

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 183 (Senator Hester)

Education, Energy, and the Environment

Public Safety - Maryland Cyber Reserve - Established

The bill establishes the Maryland Cyber Reserve (MCR) within the Military Department. The primary mission of MCR is to provide educational and technical support to prevent and resolve cyber attacks against State, county, and local government agencies and critical infrastructure within the State.

Fiscal Summary

State Effect: General fund expenditures increase by at least \$507,500 in FY 2027, primarily for equipment to establish MCR, as discussed below; future years reflect ongoing costs. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	507,500	260,000	160,000	160,000	160,000
Net Effect	(\$507,500)	(\$260,000)	(\$160,000)	(\$160,000)	(\$160,000)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Chesapeake Employers' Insurance Company (Chesapeake) Effect: Chesapeake nonbudgeted revenues increase by \$7,500 in FY 2027 and by \$10,000 annually thereafter from workers' compensation premiums. Chesapeake nonbudgeted expenditures increase minimally to the extent that additional workers' compensation claims are paid.

Local Effect: The bill is not anticipated to materially affect local finances or operations.

Small Business Effect: None.

Analysis

Bill Summary:

Establishment of the Maryland Cyber Reserve within the Military Department

MCR is a component of the organized militia of the State in addition to and separate from the National Guard. The Governor is the commander-in-chief of MCR, and MCR is under the operational control of the Adjutant General. A commanding general of MCR must be appointed by and serve at the pleasure of the Adjutant General.

In addition to its primary mission, MCR must have other duties and missions, including providing technical support to (1) corporations conducting business within the State targeted in a cyber attack and (2) citizens of the State targeted in a cyber attack.

Regulations

The Governor is authorized to adopt regulations to implement the bill's provisions governing the enlistment, organization, administration, equipment, maintenance, training, and discipline of MCR. The Governor may prescribe a uniform for MCR. As specified, the regulations must prohibit the acceptance of gifts by members of MCR in exchange for specific and isolated services, but they are not to be interpreted to prohibit gifts or bequests by individuals or organizations to MCR.

Composition

MCR consists of commissioned or assigned officers as well as qualified individuals who volunteer to serve and are commissioned, appointed, or enlisted in MCR. An individual may not be commissioned or enlisted in MCR if the individual (1) is not a citizen of the United States; (2) has been dismissed from or received a specified discharge other than an honorable discharge from a military or naval organization of the State or of another state or the U.S. armed forces or has been convicted of a federal or state offense, as specified; or (3) does not meet the qualifications for commissioning, appointment, or enlistment specified in regulations governing MCR. Specified clubs and civic organizations may not enlist in MCR as an organization or unit.

Compensation

All members of MCR serve on a voluntary basis and without pay, unless they are under orders approved by the Adjutant General specifying that their service is with pay. The pay must be determined and provided by rule by the Adjutant General as well as reasonable

and commensurate with the training, experience, and professional qualifications of the member.

Enlistment and Resignations

The enlistment period in MCR is determined by the commanding officer based on the specialty of the recruit and the needs of the militia and may be renewed. In the case that a state of war exists between the United States and any other nation, or that there is a federal or State declaration of emergency presently in force in the State, all enlistments must continue three months after said state of war or emergency ends, unless the enlisted individual is discharged sooner by proper authority. The Governor may accept the resignation of an officer or grant a discharge to an enlisted individual at any time.

Requisitions by the Governor

The Governor may requisition any arms and equipment from the U.S. Secretary of Defense (now War) that are in the possession of and can be spared by the U.S. Department of Defense (now War) for use by MCR. The Governor may allow MCR to use the facilities and equipment of a State armory or other available State premises and property. A school authority is authorized to allow MCR to use a school building or school grounds.

Federal Service

MCR may not be ordered or drafted into the military service of the United States, except by order of the President of the United States acting pursuant to the U.S. Constitution and federal law. However, this may not be construed to prohibit service of MCR or personnel in missions in which federal military personnel are also serving or in command. An individual is not exempt from military service under federal law because the individual is enlisted, commissioned, or appointed in MCR.

Appointment and Commissioning of Officers

The Governor must appoint and commission each commissioned officer or appoint each warrant officer of the organized militia on recommendation of the Adjutant General. The appointments do not require confirmation by the Senate of Maryland.

Each individual commissioned or appointed as an officer or warrant officer must be qualified by means of experience or education, as specified. Accordingly, each such individual must be (1) an officer, a warrant officer, or an enlisted individual of the National Guard; (2) a retired or former officer or warrant officer of, or an individual with prior enlisted service in, the U.S. Army, Navy, Marine Corps, Air Force, or Coast Guard (or any auxiliary thereof); (3) a graduate of the U.S. Military Academy, Naval Academy,

Coast Guard Academy, Merchant Marine Academy, or Air Force Academy; (4) a graduate of specified schools who received military instruction under the supervision of specified U.S. military officers who certified the graduate's fitness for appointment as a commissioned officer; or (5) an individual not otherwise identified above who is specially qualified for service by achievement in any professional, technical, or public service capacity or otherwise displays extraordinary qualifications for commissioning as an officer of MCR. Before taking office, each member of the National Guard must take the oath prescribed for members of that entity, and each member of MCR must take an oath specified in the bill.

When initially appointed, a general officer or colonel of the organized militia must meet specified required qualifications. However, these requirements do not apply in the case of officers promoted to the grade of major or above from within MCR or specified other officers.

Workers' Compensation

The Adjutant General must secure workers' compensation insurance with Chesapeake for each officer and enlisted individual of MCR, which applies when an employee is ordered by the Governor to active military duty for service during a cyber attack. In addition, the Adjutant General must maintain workers' compensation insurance for members of MCR during training. The Adjutant General must pay the premiums for the insurance policy from appropriations for the militia that the Governor includes in the State budget.

Current Law:

Adjutant General, Maryland Defense Force, and State Cyber Units

The Adjutant General heads the Military Department, is responsible for the department's budget and is custodian of all State and federal property used by the organized militia. The Adjutant General maintains all State-owned armories located in Maryland and all other properties that may be occupied, purchased, or leased by the Military Department. The Adjutant General also regulates the use of such facilities.

The Maryland Defense Force (MDDF) was formally established by the General Assembly in 1917 and is a uniformed military agency of volunteers under the Adjutant General and the Military Department. MDDF has the primary mission of providing competent supplemental professional, technical, and military support to the Maryland Army National Guard and the Maryland Air National Guard. The Governor is the commander-in-chief of MDDF, and MDDF generally cannot be deployed outside the borders of Maryland. State active duty may be required for imminent public crises (e.g., disasters, rioting,

catastrophes, and other general periods of unrest), when martial law is declared, to enforce the laws, or to carry on any function of the State militia.

The Military Department oversees several units with missions focused on cybersecurity. Within MDDF, the Cyber Security Unit provides professional, civilian-military expertise in cyber security to the Military Department and State and local agencies as a service and assistance to their own cybersecurity programs. The 169th Cyber Protection Team of the Maryland Army National Guard is a team of cyber professionals whose mission is to defend Department of War information networks and assist in cyber defense issues. The 175th Cyberspace Operations Group of the Maryland Air National Guard is tasked with cyber offense and defense activities while supporting the U.S. Cyber Command.

Maryland Cybersecurity Council

Chapter 358 of 2015 established the Maryland Cybersecurity Council. The council must work with the National Institute of Standards and Technology, as well as other federal agencies, private-sector businesses, and private cybersecurity experts to assess and address cybersecurity threats and associated risks from artificial intelligence and quantum computing to fulfill several specified responsibilities.

Workers' Compensation – Generally

Generally, each employer in the State must secure workers' compensation for all covered employees of the employer by maintaining insurance with an authorized insurer or, in limited circumstances, through self-insurance. An individual is presumed to be a covered employee while in the service of an employer under an express or implied contract of apprenticeship or hire. To overcome the presumption of covered employment, an employer must establish that the individual performing services is an independent contractor in accordance with the common law or is specifically exempted from covered employment under the Maryland Workers' Compensation Act.

If an employee covered under workers' compensation insurance has suffered an accidental personal injury, compensable hernia, or occupational disease, the employee is entitled to compensation benefits paid by the employer, its insurer, the Subsequent Injury Fund, or the Uninsured Employers' Fund, as appropriate. Workers' compensation benefits include wage replacement, medical treatment, and vocational rehabilitation expenses.

State Expenditures: The Military Department advises that purchase of specialized cybersecurity equipment, training, and military uniforms for MCR volunteers would require approximately \$500,000 in fiscal 2027 and lesser amounts in future years. However, the Military Department did not provide *any* additional information regarding this estimate, including a breakdown of costs or the number of volunteers needed to staff

MCR. Therefore, for the purposes of this analysis, it is assumed that 10 new volunteers that are not currently serving in other capacities within MDDF are required to staff MCR. Based on information provided by Chesapeake, the annual premium to provide workers' compensation coverage for the whole unit is anticipated to cost no more than \$10,000 annually.

Accordingly, general fund expenditures are assumed to increase by at least \$507,500 in fiscal 2027, which accounts for the bill's October 1, 2026 effective date, for the Military Department to (1) procure the necessary equipment and training for MCR, including specialized cybersecurity equipment and (2) provide workers' compensation insurance for MCR volunteers. This estimate assumes that the Military Department maintains workers' compensation insurance for MCR members at all times. The estimated cost for insurance is higher to the extent there are more than 10 MCR members.

This estimate does not include general fund expenditures for compensation for MCR members, which cannot be reliably estimated at this time but, as required under the bill, is provided when members are on active duty and at a pay rate that is generally based on experience and qualifications.

Finally, the estimate assumes that MCR is a *reactive* force and is activated only in the event of a cyber attack. The Department of Legislative Services notes, however, that the primary mission of MCR relates also to *preventing* cyber attacks. To the extent MCR is expected to conduct ongoing activities, additional MCR volunteers are needed, resulting in additional costs.

Chesapeake Effect: Chesapeake nonbudgeted revenues increase by \$7,500 in fiscal 2027 (due to the bill's October 1, 2026 effective date) and by \$10,000 annually thereafter as it collects premiums for workers' compensation insurance policies purchased for MCR members. Chesapeake advises that claims for Military Department members vary significantly but anticipates that any claims by MCR members are anticipated to be minimal. Therefore, any resulting expenditures are anticipated to be minimal.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Information Technology; Governor's Office; Department of Budget and Management; Military Department; Chesapeake Employers'

Insurance Company; Maryland Association of Counties; Maryland Municipal League; Baltimore City Public Schools; Montgomery County Public Schools; Prince George's County Public Schools; Department of Legislative Services

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