The Governor set a goal of providing funding for wiring all schools by fiscal 2002. To achieve this goal, the State borrowed $50 million from fiscal 2001–2002 through a master lease arrangement with the State Treasurer's Office. The borrowing would be repaid over the next seven years with monies from the Cigarette Restitution Fund (CRF).

The General Assembly appropriated $1.4 million in fiscal 2001 for the first lease repayment. However, due to time delays in projects, no lease repayment was needed in fiscal 2001. The time delays also changed the length of the repayment period to eight years with an estimated total cost of $55.5 million. The IAC has now approved funding for wiring all schools for technology, funding 953 TIMS projects since 1997 at a total estimated cost of $115.2 million.

To assist teachers in integrating this new technology with student learning, the General Assembly passed legislation in 1998 creating a Maryland Technology Academy. In its first year, 700 teachers applied for 120 slots at the academy. In fiscal 2001 the General Assembly appropriated $1.68 million from the CRF to expand the program by establishing 20 regional technology academies to serve another 600 teachers. The fiscal 2002 and 2003 budgets each contained $1.68 million in CRF to continue these regional academies.

Task Force to Study Public School Facilities

Chapter 288 established a Task Force to Study Public School Facilities. The task force will review, evaluate, and make findings and recommendations by December 2002 regarding the following issues: (1) whether public school facilities are adequate to support programs funded through an adequate operating budget; (2) the equity of the State's public school construction program, particularly the equity of the State and local cost shares for school construction projects; (3) whether the Aging Schools Program should be a permanent program; and (4) any other matter that the task force determines is relevant to an evaluation of the adequacy and equity of the State's public school construction program. In addition, ***House Bill 937 (vetoed)*** would have required the task force to study whether the State should provide a greater share of funding to: (1) schools with a high concentration of low income students; (2) small schools; and (3) schools in qualified distressed counties. Although ***House Bill 937*** was vetoed, the Governor has directed the task force to study these issues.

Aid to Nonpublic Schools

During the 2000 session, for the first time in the State's history, the General Assembly passed a State budget that included funding for textbooks to be used by nonpublic schools. The Governor included a $6 million appropriation in the proposed

budget for fiscal 2001 from the Cigarette Restitution Fund, specifying only that the funds could not be used for sectarian purposes.

After much debate, the General Assembly left the funding intact, but added restrictive language to the budget bill specifying that: (1) the funding must be used for the purchase of secular textbooks; (2) a school is eligible to receive funds only if it was registered with or approved by the State Board of Education, it complied with Title VI of the Civil Rights Act of 1964, and the cost of tuition at the school was less than or equal to the statewide average per pupil expenditure; and (3) the amount of funding received by a school depends on the number of low income students who attended the school. If at least 20 percent of the students at a school were eligible for free or reduced price meals, the school could receive up to $90 per student. All other schools could receive up to $60 per student. The General Assembly also required MSDE to develop a process for administering the program. In fiscal 2001 MSDE allocated grants totaling $5 million to 253 eligible schools ($1 million of the appropriation was not spent).

For fiscal 2002 the General Assembly passed a State budget that reduced the appropriation for the nonpublic school textbook program by $1 million, leaving $5 million for the second year of the program. The legislature adopted similar restrictions regarding the use of the funds and specified that MSDE could use up to $150,000 for administrative costs associated with administering the program. In fiscal 2002, 266 nonpublic schools were awarded funds for textbooks totaling $4.85 million. For fiscal 2003 the General Assembly again reduced the amount of the appropriation for the nonpublic school textbook program – this time by $1.25 million. The final fiscal 2003 appropriation for the program was $3.75 million. In addition to adopting the same restrictions regarding the use of the funds, the legislature specified that MSDE could use up to 3 percent ($112,000) of the funding for administrative costs. Awards for fiscal 2003 will be made in December 2002.

Programmatic Funding

Maryland Infants and Toddlers Program

The Maryland Infants and Toddlers Program provides early intervention services for children ages zero through two with developmental delays and disabilities. ***Chapter 312 of 2002*** established a State funding formula for the Maryland Infants and Toddlers Program to provide grants to local agencies. The funding formula is based on the number of students requiring early intervention services in a prior fiscal year and the per-pupil cost of providing the services. The formula is phased in over four years, reaching 20 percent of the per pupil cost in fiscal 2007. An increase of $4.8 million in fiscal 2003 funding for the program is financed with the increase in the tobacco tax rate for cigarettes as part of ***Chapter 288***. Funding in fiscal 2004 and thereafter is subject to the availability of funds for the program in the State budget.

MSDE is required to conduct a study of the effectiveness of the program and make recommendations regarding whether the program should be continued or modified in fiscal 2006 and thereafter to the Governor and the General Assembly on or before December 15, 2005.

Adult Education

Chapter 185 of 2002 required MSDE to distribute competitive grants for adult education services according to the State plan for adult education and family literacy. An increase of $1.1 million in fiscal 2003 funding for adult education and literacy services is financed with the increase in the tobacco tax rate for cigarettes as part of ***Chapter 288***.

After fiscal 2003 funding will be as provided in the State budget. MSDE must develop and submit the methodology for determining the need and cost of adult education instruction to the Legislative Policy Committee by September 15, 2002.

Correctional Education

State law requires eligible inmates to participate in either an education or vocational training program to earn their General Education Diploma (G.E.D.) or high school diploma. Eligible inmates must participate in either the education program for at least 120 days or a vocational training program. A lack of teachers generated waiting lists of inmates eligible for the mandatory education or vocational training program. To reduce these waiting lists and to open a school at the new North Branch Correctional Facility in Cumberland, the fiscal 2003 budget includes $680,165 for 30.5 new positions. MSDE noted that 21.5 positions would be used to reduce the waiting lists by 50 percent. The remaining nine positions would be used to staff the school at the North Branch Correctional Facility.

Maryland Meals for Achievement In-classroom Breakfast Program

Chapters 384 and 385 of 1999 established a three-year pilot school breakfast program to provide funding for public and nonpublic schools that make an in-classroom breakfast available to all students in the school. To receive funds under the pilot program, at least 40 percent of the school's students had to be eligible for the federal free or reduced price meal program. This program was expected to increase the number of students receiving a school breakfast, thus improving student performance.

Chapter 427 of 2002 removed the sunset provisions of the program and established the Maryland Meals for Achievement In-Classroom Breakfast Program permanently. MSDE is required to conduct an annual evaluation of the program.

Principal Training

To address the critical need for additional and better prepared school-based leaders in the public schools, ***Chapter 344 of 2002*** established a Principal Training Pilot Program for three years, beginning July 1, 2002. A public school, a group of schools, a local board of education, or a group of local boards may apply for a State incentive grant under the pilot program by submitting a principal training program plan to the State Board of Education. A plan must provide at least 40 hours of training. The State board approves or disapproves applications and awards incentive funding, which may not exceed $1,500 per principal. Each $1,500 received by an applicant must be matched with $500 from local, federal, or private sources. Under the bill, 100 principals may be selected for the program. Each local superintendent of schools must choose three principals for participation in the program. Then, the State Superintendent must select an additional 28 principals, giving the highest priority to principals working in schools that have been placed under local reconstitution. The State board must report on the effectiveness of the program by June 30, 2004.

Help for Struggling Schools

Local and State Reconstitution

The State board began placing certain low-performing schools under local reconstitution in 1994. Schools that are under local and State reconstitution receive additional education services to help the schools improve the academic achievement of their students.

Also known as "reconstitution-eligible," schools that are under local reconstitution are schools that are either not meeting satisfactory standards nor moving toward satisfactory standards on the MSPAP. Since 1994, 119 schools have been placed under local reconstitution. Five schools have since been removed from the local reconstitution list, four schools have been closed due to restructuring, and four have been placed under State reconstitution, leaving 106 schools currently under local reconstitution. These 106 schools are located in Baltimore City (85), Prince George's County (19), Anne Arundel County (1), and Baltimore City (1).

If a local reconstitution school does not make significant improvement toward meeting State standards, then the State board may put the local reconstitution school under State reconstitution. Under State reconstitution, the State board or a third party designated by the State board assumes operations of the school, which could include changing a school's administration, staff, organization, or instruction program.

The State board has placed four schools under State reconstitution. Three of the State reconstituted schools – Gilmor, Montebello, and Furman L. Templeton elementary

schools in Baltimore City – were placed under State reconstitution in 2000. These three schools are operated by Edison Schools, Inc., which reports to the State board. The fourth school – Westport School in Baltimore City – was placed under State reconstitution in 2001. Westport School is operated by Victory Schools, Inc., which reports to the CEO of the Baltimore City Public School System.

Challenge Grants

Chapter 352 of 2001 extended the termination date for the Schools for Success Fund from June 30, 2001, to June 30, 2007. The fund provides challenge grants to low-performing schools to implement school improvement programs. The program was originally scheduled to terminate on June 30, 1995. However, the General Assembly passed legislation that extended the termination date in 1995 and again in 1998. The State budgets for fiscal 2002 and 2003 each included an appropriation of $5.8 million for the challenge grant program.

Charter Schools

Charter schools are newly constructed schools or conversions of existing public schools that are nonsectarian in nature, under public supervision, and operate according to a specific academic focus and set of educational goals. These schools are typically formed by the staff of a public school, the parents of children attending public school, or other education entrepreneurs including community leaders and institutions of higher education.

Local boards of education in Maryland have the authority to establish charter schools. While there are no charter schools per se in Maryland, there are schools that are similar to charter schools in Baltimore City. However, in June 2002 the Frederick County Board of Education gave preliminary approval to a charter school. If it opens in the fall of 2002, it would be the first charter school in Maryland.

Federal funds are available for charter schools on a competitive basis. However, these funds are available only if a "specific state statute authorizing the granting of charters to schools" exists in that state. Charter school legislation has been enacted in 39 states, the District of Columbia, and Puerto Rico. Although legislation proposing the establishment of a charter school program in Maryland has been introduced during each session of the 1999–2002 term, none of these bills passed.

Collective Bargaining between Public School Employers and Employee Organizations

Prior to the enactment of ***Chapter 287 of 2002***, negotiations between public school employers and employee organizations were restricted to matters relating to

salaries, wages, hours, and other working conditions. ***Chapter 287*** added a permissive category of matters available for negotiation for both certificated and noncertificated employees. Under ***Chapter 287*** local boards of education and employee organizations representing both certificated and noncertificated school personnel may negotiate over mutually agreeable matters; however, matters relating to the school calendar, class size, or otherwise precluded by law are non-negotiable. If either party declines to negotiate with regard to a matter in the permissive category, the matter may not later be raised in an action subject to impasse.

Chapter 287 further expanded the collective bargaining rights of noncertificated employees by adding the negotiation of due process for discipline and discharge as a permissive category. ***Chapter 287*** also affords noncertificated employees on the Eastern Shore the same collective bargaining rights as noncertificated employees in the rest of the State.

School Safety and Student Behavior

School Safety Act of 1999

Chapters 561 and 562 of 1999 addressed the growing problem of violence in schools by providing further protections designed to promote the safety of Maryland's public school students and employees. The law added new offenses to the list of offenses that, when committed by a minor, a law enforcement agency must report to the superintendent of the school system in which the minor is enrolled.

Chapters 561 and 562 also expanded the existing prohibition against molesting or threatening with bodily harm a student, employee, administrator, agent, or any other individual who is lawfully on school property. The Acts further prohibited a person from threatening with bodily harm any employee of any institution of elementary, secondary, or higher education at home by any means, including in person, by telephone, or by electronic mail.

Pilot Program for Suspended or Expelled Students

Chapter 685 of 2001 required the State board to establish a Juvenile Justice Alternative Education Pilot Program in a county designated by the State Superintendent. A student who has been suspended or expelled, or identified as being a candidate for suspension or expulsion, must attend the program unless the student has been adjudicated delinquent and committed to a juvenile detention facility. The pilot program must promote self-discipline, ensure that the student receives appropriate educational services during the term of the suspension or expulsion, and offer services to facilitate a student's transition back to a regular public school.

The State Superintendent of Schools designated Prince George's County as the county in which the pilot program will be implemented. Due to funding constraints, the program will not begin until January 2003 (instead of September 2002) and will be administered in the newly renovated Annapolis Roads facility in Bladensburg, Maryland.

Task Force to Study Student Behavior Interventions

Chapter 230 of 2002 required the State Superintendent to appoint a task force to propose regulations to the State board regarding student behavior intervention practices. Advocates maintain that the lack of specific, comprehensive, and consistent policies and procedures throughout the State to govern student behavior intervention practices in the schools – including the use of restraint, seclusion, time-out, and other disciplinary measures – is a major deficiency. The task force must include representatives from MSDE, local school systems, advocacy communities, and nonpublic special education facilities, and individuals with knowledge of and expertise in positive behavioral interventions. MSDE must submit proposed regulations to the State board by December 31, 2002. Local school systems, State operated programs, and nonpublic schools must develop policies and procedures in compliance with the regulations adopted by MSDE. The State Superintendent must consult with representatives of institutions of higher education and the Professional Standards and Teacher Education Board to ensure that sufficient training in positive behavior interventions is available to persons entering the field of education.

Libraries

Public Libraries

Chapter 575 of 1998 increased the mandatory per capita funding for county public libraries that participate in the County-State Minimum Library Program. The County-State Minimum Library Program requires the State to provide 40 percent of the program's cost, with the counties collectively providing the remaining 60 percent. In fiscal 1999 the per capita amount increased from $9.25 to $10.75. The per capita funding level increased to $11.00 in fiscal 2000, to $11.50 in fiscal 2001, and to $12.00 in fiscal 2002 and each fiscal year thereafter.

State Library Resource Center

Chapter 701 of 1999 established a funding formula for the Enoch Pratt Free Central Library, which is designated as the State Library Resource Center (SLRC). The funding formula increased State funding to the SLRC to recognize the Pratt Library's dual role as both an SLRC and a local branch library in the Baltimore City library system. The funding formula provided the SLRC with $1.35 per capita in fiscal 2001, $1.55 per

capita in fiscal 2002, $1.70 per capita in fiscal 2003, and $1.85 per capita for fiscal 2004 and each fiscal year thereafter.

Regional Resource Centers

The State's three regional resource centers also received an increase in funding under ***Chapter 547 of 2000. Chapter 547*** provided the centers, which lend support to public libraries in eastern, southern, and western Maryland, with an increase in funding from $1.70 to $3.50 per capita beginning in fiscal 2002 and increases of $0.50 per year through fiscal 2004.

Higher Education

In 1998, Joint Resolutions 4 and 5 established a 21-member task force to study the governance, coordination, and funding of the University System of Maryland (USM). The task force became known as the Larson Task Force, so named informally after its chair, Admiral Charles R. Larson, USN (Ret). The task force's report, published in January 1999, and the legislation implementing many of its recommendations, ***Chapter 515 of 1999***, have been the basis for increased funding for higher education and greater independence for USM and its institutions. Increased funding has also followed attempts to attain newly adopted funding guidelines. Greater independence has resulted from measures enacted in ***Chapter 515***, and others, and continued in ***Chapter 244 of 2002***. The economic slowdown of late 2001 slowed the growth of appropriations for higher education in fiscal 2003 and caused the delay of some capital projects previously authorized with general fund support.

In December 2000 the State entered into an agreement with the United States Department of Education's Office for Civil Rights (OCR) to eliminate any remaining vestiges of segregation in Maryland's public universities. The agreement includes proposals to bolster the State's four public historically black institutions (HBIs) and to improve higher education opportunities for African American students. During the period of the partnership agreement, OCR will not initiate enforcement action against the State. In 2005 the State and OCR will determine if the commitments contained in the partnership agreement have been fully implemented. The result of the OCR agreement thus far has been increased funding for HBIs through grants from the Maryland Higher Education Commission (MHEC) and a commitment in the Capital Improvement Plan (CIP) to provide an additional $75 million for capital projects at the HBIs.

Other significant developments in higher education since 1998 include:

- establishment of collective bargaining rights for higher education employees;

- the creation, recommendations, and legislation related to the Task Force to Study College Readiness for Disadvantaged and Capable Students;
- the creation of the Prepaid College Trust and the Maryland College Investment Plan;
- changes to student financial aid programs;
- increased grants for community colleges; and
- enactment and implementation of legislation governing higher education centers.

Funding

Operating Budget

In fiscal 2000 the Governor announced that funding for higher education was to be one of the top priorities of the budget, and it has remained so. **Exhibit L.8** shows how the State's operating support for all institutions of higher education increased 37 percent from fiscal 1999–2003. With the exception of St. Mary's College of Maryland, universities and other segments received double-digit percentage increases in funding in fiscal 2000 and 2001. While similarly large increases were intended for fiscal 2002, mid-year cost containment measures constrained actual increases in State support. In the most difficult recent budget year, fiscal 2003, higher education overall received a 2.6 percent increase in general fund operating support.

Exhibit L.8
General Fund Support for Higher Education Institutions
FY 1999–2003
($ in Thousands)

Segment	1999	2000	2001	2002	2003	% Change
University System of Maryland	$651,603	$719,969	$798,692	$864,765	$876,449	35%
Morgan State University	38,358	43,459	47,912	52,035	54,388	42%
St. Mary's College	12,463	12,664	13,475	14,722	15,106	21%
Community Colleges	148,795	164,456	189,790	208,243	221,176	49%
Independent Institutions	33,176	36,568	41,615	46,048	46,303	40%
Total	**$884,395**	**$977,116**	**$1,091,484**	**$1,185,813**	**$1,213,422**	**37%**

Notes:
1. Community Colleges include Baltimore City Community College, all colleges eligible for Cade formula funding, and fringe benefits aid to community colleges.
2. Independent institutions include all institutions eligible for Sellinger formula funding.
3. Fiscal 2002 figures reflect cost containment and hiring freeze savings.
4. Fiscal 2003 figures include amounts added in the Budget Reconciliation and Financing Act.

Source: Maryland State Budget, fiscal 2001–2003

Funding Guidelines: Fiscal 2001 was the first year that MHEC adopted funding guidelines for USM institutions, pursuant to State law requiring "operating funding guidelines based on comparisons with peer institutions and on other relevant criteria." In fiscal 2002 MHEC adopted a guideline for Morgan State University (MSU). St. Mary's College does not participate in the funding guideline process due to its statutory funding formula.

To develop a proposed funding level for each institution, MHEC incorporated information on the amount of resources, students, facilities, and other relevant factors for identified peers, i.e., universities of similar size, program mix, and location. A university funded at its proposed funding guideline level would receive more State support than 75 percent of its identified peer institutions. MHEC adopts guidelines for each fiscal year based on the most current national peer data available. It will redetermine each institution's peers for the first time for fiscal 2004.

Efforts to reach the guideline for each institution have contributed to large increases in operating support for the institutions, with two institutions above 100 percent of guideline in fiscal 2002. Others, however, have never achieved more than 80 percent of guideline. USM overall had its highest guideline achievement, 89 percent, in fiscal 2002, as did MSU at 102 percent. Guideline achievement generally is lower in fiscal 2003.

Peer Performance: In addition to providing funding targets for each institution, funding guidelines have enabled MHEC to begin a performance analysis of each institution, relative to a set of its peers. MHEC's 2002 report will fully integrate peer performance data with the State's *Managing for Results* data for each institution.

Economic Slowdown Effects in Fiscal 2002 and 2003: The economic slowdown in 2001 resulted in measures to conserve general funds in fiscal 2002 and leaner budgets in fiscal 2003. In October 2001, USM institutions, MSU, St. Mary's College, and Baltimore City Community College (BCCC) participated in a cost containment measure to reduce their general fund support by 1.5 percent. Beginning in November 2001, USM institutions, MSU, and BCCC participated in a statewide hiring freeze. Cost containment and the hiring freeze yielded $13.2 million in fiscal 2002 higher education savings.

Because community colleges (except BCCC) and the independent institutions receive grant support rather than direct State aid, their funding was not affected by cost containment or the hiring freeze. Instead, the community colleges and the independent institutions felt the effect of the economic slowdown when the Budget Reconciliation and Financing Act (BRFA), ***Chapter 440 of 2002***, adjusted their Cade and Sellinger formula funding, respectively, for fiscal 2003–2006. The formulas each provide a percentage of the previous fiscal year's per-student general fund support at selected public, four-year institutions. The Act "rebased" those formulas to provide smaller percentages in fiscal 2003 and 2004. The percentage will increase in fiscal 2005 and 2006 and return to its pre-BRFA level in fiscal 2007.

Capital Budget

The capital program for all segments of higher education from fiscal 2000–2003 was approximately $1 billion including general and special funds, general obligation (G.O.) bonds, and academic revenue bonds (ARBs). This includes $827.3 million for projects associated with public universities and centers, $140.1 million for projects at community colleges, and $65.4 million for projects at private institutions, including The Johns Hopkins University.

Fiscal 2001 was the first year of the Administration's five-year, $1.2 billion program for capital construction in higher education. In fiscal 2001 and 2002, the use of the general fund surplus to increase the size of the capital program resulted in the largest capital appropriations for higher education in State history. The general funds for many of those projects were reverted in fiscal 2002, because the State faced a bleaker financial outlook. The projects previously authorized with general funds were brought into the general obligation bond program in fiscal 2003 or planned for general obligation bond support after fiscal 2003. **Exhibit L.9** shows appropriations for higher education capital for fiscal 2000–2003, including general fund reversions planned for replacement in future years. **Exhibit L.10** shows the allocation of capital support by institution.

Exhibit L.9
Higher Education Capital Program
FY 2000–2003
($ in Thousands)

	FY 2000	FY 2001	FY 2002	FY 2003	Total	Unfunded PAYGO Reversions*
G.O. Bonds	$113,532	$154,959	$118,387	$83,790	$470,668	$51,237
PAYGO	17,497	194,232	241,475	0	453,204	
ARBs	29,000	25,000	25,000	29,900	108,900	
Total	**$160,029**	**$374,191**	**$384,862**	**$113,690**	**$1,032,772**	**$51,237**

Source: Maryland State Budget, fiscal 2000–2003
*Planned for replacement in fiscal 2004 or later

Exhibit L.10
Higher Education Capital Program by Institution
FY 2000–2003
($ in Thousands)

	FY 2000	FY 2001	FY 2002	FY 2003	Total	Unfunded PAYGO Reversions*
UM Baltimore	$28,646	$70,928	$38,401	$1,500	$139,475	
UM College Park	11,316	102,264	33,818	12,179	159,577	
Bowie State University	2,432	12,430	5,200	550	20,612	
Towson University	10,221	20,364	38,134		68,719	4,070
UM Eastern Shore	1,787	9,815	47,682	977	60,261	
Frostburg State University	388	29,013	4,572	3,532	37,505	
Coppin State College		0	10,800	3,600	14,400	
University of Baltimore		3,500	1,540		5,040	
Salisbury University	33,243	500	2,439		36,182	
UM Baltimore County	160	20,014	65,215	3,941	89,330	2,204
UM Ctr. for Environmental Science		1,490	19,527	3,463	24,480	
UM Biotechnology Institute		2,755	500		3,255	41,942
USM Office	13,795	11,800	13,800	12,000	51,395	
Subtotal, USM Institutions	**101,988**	**284,873**	**281,628**	**41,742**	**710,231**	**48,216**
Morgan State University	12,263	16,174	11,666	25,124	65,227	
St. Mary's College	11,000	1,087	6,200	1,958	20,245	
Higher Education Centers	150	7,199	23,702	600	31,651	
Community Colleges	23,128	40,858	43,666	32,416	140,068	3,021
Independent Institutions	6,500	9,000	8,000	6,850	30,350	
The Johns Hopkins University	5,000	15,000	10,000	5,000	35,000	
Total	**$160,029**	**$374,191**	**$384,862**	**$113,690**	**$1,032,772**	**$51,237**

Source: Maryland State Budget, fiscal 2000-2003
*Planned for replacement in fiscal 2004 or later

Private Donation Incentive Program

Chapter 515 of 1999 reactivated the Private Donation Incentive Program, under which the State will match certain amounts pledged by eligible private donors to a public institution for an endowment for an academic purpose. Subsequent legislation enhanced the match for the State's HBIs and University of Maryland Baltimore County. Donations from new donors or above the 1998 level of existing donors would be matched in the second fiscal year after they are received. The University of Maryland, Baltimore; University of Maryland, College Park; and University of Maryland Baltimore County may match up to $1,250,000. The State's HBIs may match up to$1,500,000. Community colleges may match up to $250,000. Other universities may match up to $750,000. The HBIs have until January 1, 2006, to raise the private donations for match; other institutions have until July 1, 2004. After matching donations in fiscal 2001, the State deferred matching fund payments in fiscal 2002, in part, and 2003, due to budget constraints.

Governance and Independence

Chapter 515 reflects the statutory changes necessary to implement the recommendations of the Task Force to Study the Governance, Coordination, and Funding of the University System of Maryland, also known as the Larson Task Force. The task force focused on statewide goals and priorities for higher education, the governance structure of USM, duplication and overlap of authority between MHEC and USM, flexibility in management and reporting functions, and funding issues. Several of the task force's recommendations support greater independence and stature for USM and other institutions.

Chapter 515 reaffirmed the responsibility of MHEC to conduct statewide planning for higher education and to develop and update a State plan for higher education. The State plan became the basis for much of MHEC's review of system or institution actions. The Act changed MHEC's role in the review and approval of the mission statements for all public institutions of higher education, requiring that MHEC review each mission statement only to determine whether it is consistent with the State plan. Similarly, it limited MHEC's review of USM operating and capital budgets to determine only if the budgets are consistent with the State plan. MHEC published a new State plan in 2000 and must update it every two years.

Chapter 515 also revised procedures for the development and approval of new academic programs for three years. Presidents of USM institutions may propose new programs to the Board of Regents and MHEC. The Board of Regents must ensure that a new program is within the scope of the institution's mission statement and can be implemented within existing program resources. MHEC is responsible for notifying other institutions of the proposal and for reviewing the program for consistency with the

institution's approved mission, unreasonable program duplication that would cause demonstrable harm to another institution, or violation of equal educational opportunity obligations under State and federal law. MHEC is also responsible for identifying low-productivity programs, defined as programs that do not meet standards for producing graduates. After the three-year pilot, ***Chapter 244 of 2002*** continued the provisions for academic program review through fiscal 2004.

Chapter 515 also changed the legal status of USM from a State agency to a public corporation and independent unit of State government. The Act expanded USM powers to acquire property; manage public improvement projects; borrow money for corporate purposes; and establish, invest in, finance, and operate business entities that further the goals of USM and are related to the mission of USM. Additionally, the Act generally exempted USM from State law governing procurement, information technology, and telecommunications. It required the Board of Regents to adopt a policy to govern the public ethics of members of the board, consistent with the Maryland Public Ethics Law. In 2002, in a nod to the greater autonomy and authority of the USM Board of Regents, the General Assembly approved a systemwide operating appropriation for fiscal 2003 and directed the board, within parameters, to distribute the funding.

As ***Chapter 515*** created greater independence for USM, it also provided greater autonomy for its institutions. It required the Board of Regents to delegate to the president of each institution authority to make and implement policies promoting the mission of that institution. It also continued indefinitely the authority of presidents to create employee positions within existing funds, subject to a systemwide limit specified annually in the State budget bill. It further provided that the president of the University of Maryland, College Park will have the opportunity to meet with the Governor, after the Board of Regents submits the system's consolidated budget request, to discuss the impact of the request on that institution's mission as the flagship campus. In addition to the significant changes in ***Chapter 515***, ***Chapter 542 of 1999*** allowed presidents of all USM institutions to establish campus-based foundations, rather than being subsumed under the umbrella University of Maryland Foundation, Inc.

MSU also achieved greater independence in 1999. ***Chapter 138 of 1999*** continued indefinitely the authority of the president to create employee positions within existing funds, subject to a systemwide limit specified annually in the State budget bill. ***Chapter 608 of 1999*** expanded the procurement authority of MSU. ***Chapter 93 of 1999*** increased the membership of the Board of Regents of MSU from 13 to 15 and reduced the number of board members who must be State residents from 12 to 11.

Partnership with the Office for Civil Rights

In December 2000 the State entered into an agreement with the U.S. Department of Education's Office for Civil Rights to eliminate any remaining vestiges of segregation

in Maryland's public universities. The agreement includes proposals to bolster the State's four public historically black institutions and to improve higher education opportunities for African American students. The agreement makes commitments to enhance Bowie State University (BSU), Coppin State College (CSC), University of Maryland, Eastern Shore (UMES), and MSU to make them comparable and competitive with the State's traditionally white institutions in all facets of their operations and programs, including capital improvements. The agreement also includes a commitment specific to Coppin State College – the development of a comprehensive strategic plan for the revitalization of Coppin State College. The revitalization plan will provide for an enhanced mission, academic programs, staffing, institutional advancement, fiscal affairs, and physical plant. In addition, the plan will identify measures to ensure a broader mix of students at CSC, such as building an endowment to provide for full, undergraduate, merit scholarships.

During the period of the partnership agreement, OCR will not initiate enforcement action against the State. In 2005 the State and OCR will determine if the commitments contained in the partnership agreement have been fully implemented.

Under the agreement, each year the USM Board of Regents and the MSU Board of Regents must submit enhancement proposals for the four HBIs to MHEC. The proposed enhancement plans are reviewed as part of the normal budget process for recommendations to the Governor and the General Assembly.

Fiscal 2002 was the first year for which the budget had not been finalized when the OCR agreement was signed, but OCR-related enhancements in fiscal 2002 were limited because the Governor's budget was nearly complete by the agreement's signing in December 2000. Because the agreement did not require immediate funding, legislation was enacted in 2001 to treat the HBIs more favorably in the Private Donation Incentive Program by doubling the State's match (discussed in the subpart "Funding" of this Part L). Fiscal 2003 was the first year of direct OCR enhancements to the four public HBIs. The State has provided $9.7 million in operating and $10.8 million in OCR-related funding to date, and plans to provide an additional $24 million in operating and $70.1 million in capital funding.

Fiscal 2003 budget bill language ensures that the USM HBIs are treated equitably when the Board of Regents distributes the system's appropriation. The language directs the board to allocate a general fund increase for the HBIs in the same proportion as the average increase allocated to other USM institutions that receive an increase.

Access and Success

The State committed to doubling the funding for the Access and Success program and fulfilled that commitment in fiscal 2003. The program supports retention and graduation efforts at the HBIs.

Capital Improvements

The State's effort to improve the facilities of the HBIs began with two studies in fiscal 2002: a campus master plan for BSU and a revitalization plan for CSC. As a result, BSU began development of its campus master plan in early 2002 and CSC developed a new strategic plan based on recommendations from the CSC revitalization study.

In addition, in 2001 the Capital Debt Affordability Committee recommended that $40 million in new academic revenue bonds (ARBs) be authorized during the 2002 session. Of that amount, $15 million is intended to fund capital facility projects and improvements on the campuses of BSU, CSC, UMES, and MSU. The plan entails a cumulative authorization of $75 million in ARBs over a five-year period (fiscal 2003–2007). Only $4.9 million in requested projects were ready for submission in fiscal 2003, so the remaining $10.1 million in ARBs authority will be used later during the five-year period. Enhancement funds provided through MHEC, discussed below, will provide debt service for the ARBs beginning in fiscal 2004.

Coppin Revitalization

While the Coppin revitalization plan identified rebuilding the campus as the most urgent need, it also addressed other areas. The revitalization study endorsed the institution's current mission with minor changes. It calls for investing heavily in reinvigorating academic programs and embedding information technology in all operations, including a commitment to regular upgrades. Under the revitalization plan, CSC must diversify its funding sources, develop special areas of excellence, and increase enrollment 34 percent over the next decade.

Operations Support

The fiscal 2003 budget provides $3.4 million in enhancement funds through MHEC for the four public HBIs. A portion of the enhancement funds, $3 million, will be available for one-time operating or capital enhancements in fiscal 2003. In fiscal 2004 a portion will pay debt service on the ARBs recommended by the Capital Debt Affordability Committee, and a portion will be available again for operating enhancements. The amount for debt service will increase each year until fiscal 2008, after which $6 million per year will be dedicated to debt service until the debt is retired. Budget bill language in 2002 expressed the intent of the General Assembly that the enhancement funds increase to $6 million in fiscal 2004.

Information Technology Improvements

The fiscal 2003 budget provides $1.6 million to facilitate the purchase or loan of personal computers for students at HBIs who could not otherwise afford them. The

Information Technology Investment Fund in the Department of Budget and Management will provide $1.2 million for the three USM HBIs, while $400,000 for MSU will come from the $3.4 million in enhancement funds appropriated through MHEC.

Collective Bargaining Rights

Chapter 298 of 1999 established collective bargaining rights for State employees; however, these rights did not extend to employees of State institutions of higher education. For a more detailed discussion of collective bargaining rights of State employees, see the "Personnel" subpart of Part C - State Government of this *Major Issues Review*.

Employees of the University System of Maryland, Morgan State University, St. Mary's College, and Baltimore City Community College were granted certain collective bargaining rights with the enactment of ***Chapter 341 of 2001***. These collective bargaining rights were extended to approximately 10,000 employees in State institutions of higher education; however, faculty, teaching assistants, administrators, contractual employees, and specified other employees are not covered. For an additional discussion of collective bargaining rights of employees in institutions of higher education, see the "Personnel" subpart of Part C - State Government of this *Major Issues Review*.

Task Force to Study College Readiness for Disadvantaged and Capable Students

Based on work initiated by the Southern Education Foundation and ensuing recommendations to enhance minority educational attainment in Maryland, ***Chapter 664 of 2000*** established a 29-member Task Force to Study College Readiness for Disadvantaged and Capable Students. The task force was charged with developing a comprehensive strategy to ensure that disadvantaged and capable students have adequate opportunities to successfully matriculate and graduate from institutions of higher education.

The task force issued its final report in December 2001. Recommendations were made in the areas of college readiness, teacher preparation, and financial aid. One recommendation was to enhance access to college by increasing the State's need-based financial aid to fund all eligible students. Another recommendation proposed greater guidance counseling for students not on pace with college preparatory work. Legislation to implement many of its recommendations was enacted as ***Chapter 315 of 2002***. Its provisions included:

- The College Readiness Outreach Program. This program is designed to encourage high school students to go to college by providing one-on-one mentoring and by prequalifying ninth and tenth grade students for Guaranteed

Access Grants. The program will begin in fiscal 2004 and be phased in over five years. MSDE will implement a pilot program in fiscal 2004, to the extent funds are available, in Allegany, Prince George's, and Wicomico counties and Baltimore City.

- The Graduate and Professional Scholarship Program. This previously existing program provides scholarships to students in graduate or professional programs.

- Name change for the State Scholarship Administration. The new name, the Office of Student Financial Assistance, better reflects the range of student financial assistance provided by the State.

- PSAT Administration. MSDE will distribute grants to One Maryland counties in fiscal 2003 and 2004 for the administration of the PSAT to tenth grade students. Other counties will receive grants beginning in fiscal 2005.

- The K-16 Leadership Council. The council will plan for a K-16 Research and Development Institute and a Maryland Clearinghouse for Educational Statistics.

- Middle School Certificate. The intent of the General Assembly is that MSDE develop a certificate for middle school teachers.

Student Financial Aid

Several national studies on college affordability, the OCR partnership agreement, the Task Force to Study College Readiness for Disadvantaged and Capable Students, and other factors have increased awareness of the need for financial aid for college students. Throughout fiscal 2000–2003, Maryland established new financial aid programs, expanded access to aid, eased restrictions on recipients, and increased maximum awards in several programs. **Exhibit L.11** illustrates funding increases for financial aid programs from fiscal 1999–2003.

New Aid Programs

The largest new aid program created from 1999–2002 was the HOPE scholarship program, modeled after the successful Georgia scholarship program. After authorizing legislation failed in 1997, the program was established in 1999 (***Chapter 705 of 1999***). The HOPE scholarship program includes HOPE scholarships, the Maryland Teacher Scholarship Program (also established by ***Chapter 705***), and the Maryland Science and Technology Program (established in 1998). ***Chapter 606 of 2000*** added a Community College Transfer Scholarship Program to the HOPE-affiliated set of programs.

The Maryland Teacher Scholarship Program is intended to encourage students to become Maryland public school teachers. A recipient must pledge to work as a public school teacher after graduation or repay scholarship funds. To qualify, a student must be a Maryland resident, be enrolled at a Maryland public or private institution of higher education in a degree program leading to a Maryland professional teacher's certificate, and maintain a 3.0 grade point average. ***Chapter 410 of 2002*** expanded eligibility to part-time students as well as full-time students.

Other changes to the HOPE program include ***Chapter 107 of 2001***, which increased the allowable family income for eligibility to $95,000, and ***Chapter 377 of 2001***, which expanded eligibility for the Science and Technology Program to students already enrolled in college, rather than only students entering directly from high school.

Exhibit L.11

Scholarship Funding by Type of Aid

($ in Thousands)

Type of Student Aid	FY 1999	FY F2000	FY 2001	FY 2002	FY 2003	% Change
Need-based	32,649	35,335	40,248	40,770	41,074	26%
Merit-based	4,223	4,210	4,241	4,200	4,200	-1%
Service Commitment/ Workforce Shortage	2,555	7,929	15,841	26,881	27,871	991%
Assistance for Unique Populations	360	385	805	524	532	48%
Legislative Scholarships	7,981	8,261	8,423	9,467	9,586	20%
Total	**47,768**	**56,119**	**69,558**	**81,842**	**83,263**	**74%**

Note: General, special, and federal funds are included in the amounts above.

Need-based aid includes Educational Excellence Awards, Part-Time Grants, and Professional School Scholarships.

Merit-based aid includes the Distinguished Scholar Program.

Service/Workforce programs include HOPE, McAuliffe Teacher, Distinguished Scholar-Teacher, Child Care Providers, Developmental Disabilities and Mental Health Worker Tuition Assistance, Nursing Scholarships, Physical and Occupational Therapy Tuition Assistance, Tuition Reimbursement of Fire, Ambulance, and Rescue Squad Workers, the Hoffman Loan Assistance Repayment Program, Physician Assistant and Nurse Practitioner Training, and Health Personnel Shortage Incentive Grants.

Assistance for Unique Populations includes Tolbert and Conroy Scholarships.

Legislative Scholarships include Senatorial and Delegate Scholarships.

In addition to HOPE, financial aid programs established from 1999–2002 include loan assistance repayment for dentists (***Chapter 537 of 2000***) and a tuition assistance program for students who agree to work as direct service employees providing support

to individuals with developmental disabilities or mental disorders (***Chapter 550 of 1999***). The requirements of the Developmental Disabilities and Mental Health Workforce Tuition Assistance Program were eased by ***Chapter 324 of 2002*** to allow students to use summer classes to meet credit hour workload minimums and to expand eligible employment to include licensed for-profit facilities and community programs that serve children in the custody of a local department of social services or the Department of Juvenile Justice.

Efforts to Expand Financial Aid Programs

The State made three sweeping changes to financial aid programs, as well as fine tuning individual programs.

Chapter 314 of 2002 allowed students to hold any State scholarship or grant with any other State scholarship or grant as long as eligibility requirements are met for all awards and the maximum amount received does not exceed the tuition, fees, and room and board charged at a public four-year institution.

A second major change to financial aid programs eases the repayment obligation for recipients who fail to meet the service requirement of their awards. Previously, the interest rate on the repayment obligation for scholarships that include a service obligation was the prime rate plus 2 percent, which proved to be a deterrent to students considering the State's HOPE Scholarship Program. ***Chapter 575 of 2000*** changed the interest rate on repayment obligations to a rate equal to that of the federal Stafford loan.

Finally, ***Chapter 291 of 2001*** ensures that funds appropriated for financial aid are ultimately spent on financial aid. The Act provided that State scholarship appropriations that are not used by the end of a fiscal year may not revert to the State treasury, but must be used to make awards to students and graduates under specified scholarship, need-based grant, and loan repayment programs during subsequent fiscal years.

Following are other changes made to individual programs to expand access, ease requirements, and increase maximum awards:

- Eligibility for the Edward T. Conroy Memorial Scholarship was opened to children or surviving spouses of victims of the terrorist attack of September 11, 2001 (***Chapter 99 of 2002***), as well as to veterans who suffered a service-related disability of 25 percent or greater and have exhausted their federal educational benefits (***Chapter 314***).

- The Loan Assistance Repayment Program became available to graduates of out-of-state law schools (***Chapter 471 of 2001***).

- The Part-Time Grant Program now allows students who are simultaneously enrolled in a State secondary school and an institution of higher education to receive the grant (***Chapter 302 of 2001***).

- Disabled recipients of the Delegate Scholarship may use the award at an institution out of state, if that institution is making accommodations for the student's disability that are not available at a Maryland institution (***Chapter 690 of 1999***).

- Maximum awards were increased for the Guaranteed Access Grant, the Conroy Scholarship, Delegate Scholarships, tuition reimbursement for Fire and Rescue Personnel, and Nursing Scholarships.

Savings Plans for Higher Education

Maryland offers two savings plans for higher education: a defined benefit plan called the Maryland Prepaid College Trust and an investment plan called the Maryland College Investment Plan. Both are managed by an independent, nine-member board.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust was established in 1997 to enhance the accessibility and affordability of a college education by providing for the prepayment of projected in-state tuition and mandatory fees at Maryland public colleges. Interested persons may choose from among several tuition plans and payment options to purchase a contract based on current tuition and fee amounts. If the beneficiary chooses to attend a private or out-of-state college, the program will pay the weighted average of tuition and mandatory fees of the Maryland public colleges. The purchaser or beneficiary must be a resident of Maryland or the District of Columbia at the time that the purchaser enters into the contract. The program operates in accordance with Section 529 of the Internal Revenue Code, which provides for Qualified Tuition Programs.

Participants in the program receive favorable tax treatment. Earnings on a purchased contract are exempt from income taxation at the State level to the extent used for qualified higher education expenses. In addition, contributors may take an income tax subtraction modification for amounts contributed to an account. A contributor may deduct up to $2,500 each year per contract purchased until the full contribution amount has been allowed as a subtraction. On the federal level, earnings were previously taxed at the beneficiary's rate at the time of distribution. However, 2001 federal tax law changes exempt distributions used for qualified purposes from federal taxation until 2010.

Chapter 494 of 2000 created a statutory guarantee for the program, requiring the Governor to include in the annual budget bill an appropriation sufficient to cover any shortfall between the program's obligations and assets. The board may adjust the terms of subsequent or current investment contracts only to ensure continued actuarial soundness of the program in the event that the full amount of a shortfall was not appropriated as requested.

The Act made a number of other changes as well. First, it required that all marketing efforts of the program disclose that there is no guarantee that the earnings of assets invested in the program will generate enough money to cover the actual costs of tuition at the time of the beneficiary's enrollment in college. Second, it allowed for rebates if plan assets far exceed liabilities and refunds if the beneficiary graduates from college early. It expanded the allowable use of plan benefits, in cases of tuition remission, scholarship, or early graduation, to include Qualified Higher Education Expenses (defined by the Internal Revenue Service as tuition, fees, books, supplies, and equipment required for college attendance, as well as certain room and board expenses for students who attend college at least half-time). It also allowed the transfer of funds between the Maryland Prepaid College Trust and other states' qualified tuition programs.

Maryland College Investment Plan

Chapter 494 also created the Maryland College Investment Plan to allow contributions to an investment account established for the purposes of meeting the Qualified Higher Education Expenses of the designated beneficiary of the account. Benefits of the Maryland College Investment Plan are based solely on investment performance. Set payments are not required. There is no State residency requirement for participation. The assets and obligations of the program are not in any way guaranteed by the State.

The Act provided tax benefits similar to the Prepaid College Trust, allowing an individual to claim a State subtraction modification (deduction) of $2,500 for contributions for any taxable year for each account in the plan. The board allowed individuals to establish up to ten separate accounts for a single beneficiary, resulting in a possible total State income tax deduction of $25,000 in a year. In 2001 questions arose regarding consistency of this interpretation with legislative intent.

Another issue was raised with respect to the treatment of federally tax-free "rollover" of funds from a Qualified Tuition Program and an existing Maryland addition modification. The Maryland addition modification requires an addition to Maryland adjusted gross income of refunds or distributions from Qualified Tuition Programs that are not used for qualified higher education expenses. It was unclear whether a tax-free rollover of funds should be included in the addition modification.

Clarification of State Income Tax Treatment of Qualified Tuition Programs

To address the issues raised in the 2001 interim and in light of the 2001 federal tax act, ***Senate Bill 383/House Bill 437 of 2002 (vetoed)*** would have clarified and altered existing State subtraction modifications for contributions to higher education prepaid tuition and investment programs. Specifically, the bill would have limited subtraction modifications to $2,500 per contributor per beneficiary for contributions to any prepaid or investment program, not just the Maryland programs. It would have also clarified that the subtraction modifications as well as an existing addition modification do not include any amounts from a tax-free rollover from another prepaid tuition program or another higher education investment program. Because the legislation was vetoed, the board planned to clarify the subtraction modification provisions consistent with the legislature's intent, while limiting deductions to contributions to Maryland programs only.

Community Colleges

As noted earlier in this section, State aid for community colleges increased significantly by 49 percent from fiscal 1999–2003. Some of this increase was due to specific legislation enacted during this period. In addition, legislation established a new regional college, the College of Southern Maryland.

Limited English Proficiency

Chapter 537 of 1999 increased the annual State funding limit for English for Speakers of Other Languages (ESOL) programs at community colleges. Legislation enacted in 1995 provided grants to community colleges based on the number of students enrolled in ESOL programs. By 1999 enrollment in these programs could have generated more funding for the colleges than the 1995 limits would allow. Increasing the funding caps enabled community colleges to receive full ESOL funding.

Grants for Small Community Colleges

Beginning with fiscal 2003, ***Chapter 584 of 2000*** increased supplemental unrestricted grants distributed to seven small community colleges. Colleges that receive the grants, originally authorized by Chapter 570 of 1998, include Allegany, Garrett, Hagerstown, Carroll, Cecil, Chesapeake, and Wor-Wic. ***Chapter 584*** also provided that beginning in fiscal 2004, the grant amounts will increase by the same percentage as the increase in funding per full-time equivalent student to the State four-year public institutions of higher education. Additional unrestricted grants for fiscal 2003–2005 were authorized by ***Chapter 350 of 2002*** for Allegany College and Garrett Community College.

Partnerships for Technology

Chapter 601 of 1998 established the Innovative Partnerships for Technology Program. The purpose of the program is to enhance the technology available in community colleges and to leverage private support for community colleges through the use of State matches for technology donations made in fiscal 1998 to 2002. A portion of the State matches to be paid in fiscal 2003 were deferred due to the State's fiscal condition. ***Chapter 413 of 2002*** restarts the program beginning in fiscal 2003. Technology donations made to community colleges during fiscal 2003 and 2004 must be matched by the State, up to a maximum State match of $150,000 per college campus. Colleges that earn the entire State match from fiscal 2003 and 2004 donations are eligible for additional State matches of up to $150,000 for technology donations made in fiscal 2005 and 2006. State matches are paid in the second fiscal year following the fiscal year in which the donations were received. To be eligible, donations must be from new donors or represent increases over the amounts given by donors in fiscal 2002. Donations may be in the form of technology equipment or monetary contributions that are specifically designated for technology.

College of Southern Maryland

Chapter 695 of 1999 established the College of Southern Maryland in place of the existing Charles County Community College. The Act changed the status of the college to a regional community college to reflect that the Charles County Community College operated three facilities: a main campus in Charles County and branch campuses in St. Mary's and Calvert counties. Prior to 1999 the State provided 58.2 percent of funding for capital projects at the main campus and 61.6 percent of the funding at the St. Mary's County campus. The regional designation made the college eligible to receive up to 75 percent in State funding for all capital projects.

Regional Higher Education Centers

A regional higher education center includes participation from two or more institutions of higher education in the State and provides an array of higher education program offerings and multiple degree levels. The centers provide access to affordable higher education programs in unserved and underserved regions of the State and respond to needs of business and industry. There are six regional higher education centers in Maryland: the Higher Education and Applied Technology Center in northeastern Maryland; the Shady Grove Educational Center in Montgomery County; the Southern Maryland Higher Education Center; the Waldorf Center in Charles County; the Eastern Shore Higher Education Center; and the Hagerstown Higher Education Center.

During the 1999 interim, MHEC established a work group to consider policy issues relating to regional higher education centers. A proposal for policies and

guidelines was presented to the Strategic Committee on the State Plan in November 1999. ***Chapter 542 of 2000*** reflected the view that regional higher education centers should be more closely connected to statewide higher education planning and that consultation should be sought regarding how centers can best meet the educational needs of the region's residents.

The Act required each regional higher education center that requests or receives State financial support to submit a mission statement to MHEC for approval to ensure consistency with the State Plan for Higher Education. MHEC may require submission of strategic plans and may ensure that courses and programs are within the scope of the approved regional higher education center's mission. In addition, the governing body of a regional higher education center must submit its annual operating budget and capital project requests to MHEC. The Act authorized MHEC to review proposals for capital projects and improvements proposed by regional higher education centers and develop and submit to the Governor and the General Assembly recommendations as to these projects.

Part M
Human Resources

Social Services – Generally

Welfare Reform

Background

The previous legislative term saw significant changes to programs for the poor at the State and federal levels; most notably affected were "welfare" programs that provided primarily cash assistance to single parents. On August 22, 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was signed into law by the President. For the first time since the 1930s, the federal entitlement for welfare benefits ended. The existing federal Aid to Families with Dependent Children program was terminated, and states received Temporary Assistance to Needy Families (TANF) federal block grants to provide time-limited Temporary Cash Assistance (TCA) payments to indigent families. Receipt of federal benefits was limited under PRWORA to a cumulative 60 months for a family on welfare. In anticipation of federal welfare reform, Chapter 351 of 1996 was enacted in Maryland. The reformed Maryland program embodied much of the principles included in PRWORA later that year.

Chapter 351 replaced the Aid to Families with Dependent Children program with the Family Investment Program (FIP). Under FIP, Maryland's 23 counties and Baltimore City were given the flexibility to create their own tailor-made welfare programs. The goal of FIP was to emphasize job training and placement and, after assessing each family's specific needs and resources, provide cash assistance only as a last resort. The most significant aspects of the State's welfare program were established in 1996 and 1997. Since the advent of welfare reform, Maryland's welfare caseload has declined 70 percent, from more than 225,000 in fiscal 1995 to about 70,000 in fiscal 2002.

Initially, the State concentrated on assisting those TCA recipients who were deemed easiest to place in employment, and most of these cases have transitioned from welfare to work. The remaining cases headed by an employable adult typically face multiple barriers to employment such as substance abuse, mental health issues, poor work histories, low educational attainment, and limited access to transportation and child care. In addition, many of these cases have relied on cash assistance for long periods of time, with many having received cash benefits for over five years.

Over the past four years, Maryland enhanced welfare reform, and relatedly, child support enforcement reform by adopting a number of innovative programs. Most of the activities during the 1999–2002 term focused on keeping those persons who have left welfare off welfare and on finding innovative ways to help those who remain on welfare to become self-sufficient.

Welfare and Child Support Enforcement Innovation Act of 1999

Chapter 486 of 1999 continued the General Assembly's efforts to reform Maryland's welfare and child support enforcement programs. ***Chapter 486*** enhanced the State's ability to move more welfare recipients into the workforce, strengthened the quality of FIP administration of various cash assistance programs, and extended innovative child support enforcement programs. The Act's TCA provisions required: (1) development and implementation of a plan for hiring welfare recipients by State agencies; (2) funding for the job skills enhancement pilot program to be sufficient to train 400 newly employed current and former recipients at a cost of up to $2,500 each; (3) development of a quality control process to reduce TCA payment errors; and (4) local departments of social services to submit plans with objectives for meeting the goals of FIP. The child support enforcement provisions: (1) extended the termination date for the Child Support Enforcement Privatization Pilot Program in Baltimore City and Queen Anne's County to 2002; (2) clarified employment and retirement rights of former State employees hired by a private contractor; and (3) increased to six the number of local jurisdictions that may become child support enforcement demonstration sites to compete against the privatization contractor.

Welfare Innovation Act of 2000

Chapter 671 of 2000 was an omnibus piece of legislation that continued the State's commitment to assist families receiving public assistance to become gainfully employed. Expanding on previous legislation that encouraged State agencies to hire individuals on public assistance, ***Chapter 671*** required the Department of Human Resources (DHR) and directors of local departments of social services to work with local governments to develop plans for the hiring of welfare recipients by local governments. A two-week delay between application for cash assistance and the initial grant was eliminated, and the State opted out of a federal provision that denies welfare benefits and food stamps to individuals convicted of a felony involving the possession of a controlled

dangerous substance. Resident custodial parents convicted of such a felony were eligible, subject to testing, to receive cash assistance and food stamps. However, custodial parents lost eligibility for benefits for one year and were required to undergo two years of drug testing, and treatment if appropriate, if convicted of a drug-related felony while receiving benefits.

Because of the inability of DHR, the Department of Health and Mental Hygiene (DHMH), and managed care organizations to effectively implement the substance abuse screening process for TCA recipients created by the General Assembly in 1997, ***Chapter 671*** altered the substance abuse screening process. Addictions specialists were placed in every local department of social services to screen for substance abuse and refer applicants or welfare recipients for treatment, when appropriate.

Welfare Innovation Act of 2001

Chapter 395 of 2001 was another omnibus piece of legislation that reinforced the State's commitment to assist families receiving public assistance to become employed and to provide enhanced services in an efficient and effective manner. The Act:

- established a State-funded program for hardship cases that would otherwise be prohibited from receiving TCA due to federal time limits;
- created a Commission on Responsible Fatherhood to identify obstacles and propose solutions for problems created when a child is raised without the presence of a father, and to encourage noncustodial fathers to participate in raising their children;
- created a mentoring program for former TCA recipients;
- extended the time period to allow a former TCA recipient to participate in the Job Skills Enhancement Program;
- authorized local departments of social services to work with businesses to train and place former TCA recipients in jobs that provide benefits and have an upward career path; and
- expanded the New Hires Registry reporting requirement to include: (1) starting wages; and (2) whether health insurance is provided by the employer.

Earned Income Disregard

When TCA recipients begin to work, their cash assistance is reduced. Many states boost the income of working families by disregarding a portion of earned income when calculating cash assistance benefits, thereby providing an incentive to work. Back

in 1997, Maryland allowed 26 percent of a welfare recipient's income to be disregarded when calculating the person's cash benefit. ***Chapter 469 of 1999*** increased the income disregard for TCA recipients from 26 percent to 35 percent and prohibited the increase in the disregard from being funded by an increase in general fund expenditures or expenditure of funds set aside in the Dedicated Purpose Fund to cover future welfare costs. In addition, subject to federal law and regulation, if a recipient's eligibility was extended due to the increased disregard, the extended period of cash assistance was not subject to federal and State time limits on the receipt of cash assistance. The 35 percent increase under ***Chapter 469*** was effective for three years and was set to terminate on June 30, 2002.

Chapter 229 of 2002 extended the earned income disregard for TCA recipients who obtain unsubsidized employment from 35 percent to 40 percent of earned income, contingent on the availability of federal funds. The same requirements and caveats that applied to the 1999 increase also applied to the 2002 increase. In addition, the 1999 provision requiring the earned income disregard to return to 26 percent on June 30, 2002, was eliminated.

Child Support Privatization Pilot Program

Since 1995, Maryland has experimented with different approaches to increasing child support collections. Employing private vendors and comparing results to traditional State-run and innovative State-run approaches has been part of the framework for determining the best approach to child support enforcement. Chapter 491 of 1995 and ***Chapter 486 of 1999*** authorized DHR to hire a private contractor to improve child support collections in Baltimore City and Queen Anne's County. DHR was also authorized to establish State-run "demonstration sites" that employed innovative practices such as streamlined hiring procedures and the payment of incentives to employees. These demonstration sites established in Calvert, Howard, Montgomery, and Washington counties competed with the two privatized sites.

House Bill 495 of 2002 (passed) would have continued the General Assembly's efforts to improve child support enforcement through competition between demonstration sites and the privatized sites. The bill would have continued the privatization of child support enforcement in Baltimore City and Queen Anne's County and would have expanded the number of jurisdictions that could be demonstration sites.

House Bill 495 would have terminated on June 30, 2005. The Governor, however, vetoed the bill for policy reasons. The Governor cited an evaluation's findings that the demonstration sites, run by State employees, outperformed the privatized sites as the main reason for the veto. In anticipation of the gubernatorial veto, the General Assembly included language in the fiscal 2003 budget specifically restricting certain funds for the purpose of privatizing child support operations in Baltimore City and Queen Anne's County.

Programs for Low-income Families

Since Maryland has been successful in moving a large number of people off welfare, the State has begun to focus on methods of insuring that these people receive the necessary work skills, as well as other types of assistance, to keep them from returning to welfare.

Housing Assistance

Chapter 132 of 2000 established a technical assistance program in the Department of Housing and Community Development to provide grants to low-income families for home-ownership opportunities through self-help rehabilitation and construction. Local jurisdictions and nonprofit organizations can apply for technical assistance grants, which must be used for assistance, training, and supervision on self-help construction activities and techniques and for project development. In support of project development, grants can be used for the preparation of plans for self-help housing, contracts for professional services, application for project funding, packaging households' applications for assistance, preparation of subdivision maps, review of engineering plans and specifications for construction and rehabilitation projects, and compliance with appropriate requirements of funding agencies and local governments.

The STEP Pilot Program

Chapter 595 of 2001 established a five-year Skills-Based Training for Employment Promotion (STEP) Pilot Program, to provide competitive grants to local Workforce Investment Boards to fund skills-based training for low-income individuals. A local workforce investment board receiving a grant under this program must: (1) develop an assessment process to identify eligible individuals who have existing job skills that are sufficient to benefit from the program; (2) establish STEP accounts for individuals participating in the program that can be used to pay for skills-based training and wraparound services; (3) develop and implement an outreach program; (4) assist individuals in obtaining employment; and (5) develop employer-based training programs.

Skills-based training includes services resulting in a post-secondary educational degree, certificate of proficiency in a specific work-related skill, or the attainment of an identifiable skill that is likely to lead to further job advancement and increased earning potential. Wraparound services include transportation, health care, child care, meals, temporary housing, and other reasonable expenses required for participation in the approved program. Employer-based training programs range from short-term training in specific skills to post-secondary education classes. Training that results in the individual remaining in or moving to a job that pays minimum wage or that does not include health care benefits is not included in the program. Approved employer-based

programs require a minimum contribution by the employer of at least 50 percent in matching funds.

Program participants are required to be a parent or legal guardian of one or more dependent children and to have responsibility for the financial support of the children; a resident of Maryland living in a household with an income at or below 200 percent of the federal poverty level; and must have worked at least 20 hours per week for at least 6 months in a specified work activity, or have worked in one of the activities in 6 of the preceding 12 months.

Individual Development Accounts

Chapters 372 and 373 of 2001 required the Secretary of DHR to establish a five-year Individual Development Account Demonstration Program. An Individual Development Account is a matched savings account for a person who contracts to save funds for educational related expenses, a home, long-term home repairs, or for deposit into a business capitalization account. Each account is active for a three-year period from the time the account is opened, and the State must provide a $2 match for each dollar saved, up to a maximum match of $1,000 per account annually. The demonstration program is limited to 800 individuals, and pooled federal and State maintenance of effort funds may be used to provide the State match.

Emergency Reserve Funds

Chapters 516 and 517 of 1999 created the Joseph Fund as part of the State Reserve Fund to establish a reserve to meet the emergency needs of economically disadvantaged Marylanders, especially in times of economic downturn. The Joseph Fund was named after the biblical character Joseph who prophesied seven years of plenty followed by seven lean years. During the fiscal crisis of the early 1990s, State resources available to meet the needs of low-income citizens dwindled at the same time that the needs of economically disadvantaged citizens grew.

The Joseph Fund is to be used only to serve the needs of children, provide health services to individuals in need who are at or below 150 percent of the federal poverty level ($22,530 for a family of three), and provide food or shelter assistance to individuals in need. The fund consists of funds appropriated in the State budget; investment earnings; and monies obtained from any governmental or private source. For fiscal 2001, the Governor was authorized to include an appropriation equal to the lesser of 40 percent of the unappropriated surplus at the end of fiscal 1999, or $10 million. For fiscal 2002 and subsequent years, the Governor was authorized to include in the State budget an appropriation to the Joseph Fund equal to the lesser of 20 percent of the unappropriated surplus at the end of the fiscal year two years prior to the fiscal year for which the appropriation is proposed, or $5 million. ***Chapters 516 and 517*** also established a Joseph Fund Board to advise the Governor on the management of the fund.

The proposed fiscal 2003 budget provided insufficient funding to support the current welfare caseload and finance a mandated grant increase. Under State law, the Governor must annually provide funding in the budget to increase the TCA grant to a level that brings the combined value of TCA and food stamps to 61 percent of the State's minimum living level or send a letter to the General Assembly indicating why a grant increase was not provided. ***Chapter 440 of 2002***, the Budget Reconciliation and Financing Act of 2002, authorized the transfer of $3.3 million from the Joseph Fund to finance a TCA grant increase in January 1, 2003, and $4.7 million to fund the fiscal 2004 cost of the grant increase. The grant increase will bring the combined value of the TCA grant and food stamps to 61 percent of the State's minimum living level and provide the typical recipient with an additional $8 per month. ***Chapter 440*** transferred the remaining $8 million balance in the Joseph Fund to the State general fund.

Child Welfare

Child Welfare Workforce Initiative

The fiscal 2000 budget for DHR contained $14.1 million to implement provisions of the Child Workforce Initiative of 1998, ***Chapter 544 of 1998***. ***Chapter 544*** sought to improve the quality of child welfare services through recruiting and retaining competent staff and reducing caseload to staff ratios for foster care, family preservation, and protective service workers. Specific provisions:

- barred DHR from hiring contractual child welfare workers or supervisors after June 30, 1999;

- directed DHR to develop appropriate child welfare caseload to staff ratios for each jurisdiction; and

- required DHR and the Department of Budget and Management to review child welfare caseworker and supervisor salaries and recommend salary adjustments that will be adequate to recruit and retain caseworkers and supervisors.

The fiscal 2000 budget included funding to provide salary enhancements of two to three grades or $5,000 to $6,000 for caseworkers and supervisors who pass competency tests and to convert all contractual casework positions to permanent status. Additional funding also established a pilot program to reduce the caseload to staff ratios in Allegany and Caroline counties and the northwest part of Baltimore City to eight families for every 1.5 staff. Under the pilot, a worker was required to stay with the same case as it progressed through the child welfare system rather than being assigned to a specific function such as protective services or foster care.

Dissatisfaction with the progress DHR was making in implementing ***Chapter 544*** led to the introduction of ***Senate Bill 728/House Bill 903 of 2000 (both failed)***. These bills would have required the Governor to provide in the State budget the additional caseworker and casework supervisor positions necessary to attain certain specified caseload ratios in all jurisdictions, as recommended by a 1997 Child Welfare League of America report. These caseload ratios would have been phased in over a three-year period, fiscal 2002–2004. Although the bills failed, language in the fiscal 2001 budget required DHR and the Department of Budget and Management to submit a plan to the budget committees for implementing the Child Welfare League recommended caseload-to-staff ratios by June 2003. The fiscal 2003 budget included sufficient funding and personnel to achieve the appropriate ratios by June 2003.

Substance Abuse Treatment Programs

Studies demonstrate that substance abuse is a key factor contributing to the abuse and neglect of children and the growing ranks of out-of-home placements. ***Chapters 550 and 551 of 2000*** integrated child welfare and substance abuse programs by providing the necessary link to ensure that appropriate substance abuse treatment was available to all parents of children entering foster care or at risk of out-of-home placement.

The secretaries of DHR and DHMH, in consultation with a broad range of child welfare professionals, were required to develop a statewide protocol for integrating child welfare and substance abuse treatment services before December 1, 2000. ***Chapters 550 and 551*** required the development of protocols placing qualified addictions specialists in all child welfare offices and assuring that parents are screened for substance abuse in all child abuse and neglect cases.

Child Abuse

Records and reports concerning child abuse or neglect are generally confidential, and their unauthorized disclosure is a criminal offense. Such records may, however, be disclosed on request to the appropriate public school superintendent for the purpose of carrying out personnel actions following a report of suspected child abuse involving a student, committed by a public school employee. ***Chapter 312 of 2001*** expanded the type of child abuse or neglect reports that may be disclosed to a public school superintendent to include a report of suspected child abuse committed by an independent contractor or an employee of an independent contractor, such as a bus driver, who supervises or works directly with students.

The Elderly

Assisted Living Programs

Chapter 359 of 2001 required DOA to provide monthly subsidies, when necessary and in accordance with available funds, to assisted living facility residents whose adjusted gross income is less than their cost of care. The maximum monthly subsidy is $650. The Act codified existing practice.

Chapters 134 and 135 of 2001 assisted Medicare enrollees and certain low-income individuals to obtain prescription drug coverage. For a more detailed discussion of ***Chapters 134*** and ***135***, see the "Health Insurance" subpart of Part J - Health of this *Major Issues Review*.

Retirement Communities

Chapter 150 of 2002 was the result of recommendations made by DOA's Continuing Care Advisory Committee. The Act broadened the health related services that Continuing Care Retirement Communities (CCRC) must provide and what it means to make medical and nursing services or other health related services available to subscribers. CCRCs furnish: (1) shelter; and (2) either medical and nursing services or other health related services to an individual 60 years old or older who is not related to the provider, under one or more written agreements that require the transfer of assets or an entrance fee.

Under prior law, "health related services" meant, at a minimum, priority admission to a nursing home or assistance in daily living activities, not including meals. ***Chapter 150*** broadened the definition of "health related services" to include services that are needed by a subscriber to maintain the subscriber's health and added admission to an assisted living program as a potential service. The Act specified that when "making available either medical and nursing services or other health related services" the provider or an affiliate must have the services readily accessible for use by a subscriber whether or not the services are specifically offered in the written agreement for shelter.

The Act enabled people to receive refunds from CCRCs more quickly if they move out within the first 90 days. It also required providers to refund an individual's entrance fee within 60 days of an agreement being terminated or of the individual's death under certain circumstances.

DOA may petition for the appointment of a receiver for a CCRC if the department has determined that there is a significant risk of the provider's financial failure. CCRCs will have up to ten fiscal years after the later of October 1, 1996, or the date of the CCRC's initial certificate of registration to set aside operating reserves for

each facility that equal 15 percent of the net operating expenses for the most recent fiscal year a certified financial statement is available.

Finally, DOA may impose a civil penalty of up to $5,000 per violation for any action or inaction that violates the Act's provisions or related regulations. CCRCs will have the right to appeal the penalty under the Administrative Procedure Act. All money collected from penalties must be deposited into the State's general fund.

Chapter 471 of 2002 established a Naturally Occurring Retirement Community Demonstration Program within DOA. Naturally occurring retirement communities are a defined geographic area or an identifiable residential community that has existed for at least 20 years and, as a result of natural demographic changes, has concentrated clusters of residents over the age of 60. The program will award grants to program participants to provide services that help elderly residents in naturally occurring retirement communities. No more than ten grants may be awarded in the first 12-month period. Grants may not exceed $150,000 for a project in any 12-month period and generally must be matched with an equal amount of funds, 25 percent of which must come from the grant applicant. DOA may waive all or part of the matching requirements if a low-income naturally occurring retirement community cannot afford the match. This program is effective from October 1, 2002, through August 31, 2005, contingent upon the availability of federal funds. The State may not expend general funds to implement the program.

The Disabled

Over the last four years, the General Assembly has concentrated on developing community-based alternatives to institutional care. The State has pursued new or expanded federal Medicaid waivers to provide community-based services to elderly and disabled individuals as an alternative to nursing home care. Maryland has also committed additional State dollars to developing community-based care for the developmentally disabled and enhancing the payment rates of community providers in order to increase the quality and availability of services.

Maryland's efforts to expand community-based care are consistent with the United States Supreme Court's 1999 ruling in *Olmstead v. L.C.*, 527 U.S. 581, that no person may be required to live in an institution or nursing home if the person can live in the community with the right support. The Court indicated that a state could establish compliance with the Americans with Disabilities Act of 1990 if it can demonstrate, among other things, that it has a comprehensive, effectively working plan for placing qualified persons with disabilities in less restrictive settings.

Waiting List Initiative and Fiscal Management of Waiting List Funds

The Developmental Disabilities Waiting List Initiative was created by the Governor and the General Assembly to reduce the backlog of 5,000 developmentally disabled individuals waiting for community-based services. The Waiting List Initiative was scheduled to run for a five-year period beginning in fiscal 1999 and is overseen by the Developmental Disabilities Administration (DDA) in DHMH.

As part of the initiative, DDA broadened the range of services for waiting list clients. Under the principle of self-determination, clients and their families are encouraged to select services that maximize a client's independence and integration into the community. These services include residential programs, in-home support, and day programs. The Waiting List Initiative has received national attention and recognition.

In fiscal 1998 DDA had a $17 million surplus for the community services program. The surplus was the result of overestimated payments to community service providers and financial management problems. A surplus of this amount was notable in light of the five-year Waiting List Initiative begun in fiscal 1999.

Chapter 204 of 1999 addressed DDA fiscal management concerns and ensured that funds appropriated for the Waiting List Initiative continue to be available for that purpose. The Act specified the circumstances under which DHMH can recover payments to community service providers, stipulated the process and deadline by which DHMH must reconcile a provider's year-end report, and required DHMH to conduct an audit of each private provider every four years. In addition, it prohibited unspent fiscal 2000 Waiting List Initiative general funds from reverting to the general fund. Therefore, any unspent funds had to remain available for Waiting List Initiative expenditure in fiscal 2001.

Chapter 722 of 2001 prohibited the reversion of general funds appropriated in connection with the DDA Waiting List Initiative that remained unexpended by DDA on June 30, 2001. Unexpended general funds associated with the Waiting List Initiative were required to remain available for one-time expenditures in fiscal 2002 that did not expand the base budget requirements for fiscal 2003.

Fiscal 2003 spending on the waiting list initiative exceeds $160 million.

Developmental Disabilities Administration

Cost-of-living Increase

As part of its fiscal 2002 cost containment effort, DHMH proposed requiring the cost-of-living increase in a developmentally disabled individual's supplemental security

income (SSI) benefits to be used toward the person's contribution for residential services. ***Chapters 330 and 430 of 2002*** prohibited DHMH from requiring a cost-of-living increase to be used toward the individual's contribution for residential services. Instead, individuals must be allowed to keep the cost-of-living increase as part of their personal needs allowance. During fiscal 2002, DDA was authorized to use money from the Waiting List Equity Fund to allow SSI recipients' cost-of-living increase to be added to individuals' personal needs allowance. DDA was required to reimburse the fund by July 30, 2002.

Compensation of Direct Care Workers

Concern that direct-support workers employed by community providers to serve the developmentally disabled were not being compensated at the rate of employees in State residential centers led to the development of an initiative to eliminate the wage disparity. ***Chapters 109 and 110 of 2000*** required DHMH to increase rates of reimbursement for community services providers to eliminate the wage disparity over a five-year period. The legislation further required all increases in rates of reimbursement to be used to directly increase compensation for community direct service workers.

In order to determine the amount of the disparity, DHMH worked in conjunction with the Community Services Reimbursement Rate Commission to gather complete and accurate data from providers regarding wages, hours, benefits, and average length of employment. The resulting data were then compared to equivalent State positions. The fiscal 2003 budget contained $16.2 million for the first installment of the wage initiative.

Chapter 306 of 2002 allowed DDA to impose a fine on a private, community-based service provider of up to $500 for each day a provider's cost report for rate-based payment services or a wage survey is not submitted or corrected. DDA may also withhold payments to that provider for failure to submit a cost report or a wage survey on time or for one that needs correction.

Assistive Technology Equipment

Chapter 468 of 1999 established the Assistive Technology Guaranteed Loan Program and an Assistive Technology Guaranteed Loan Fund in the Office for Individuals with Disabilities to provide assistance for the purchase of assistive technology equipment to enable individuals with disabilities to become more independent. The purpose of the loan fund is to provide guarantees for loans made by lending institutions for the purchase of assistive technology equipment and to subsidize interest rates of lenders. The fund consists of money appropriated by the State, income from investment earnings, fees for loan guarantees or subsidies of loan interest, and any other monies made available to the fund. The total amount of a loan guarantee may be up to 100 percent of the loan.

Paratransit Services

Chapter 161 of 1999 repealed the June 30, 1999, termination date of a provision of law requiring the Maryland Department of Transportation to provide annual grants to offset the local costs of providing paratransit services that are complementary to fixed route service as required under the federal Americans with Disabilities Act (ADA). Paratransit services include ADA-eligible transportation for the elderly and disabled by a variety of vehicles, including contracted taxicab services. Paratransit service is used to accommodate trips for individuals who need to obtain medical treatment, including chemotherapy and kidney dialysis, to get to their jobs, or to meet other appropriate transportation needs.

The Disabled Elderly

Many of the State's disabled elderly are in assisted living or nursing home facilities. ***Chapters 219 and 488 of 2000*** strengthened the State's regulation of nursing homes by revising the then current law that allowed DHMH to take corrective action where a potential for more than minimal or actual harm to a resident existed. Additional legislation required nursing homes to establish and implement a quality assurance program ***(Chapter 217 of 2000)***, created an Oversight Committee on Quality of Care in Nursing Homes with public and private membership ***(Chapter 216 of 2000)***, and altered inspection requirements for nursing home facilities ***(Chapter 215 of 2000)***.

Chapters 212 and 213 of 2000 expressed the intent of the General Assembly that the Governor supplement the Medicaid reimbursement formula under the nursing service cost center in fiscal 2002 and 2003 to enable nursing homes to hire more nursing staff, increase salaries, and ultimately increase the number of direct care hours provided to nursing home residents. For a more detailed discussion of these Acts, see the "Health Care Facilities and Regulation" subpart of Part J - Health of this *Major Issues Review*.

Community Attendant Services and Supports Program

On April 1, 2001, DHR began providing home- and community-based services for adults with physical disabilities as an alternative to nursing home placement. These services are available as a result of the Medicaid attendant care waiver received from the federal government. The waiver program, Living at Home: Maryland Community Choices, covers certain specific home- and community-based services for adults (aged 21 through 59) who have a physical disability. The program is statewide and participants are enrolled on a first-come, first-served basis. Covered services include: attendant care; assistive technology; environmental adaptations; personal emergency response systems; occupational therapy; speech therapy; nursing supervision of attendants; consumer training; family training; and disposable supplies.

The waiver also covers costs for case management, fiscal intermediary services, transitional services, and administrative services.

Chapter 495 of 2001 required DHR, in coordination with DHMH, to administer a Community Attendant Services and Support Program for certain individuals with disabilities by expanding the existing Medicaid waiver funded program within DHR to include individuals with incomes at or below 300 percent of supplemental security income. Subject to funding in the State budget, the program was to be expanded to include 300 individuals by the end of fiscal 2002. DHMH and DHR were required to establish a plan to identify individuals residing in nursing homes who would be eligible for services under the waiver and develop a time line for providing those individuals with access to the services available under the waiver.

Under the provisions of ***Chapter 495***, an individual's program of services is based upon a mutually agreed upon individual services plan, jointly developed by the individual and DHR. The individual will have the option to choose among different types of services and may select or hire a personal assistant, including a family member (spouse excluded). DHR will offer the following training to the individual: (1) how to select, manage, and dismiss an attendant or personal assistant; and (2) financial management of the individual's personal assistance services. An individual who is dissatisfied with the program has a right to appeal to DHR, and DHR and DHMH are required to adopt a quality assurance system for the program that is consistent with federal requirements regarding the quality of waiver services.

Chapter 495 also required the State to apply for federal grants and waivers to assist the State in implementing the Act. Finally, ***Chapter 495*** required the State to notify the U.S. Department of Health and Human Services of the State's intent to expand the Medicaid Home- and Community-Based Waiver for Adults with Physical Disabilities by July 1, 2001, and added various reporting requirements.

Chapter 722 of 2001 provided that all general funds appropriated in connection with the Medicaid waiver for home- and community-based services for adult individuals with disabilities that remained unexpended by DHR on June 30, 2001, would not revert to the general fund and required that they remain available for expenditure in fiscal 2002.

Long-term Care

Chapter 84 of 2002 required a nursing facility, through a social worker, to provide a resident with a one-page information sheet that: (1) explains the availability of services under home- or community-based waiver programs that could enable the resident to live in the community; (2) explains that if the resident's care is partially or fully reimbursed by Medicaid, the resident may be able to receive long-term care services in the community instead of in the nursing facility; (3) provides information regarding

referrals that may provide additional information, case management services, or evaluation services related to home- and community-based waiver programs; and (4) is in large, easily legible type and in formats accessible to the resident.

The long-term care case manager at a local department of social services must: (1) provide assistance to residents and make referrals to persons that may help provide additional information, case management services, or evaluation services related to Medicaid waiver programs or other options for receiving long-term care services in the community; (2) provide the same information to the resident's health care representative or legal guardian; and (3) ensure that a copy of the information provided is kept in a resident's client file.

Children

Maryland After-school Opportunity Program

Up to one-fifth of the students who are enrolled in either public or private schools in Maryland return to unsupervised settings once the school day concludes. Depending upon the time of dismissal, children can be left alone for over four hours each day. The National Center for Juvenile Justice reported in 1997 that almost half of juvenile crime takes place between 2:00 and 8:00 p.m. each day and that after-school hours are the time when students are most frequently victims of crime and accidents. To address these concerns, ***Chapters 585*** and ***586 of 1999*** established the Maryland After-School Opportunity Fund Program to provide funding to organizations with after-school programs for children.

The Maryland After-School Opportunity Fund enhances State funding for after-school programs. Fiscal 2003 spending on the program is $12.5 million. DHR administers the fund as directed by an executive committee, comprised of the Governor; the State Superintendent of Schools; and the secretaries of Human Resources; Health and Mental Hygiene; Juvenile Justice; and the Office for Children, Youth, and Families (OCYF). The executive committee must consult with an advisory committee consisting of State officials, parents, students, a teacher, and community representatives.

The executive committee of the fund is also required to review and update the comprehensive plan of after-school opportunity programs each year. This plan must address: (1) the integration of public and private funding sources; (2) maximization of federal funding opportunities; (3) the consideration of special needs of developmentally disabled children, including needed services, supports, and appropriate provider training; (4) the promotion of the use of school buildings and local public transportation resources for after-school opportunity programs; (5) the use of local child care resource and referral centers for technical assistance purposes; and (6) the promotion of continued expansion of high quality after-school opportunity programs in the State. In any fiscal year, the total

grants awarded to applicants operating within a particular county may not exceed 15 percent of the total grants awarded in that fiscal year.

Rate Setting

Chapter 609 of 1998 established a more competitive rate system for nonpublic educational services and residential and nonresidential child care by requiring the agencies of the Subcabinet for Children, Youth, and Families to redesign the rate setting structure. The legislation designated the Maryland State Department of Education (MSDE) as the lead agency responsible for redesigning and implementing the rate setting structure. However, the Executive Branch interpreted the legislation narrowly and left the administrative responsibilities with OCYF. ***Chapter 541 of 1999*** designated MSDE as the agency responsible for implementing and administering the redesigned rate setting system, clarified that all subcabinet agencies will participate in the development and implementation of rates to the extent required by federal and State law, and specified that an appeal as to the amount of the rates must be made to the subcabinet.

Child and Dependent Care Tax Credits

Chapters 583 and 584 of 1999 allowed tax credits for qualifying child and dependent care expenses beginning in 2000. ***Chapter 520 of 2000*** increased both the maximum income levels for purposes of determining eligibility for the tax credit for qualifying child and dependent care expenses, and the amount of the credit, beginning in 2001. For a more detailed discussion of these Acts, see the "Income Tax" subpart of Part B - Taxes of this *Major Issues Review*.

Child Care Quality and Regulation

Family Day Care Provider Direct Grant Program

The Family Day Care Provider Direct Grant Program was first established as a pilot program in 1991, to aid family day care providers in meeting the costs associated with being registered by the State. The program was reestablished in 1994 and again in 1997. The program seeks to encourage day care providers to register with the Child Care Administration and discourage delinquent providers from operating illegally. ***Chapter 40 of 2000*** removed the termination provision from the Family Day Care Provider Direct Grant Fund Program within DHR and continued the program indefinitely.

Child Care Quality Incentive Grant Program

Chapter 256 of 2002 created the Child Care Quality Incentive Grant Program within DHR to help qualified child care providers purchase supplies, materials, and equipment to improve the quality of care they provide. To be eligible to receive grants,

child care providers must have a current certificate of registration or license that is not subject to pending regulatory action, including revocation and suspension. Grants are to be limited to child care centers in Title I communities, child care centers where at least 25 percent of the children enrolled receive subsidies through the Purchase of Care program, and family day care homes that serve children who receive Purchase of Care subsidies. Grants may not exceed $2,500 and may only be awarded if federal funds are available to cover the cost.

Child Care – First Aid and CPR

Chapter 68 of 1999 required DHR to adopt regulations requiring each registered family day care provider to have an individual on staff who holds a current certificate indicating completion of approved basic first aid training through the American Red Cross or an equivalent program, and cardiopulmonary resuscitation (CPR) training through the American Heart Association or an equivalent program. Child care centers must have in attendance at all times at least one individual with a current certificate who is responsible for supervision of children. Child care centers serving more than 20 children must have at least one certificate holder in attendance for every 20 children.

Residential Educational Facilities

Residential educational facilities provide special education and related services, hold a certificate of approval issued by the State Board of Education, and provide 24-hour care and supportive services to disabled children in a residential setting, or are one of the following schools: the Benedictine School, the Linwood School, the Maryland School for the Blind, or The Maryland School for the Deaf. Prior law did not require that residential educational facilities obtain a license from the Social Services Administration. ***Chapters 539 and 540 of 1999*** required a residential educational facility to be licensed by the Social Services Administration for the residential portion of its programs as of January 1, 2000.

Inspections

Chapter 410 of 1999 authorized DHR to make unannounced inspections of each registered family day care home in any year that an initial or renewal inspection has not taken place. In addition to unannounced inspections, the Act also required an inspection of a family day care home prior to issuance of an initial registration and prior to the issuance of any renewal registration.

Camps

Chapter 328 of 2002 increased the number of residential camps regulated by DHMH by altering the definition of a residential camp. The minimum number of days a camp operates was changed from seven consecutive 24-hour days to five consecutive

days. ***Chapter 328*** also required DHMH to adopt regulations regarding the minimum standards for supervising campers during routine activities. DHMH may not adopt regulations that set ratios for campers to medical staff except for: (1) camp health supervisors at a camp where 50 percent or more of the campers have identified medical problems; (2) personnel required to meet emergency safety standards; and (3) camp health supervisors, or their designees, trained to administer medicine to campers.

Judith P. Hoyer Early Child Care and Education Enhancement Program

Chapter 680 of 2000 established the Judith P. Hoyer Early Child Care and Education Enhancement Program to promote school readiness through developing and expanding full-day early child care and education programs and family support services. The program was named after the late Judith P. Hoyer, wife of Congressman Steny H. Hoyer, who was very active in early childhood services throughout her life. Under the program, local school systems and certain private providers are eligible to apply for Judy Center Grants and Early Child Care and Education Enhancement Grants.

The Judy Hoyer Centers establish full-service schools where students and families can receive a full range of services in one location. Examples of services offered include before- and after-school care, Head Start and Even Start services, English proficiency classes, and family support services. More than $19 million was appropriated from fiscal 2001 through 2003 for Judy Centers and enhancement grants. In fiscal 2002, 24 Judy Centers were in operation.

Joint Committee on Children, Youth, and Families

Chapter 363 of 1999 established the Joint Committee on Children, Youth, and Families. The committee was charged with identifying State policies and actions that promote conditions of well-being for Maryland's children, youth, and families. The committee was required to report on its work and any recommendations to the General Assembly by December 1 of each year. ***Chapter 491 of 2002*** extended the termination date for the committee from May 31, 2002, to June 30, 2009.

During its first three years in existence, the committee focused on improving school readiness. These efforts culminated in the State's first outcome based budget hearing in February 2001.

Judith P. Hoyer Blue Ribbon Commission on the Financing of Early Child Care and Education

As the demand for child care has grown and the costs have increased, there has been growing interest, at many levels, in finding creative financing sources. ***Chapter 566 of 2000*** established a 25-member Judith P. Hoyer Blue Ribbon Commission on the

Financing of Early Child Care and Education to study the costs and availability of funding for early child care and education. The commission was required to submit to the Governor and the General Assembly an interim report by December 31, 2000, and a final report by December 31, 2001. The commission completed its work in November 2001 with recommendations for improving the quality and accessibility of early care and education. Specific proposals focused on the salary differential between public school teachers and other early care professionals and the need to subsidize care for moderate income families.

Citizen Review Panels

In response to a well-publicized death by abuse of a child in Worcester County, the General Assembly determined that independent citizen oversight of child protective services was needed in Maryland. ***Chapters 355 and 356 of 1999*** established a series of review panels, including the State Citizens Review Board for Children, the State Council on Child Abuse and Neglect, the State Child Fatality Review Team, and local child fatality review teams. For a more detailed discussion of ***Chapters 355 and 356***, see the "Family Law" subpart of Part F - Courts and Civil Proceedings of this *Major Issues Review*.

Adoption Subsidies

Each local department of social services administers an adoption subsidy program for eligible children, that is, minor children to whom guardianship with the right to consent to adoption has been awarded to a child placement agency and a determination has been made by a local department that a subsidy is necessary to assure the child's adoption because of the child's special circumstances. Special circumstances include physical or mental disability, emotional disturbance, recognized high risk of physical or mental disease, age, sibling relationship, and racial or ethnic factors. The subsidy can take the form of a monetary payment, medical care, medical assistance, or special services.

Chapter 346 of 2001 removed a financial disincentive contained in the prior law for treatment foster care parents who wanted to adopt a child with special needs living under their care. Under the prior law the treatment foster care parents could receive a maximum of $1,800 per month plus paid day care and respite for caring for the child as a foster child. However, if the therapeutic foster care parents adopted the child, they would only receive $650 per month and lost paid day care and respite. ***Chapter 346*** attempted to correct this inequity by raising the maximum monthly payment for adoption subsidies from $650 to $2,000 for a medically fragile child living in a treatment foster care home.

Office for Children, Youth, and Families

Chapter 255 of 2002 expanded the role of the Governor's OCYF by establishing the Office of the Independent Juvenile Justice Monitor within OCYF. The office is required to review and evaluate the procedures and conditions at residential facilities, including: the child advocacy grievance process, the monitoring process of the Department of Juvenile Justice, the treatment of and services to youth, the physical conditions of each facility, and the adequacy of staffing at each facility. For a more detailed discussion of ***Chapter 255***, see the "Juvenile Law" subpart of Part E - Crimes, Corrections, and Public Safety of this *Major Issues Review*.

Chapter 282 of 2002 made various changes to the law pertaining to OCYF. The Act codified the existing 25-member Maryland School-Based Health Policy Advisory Council within OCYF. It also required the Subcabinet for Children, Youth, and Families to develop a plan to improve access to services for children with special needs, develop community-based resources for children with intensive needs and children at risk of residential placement, and reduce the number of children placed outside of their home communities. Finally, the Act extended the sunset date for OCYF to July 1, 2005, and made numerous technical corrections to existing OCYF law.

Advisory Council on Attention Deficit Hyperactivity Disorder

Attention Deficit Hyperactivity Disorder (ADHD) is a disorder characterized by behavior and attention difficulties that are exhibited in multiple settings, but most prominently in the classroom. The disorder begins in childhood, is identified by difficulty in paying attention, hyperactivity, and impulsiveness, and has been treated using pharmaceuticals such as methylphenidate.

Chapter 84 of 2000 established a 25-member Advisory Council on Attention Deficit Hyperactivity Disorder to ensure the development of guidelines and uniform principles regarding the diagnosis and treatment of ADHD and to promote greater understanding among parents, the medical community, and schools to effectively address this disorder. The advisory council must submit an annual report of its findings and recommendations to the Governor and the General Assembly. OCYF was required to coordinate the staffing of the advisory council and execute a Memorandum of Understanding among the office, DHMH, and MSDE, to determine whether DHMH or MSDE should provide staffing for the advisory council.