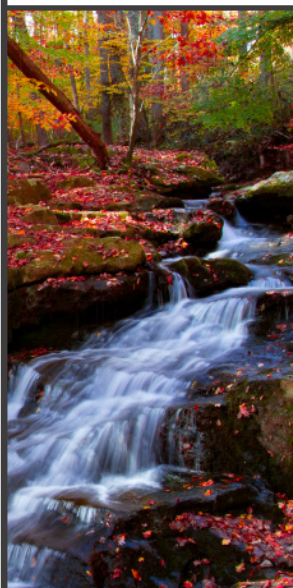




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VOLUME II

GOVERNMENT SERVICES
IN MARYLAND



Government Services in Maryland

**Legislative Handbook Series
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Foreword

The activities of Maryland’s State government and 180 local governments have a significant role in the lives of the State’s 6.2 million residents. In fiscal 2021, more than \$87 billion was disbursed from State and local treasuries to provide services, which promote public health and safety; social welfare; environmental and consumer protection; transportation, housing, and economic development opportunities; and support the education of Maryland’s young people.

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

This is the second of nine volumes of the 2022 Legislative Handbook Series prepared prior to the start of the General Assembly term by the Office of Policy Analysis within the Department of Legislative Services. Numerous analysts assisted in preparing the material for this volume: Sara Baker; Jacob Cash; Tom Elder; Andrew Garrison; Amber Gundlach; Laura Hyde; Ian Klein; Kelvin Lucas; Matthew Mickler; Madelyn Miller; David Morgan; Darragh Moriarty; Valarie Munroe; Kelly Norton; Trevor Owen; Eric Pierce; Samuel Quist; Lisa Simpson; Mikey Sousane; Benjamin Voight; Anne Wagner; Kenneth Weaver; Caleb Weiss; and Erica White. Still more analysts assisted in the review of the volume: Caroline Boice; Georgeanne Carter; Jennifer Chasse; Amy Devadas; Patrick Frank; Stacy Goodman; Erin Hopwood; Crystal Lemieux; Heather MacDonagh; Matthew Mickler; April Morton; Trevor Owen; Shirleen Pilgrim; Stephen Ross; Lindsay Rowe; and Erika Schissler. Trevor Owen prepared the local government spending data. Theresa Tuszynski prepared the State spending data. Patrick Carlson and Emily Haskel coordinated preparation of the volume and reviewed the entire volume. Additional review of the volume was provided by Rebecca Ruff, Tonya Zimmerman, and David Romans, who also contributed to the data analysis. The manuscript was prepared by Davin Brownell, Ria Hartlein, and Kamar Merritt.

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

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Annapolis, Maryland
November 2022

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Chapter 1. Overview of State and Local Government

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

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

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

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

Structure

State Government

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

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

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

Local Government

Local governments in Maryland have evolved significantly since the establishment of the State's first county in 1637. At that time, local governments served mostly as administrative arms of the State. Through the subsequent granting by the State of home rule powers, county and

municipal governments have been able to enact local laws that address the unique needs and challenges confronting their citizens.

Local governments in Maryland consist of:

- 23 counties (including commission counties, charter home rule counties, and code home rule counties);
- Baltimore City (a municipality that is usually treated legally as a county because it derives its home rule powers under Article XI-A of the Maryland Constitution, the same article under which charter counties derive their home rule powers);
- 156 municipalities (which derive their home rule powers under Article XI-E of the Maryland Constitution); and
- dozens of special districts.

Special districts are created by State or local law to address special goals or needs within a small geographic area or to deal with issues and problems that cross county boundaries. Examples of special districts include Crofton (a special community benefit district in Anne Arundel County created by the county); the Village of Friendship Heights (a special taxing district in Montgomery County created by the State); and the Washington Suburban Sanitary District (governed by the Washington Suburban Sanitary Commission, which is a bi-county agency created by the State to provide water and sewer services to most parts of Montgomery and Prince George's counties).

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

Exhibit 1.1
Local Governments in Maryland

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

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

Delivery of Services

State Role

State government is involved with the delivery of almost every public service in Maryland. In many instances, the State's role is limited to providing oversight and/or funding for a locally delivered service, while in other cases the State acts as a direct service provider. Government services that are provided exclusively by the State include four-year higher education, most social

services, corrections (long-term incarceration), State highway maintenance and construction, and enforcement of worker safety.

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

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

The State provides various types of assistance to county governments to help offset the cost of the delivery of local services. State funds for specific locally provided services are discussed in the chapters which follow; however, the State does provide general grants that are not tied to a specific service. For example, the State's disparity grant program provides noncategorical State aid to low-wealth jurisdictions for county government purposes. The program reflects the State's policy to improve fiscal equity among jurisdictions by making less affluent jurisdictions less dependent on their own tax base to fund public services. Specified counties also receive assistance from a mandated distribution of 5.5% of video lottery terminal revenues and 5% of table game revenues for local government impact grants. These grants are distributed to the jurisdictions in which the video lottery terminal facility is located (Baltimore City and Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties). Local impact grants must be used for improvements in the communities within the immediate proximity of the facilities and may be used for specified purposes, including infrastructure improvements; facilities; public safety; sanitation; economic and community development; school construction projects; the maintenance, operation, and construction of recreational facilities; and other public services and improvements.

County Role

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

- **General Government:** This grouping includes executive and legislative control, election supervision*, financial administration (budgeting and accounting), legal support, planning, zoning, and personnel administration.

- **Judicial Support*:** Functions include the Orphans' Court, State's Attorney, and judicial activities of the sheriff. This category also includes funding for the operations of the circuit courts.
- **Public Safety:** This grouping includes law enforcement, fire protection, corrections, building inspection, animal control, and traffic engineering.
- **Public Education*:** Public schools (K-12) are governed by the Baltimore City and county boards of education that operate under State law. Funding for public schools comes primarily from State and local sources.
- **Community Colleges*:** The local institutions operate under State law but are funded with a combination of State, federal, and local funds.
- **Public Libraries:** Although not required to do so by State law, all counties and Baltimore City have established a public library system, usually governed by a library board.
- **Transportation:** Baltimore City maintains all roads within its borders except certain interstates. The counties are responsible for maintenance and upkeep of local roads.
- **Health Services*:** The counties and Baltimore City operate the State-required and -regulated county health departments and approve the structure of State-authorized core service agencies (which coordinate services for the mentally ill).
- **Human Services:** While the local role in delivering social services varies by jurisdiction, most counties and Baltimore City administer area agencies on aging. These agencies coordinate the delivery of State and local services to older Maryland residents.
- **Economic and Community Development:** The counties and Baltimore City engage in varying levels of economic and community development.
- **Public Works:** Alcoholic beverage control*, sewerage, water supply, storm drain maintenance, and solid waste collection and disposal are generally the responsibility of the counties and Baltimore City.

Municipal Role

The services delivered by municipalities are less uniform than those provided by the counties and Baltimore City. No municipality exercises all the powers available to it or provides every possible service. The most comprehensive array of services is typically provided by the most populated municipalities: Annapolis; Bowie; Frederick; Gaithersburg; Hagerstown; and Rockville. While having a relatively small year-round population, Ocean City, one of the

mid-Atlantic region's most popular resort areas, is another municipality that provides a significant number of services to residents and visitors.

Exhibit 1.2 indicates the services provided or functions undertaken most frequently by municipalities. Trash collection, street lighting and repair, snow removal, and residential and commercial building code enforcement are among the most commonly provided municipal functions. Electronic access to municipal services is common throughout the State as the majority of municipal corporations in Maryland maintain their own dedicated websites. Many municipal websites offer online services such as the ability to view the newsletter online, pay bills, become licensed, apply for permits, or register for recreational programs. Other governmental functions – such as operation of ice rinks, airports, public transportation systems, and municipal golf courses – are offered in a small percentage of municipalities in Maryland.

Federal Role

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

Exhibit 1.2
Twenty-five Services Most Commonly Provided by Municipalities

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

Note: Data as of 2018. A revised Municipal Services Survey is anticipated during the 2022 calendar year.

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

Funding

In fiscal 2021, more than \$87 billion was spent on the provision of the governmental services described in this volume. **Exhibit 1.3** depicts the percentage of costs for each major public service that is borne by the different levels of government and shows the aggregate expenditures on each service. State spending accounted for approximately 32% of total spending. The State share of funding in fiscal 2021 was lower than normal due to higher than typical federal funding resulting from the availability of federal COVID-19-related stimulus funding. The State is the primary source of funding for financial administration, judicial functions, transportation services, and business regulation, in particular. On the other hand, local governments are the primary financiers of public safety, public libraries, and public works. The costs of public education, natural resources management, and economic development are shared between the State and local governments. The federal government accounts for the largest share of total spending at approximately 39%. In fiscal 2021, this is driven by federal stimulus funding as well as funding for health services in Maryland, largely due to its support of the Medicare and Medicaid programs. The federal government is also the primary source of funding for housing and community development activities, workforce training programs, and human services programs. In higher education, tuition and fees, as well as other nongovernmental revenues, provide nearly one-half of all funding.

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

Additional detail on the roles of the State, local, and federal governments in financing and delivering public services is provided in Chapters 2 through 16.

Exhibit 1.3
State, Local, and Federal Spending on Government Services in Maryland
As a Percentage of Total Spending on the Service
Fiscal 2021
(\$ in Millions)

	<u>Total</u>	<u>State</u>	<u>Local</u> ¹	<u>Federal</u> ²	<u>Other</u> ³
Legislative/Executive/General Government	\$2,482	15%	85%	0%	0%
Financial Administration	507	56%	44%	0%	0%
Courts and Related Offices	1,190	69%	31%	1%	0%
Public Safety	6,468	28%	68%	4%	0%
Public Education	16,720	44%	47%	9%	0%
Higher Education	7,989	28%	6%	20%	46%
Public Libraries/Television	386	25%	60%	1%	14%
Transportation	6,956	64%	16%	20%	0%
Health Services	30,749	24%	1%	75%	0%
Human Services	4,932	22%	10%	68%	0%
Housing and Community Development	2,175	15%	19%	66%	0%
Economic Development and Business Regulation	1,112	52%	19%	30%	0%
Labor and Workforce Development	533	31%	5%	64%	0%
Natural and Historic Resources Management	1,879	46%	47%	7%	0%
Public Works	3,014	0%	100%	0%	0%
Miscellaneous/Unallocated ⁴	92	-	-	-	-
Total	\$87,183	32%	25%	39%	4%

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

² The share of federal funds in fiscal 2021 was higher than typical in several categories due to federal aid related to COVID-19 relief, particularly in economic development, housing and community development, human services, higher education, and transportation.

³ Other includes tuition and fees collected by higher education institutions; higher education revenues from private gifts, grants, and contracts; endowment income at higher education institutions; sales and services revenues at higher education institutions; gifts, grants, and fees for public libraries and public television; and certain fees used to finance health programs.

⁴ Miscellaneous spending includes State disparity grant payments and local personnel expenditures such as pension, health insurance, and Social Security payments that a county and/or municipality has not allocated to another expenditure category above.

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

Source: *Fiscal 2023 Governor's Budget Books*; Uniform Financial Reports; Department of Legislative Services

Chapter 2. Legislative/Executive Direction and State Administration

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

Legislative Direction

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

Maryland General Assembly

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

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

The General Assembly meets annually in a 90-day session in Annapolis beginning on the second Wednesday in January and running through early April. The session must be extended if the budget has not been passed or if a resolution extending the session is concurred in by a three-fifths majority of each house. Additionally, a special session may be called by the Governor at his or her discretion and must be called by the Governor if petitioned by a majority of the House of Delegates and a majority of the Senate. During the nine-month period between sessions known as the “legislative interim,” legislative committees and a variety of special task groups meet and consider issues and/or legislative proposals in more detail and with greater analytical scrutiny than

time and work schedules permit during regular sessions of the General Assembly. The findings of these groups and studies completed by legislative staff usually appear as special reports toward the end of the nine-month period. These reports are often accompanied by draft legislation to be introduced during the ensuing 90-day session of the General Assembly commencing in January.

Department of Legislative Services

Consisting of four offices and an Executive Director, the Department of Legislative Services is the centralized, nonpartisan staff agency for the General Assembly. The department provides the General Assembly with professional staff support for its major functions. The Executive Director provides overall direction for the department and coordinates the activities of the offices. The Office of Operations and Support Services provides administrative support and all information technology needs for the legislature.

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

The Office of Legislative Audits is responsible for conducting fiscal and compliance audits of each Executive and Judicial Branch agency of State government every three to four years, including the offices of clerks of court and registers of wills. The Legislative Auditor may determine, on a case-by-case basis, that more frequent audits are required. At the direction of the General Assembly or the Joint Audit and Evaluation Committee, the Legislative Auditor may undertake performance or financial audits, reviews, and investigations of State agencies or programs, or of a private organization that receives State funds. The office also conducts financial management audits of local school systems at least once every six years unless the school system has been exempted by the Joint Audit and Evaluation Committee for that particular cycle. The office reviews the audit reports of all county and municipal governments and community colleges. Additionally, the office conducts performance audits at certain intervals of the Board of Liquor License Commissioners for Baltimore City and the Board of License Commissioners of Prince George's County. Audits are designed to review and evaluate a wide range of management, administrative, and financial policies and procedures.

The Office of Program Evaluation and Government Accountability is responsible for conducting evaluations of governmental activities and units. The office evaluates the efficiency, effectiveness, and economy with which resources are used; determines whether desired program results are achieved; determines whether a program aligns with the unit's mission; evaluates whether a program duplicates another program or activity within another unit; evaluates whether

the governmental activity or unit operates in an open, accountable, fair, and nondiscriminatory manner; and determines the reliability of specified performance measures.

Local Legislative Direction

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

City councils, commissions, and burgesses are the primary municipal legislative bodies. According to the Maryland Municipal League, approximately 31% of municipalities utilize the mayor-council form of government. In this form of government, the mayor and council share the legislative power, and the mayor exercises the executive power. Some mayors are “stronger” than others, meaning that they have veto power over legislative actions of the council; others share power as a member of the council. Of the other forms, approximately 19% have commissions and approximately 18% use the council-manager structure. In the commission form of government, the commissioners share the legislative power, and the executive powers are generally divided among the different commissioners. In the council-manager form of government, the council appoints a municipal manager who is the chief executive officer of the municipality. The other municipalities, approximately 32%, are hybrids that share elements of more than one government form.

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

Exhibit 2.1
Baltimore City and County Governments

<u>County</u>	<u>Commissioners</u>	<u>Council Members</u>	<u>Executive or Mayor (Elected At-large)</u>
Allegany	3		
Anne Arundel		7	Yes
Baltimore City		15	Yes
Baltimore		7	Yes
Calvert	5		
Caroline	3		
Carroll	5		
Cecil		5	Yes
Charles	5		
Dorchester		5	
Frederick		7	Yes
Garrett	3		
Harford		7	Yes
Howard		5	Yes
Kent	3		
Montgomery		9	Yes
Prince George's		11	Yes
Queen Anne's	5		
St. Mary's	5		
Somerset	5		
Talbot		5	
Washington	5		
Wicomico		7	Yes
Worcester	7		

Source: Department of Legislative Services

Executive Direction

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

direction includes the county executive, county legislative bodies that also have executive responsibilities, and offices that report directly to the chief executive. At the municipal level, executive direction includes the mayor, municipal legislative bodies with executive responsibilities, and offices that report directly to the chief executive.

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

The Governor's Coordinating Offices

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

The *Governor's Office of Small, Minority, and Women Business Affairs* replaced the Office of Minority Affairs in 2017. The primary role of the office is to connect the small business community to greater economic opportunities in both the public and private sectors, while implementing and monitoring small, minority, women, and veteran procurement programs across approximately 70 State agencies. The office oversees the State's Minority Business Enterprise Program, the Small Business Reserve Program, and the Veteran-Owned Small Business Enterprise Program. It also partners with the stakeholder community to ensure that small businesses have access to the tools needed to develop their core competency, access capital, and gain policy insights.

The *Governor's Office of Crime Prevention, Youth, and Victim Services* was established in 1995 as the Office of Crime Control and Prevention. In its current role, the office has absorbed responsibility for the Maryland Statistical Analysis Center, the Governor's Office for Children, and, per Chapter 422 of 2018, operations of the Criminal Injuries Compensation Board and the sexual assault forensic examinations program. The office was renamed in 2020 to reflect its expanded mission to build safer communities, provide essential support to victims of crime, and increase opportunities for children and youth in Maryland. Additionally, the office administers numerous federal and State grant programs distributing around \$200 million in grants annually that support law enforcement agencies, crime victims, and children and youth in Maryland. The office also provides advisory and policy support to the Governor on crime prevention, victim support, and children and youth issues. For more information on the Governor's Office of Crime Prevention, Youth, and Victim Services, see "Chapter 5. Public Safety" of this handbook.

The *Governor's Office of Community Initiatives*, created by executive order in 2004 and codified in 2008, coordinates community and volunteer activities statewide, advises the Governor on policies to enhance and improve community programs, and serves as liaison to the Corporation for National and Community Service (also known as AmeriCorps). In addition, the office surveys and assesses community affairs services within the Executive Branch of State government. The

office devises and implements a strategic plan to encourage greater involvement and participation by community organizations and constituent groups in the formulation and implementation of public policy. The office houses the Commission on African Affairs, the Commission on Asian Pacific American Affairs, the Commission on Caribbean Affairs, the Commission on Hispanic Affairs, Indian Affairs, the Commission on Middle Eastern American Affairs, the Commission on South Asian American Affairs, and the Commission on LGBTQ Affairs. The office also oversees the Governor's Office of Immigrant Affairs and the Governor's Office on Service and Volunteerism, Volunteer Maryland, and community outreach in cooperation with the Governor's Intergovernmental Affairs Office. The office also houses the Maryland250 Commission, which was created by executive order in 2021 and is tasked with planning Maryland's observance of the two hundred and fiftieth anniversary of the Declaration of Independence, Revolutionary War, and founding of the United States, which will occur in 2026.

Under the Governor's Office of Community Initiatives, the *Governor's Office on Service and Volunteerism* implements and administers the funds authorized under the National Community Service Trust Act of 1993. The office provides staff support to the Governor's Commission on Service and Volunteerism, which develops and carries out a competitive selection process for the distribution of the national service funds received under the Act. The initiative is known as "Volunteer Maryland," an AmeriCorps program that receives a grant from the office. Volunteer Maryland is an independent office and a demonstration project of national service funded by the federal Corporation for National and Community Service. The office recruits coordinators and associates who dedicate a year of public service to Volunteer Maryland. The office then places teams of coordinators and associates in government, schools, and private nonprofit agencies to develop volunteer programs. In addition to overseeing the annual AmeriCorps placements and nonprofit partnerships, Volunteer Maryland conducts onsite training and provides technical assistance for State agencies, schools and universities, and nonprofit organizations.

Also under the Governor's Office of Community Initiatives, the *Governor's Office of Immigrant Affairs* was established in 2021. The office is responsible for establishing a network of neighborhood-based opportunity centers that provide immigration services. The office also assists immigrants in matters relating to immigration status, including assistance with the naturalization process, and applications for Deferred Action for Childhood Arrivals, and increasing access to English to Speakers of Other Languages programs by engaging nonprofit organizations and other program providers.

The *Governor's Office of Performance Improvement* replaced the StateStat Office in 2015. The office is responsible for supporting agencies in their performance improvement initiatives, including establishing performance goals, objectives, and measures. Representatives from the office serve as co-chairs for the Customer Service Initiative and the Council on Open Data.

The *Governor's Office of the Deaf and Hard of Hearing*, established in 2002, works to promote the general welfare of deaf and hard of hearing individuals in Maryland by addressing policy gaps, providing expertise related to deaf and hard of hearing issues, and facilitating the ability to access resources and services.

The *Governor's Grants Office*, created in 2004, organizes State agency activities in applying for federal grants, provides technical assistance in grant writing, assists local governments and community-based organizations in identifying federal grant opportunities, and measures and tracks federal funding data.

Miscellaneous Boards, Commissions, and Offices at the State Level

The *State Ethics Commission*, created in 1979, replaced the State Board of Ethics. The commission consists of five members appointed by the Governor and guards against improper influence on public officials or the appearance of conflict of interest through programs of financial disclosure, lobbying disclosure and regulation, approval of local government ethics requirements, ethics law advice and training, and ethics law complaint investigation. The commission is authorized to provide confidential, informal advice in addition to issuing formal advisory opinions. Additionally, since 2019, the commission is required to include training on provisions of the Maryland Public Ethics Law related to discrimination and harassment in the training provided to registered lobbyists and prospective regulated lobbyists.

The *Health Care Alternative Dispute Resolution Office* administers mandatory arbitration for all medical malpractice claims amounting to more than the maximum jurisdiction of the District Court, which at the time of publication was \$30,000. Each medical malpractice claim is heard by a three-person arbitration panel, including an attorney, a health care provider, and a public member. Parties to the case choose the panel from a list of qualified arbitrators supplied by the office. The panel determines who is liable with respect to the claim and, if a health care provider is liable, considers and assesses damages. To reverse or modify the award, the rejecting party must file an appeal with the circuit court. The costs of the arbitration panel and the processing of claims are recovered from the parties involved. If all parties agree, the arbitration process is waived, and the matter proceeds to the circuit court. In that event, and on the agreement of all parties, the circuit court may refer the matter to the office for the purpose of neutral evaluation, even though the circuit court maintains jurisdiction during the evaluation period.

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

The *State Labor Relations Board*, the *State Higher Education Labor Relations Board*, and the *Public School Labor Relations Board* are responsible for administering and enforcing provisions of the law concerned with collective bargaining for State employees, employees of State institutions of higher education, and employees of public schools, respectively. Created in 1999 within the Department of Budget and Management, the State Labor Relations Board became an independent agency in 2006. The State Higher Education Labor Relations Board was

established in 2001, and the Public School Labor Relations Board was established in 2010. Duties of the boards include planning and overseeing representation elections and processing cases and complaints. The boards each consist of five members, appointed by the Governor and subject to Senate confirmation. Public School Labor Relations Board members serve for five years while members of the other two boards serve for six years. The executive director is appointed jointly by the three boards.

The *State Commission on Criminal Sentencing Policy* oversees criminal sentencing policy in Maryland. The 19-member commission is responsible for the voluntary sentencing guidelines for Maryland's circuit courts. The commission collects sentencing guidelines worksheets, maintains the sentencing guidelines database, monitors circuit court sentencing practices, adopts changes to the guidelines consistent with legislative intent, and provides training and orientation to criminal justice practitioners who apply the sentencing guidelines. For more information on the State Commission on Criminal Sentencing Policy, see "Chapter 10. Sentencing" of *Volume VIII – Maryland's Criminal and Juvenile Justice Process*.

The *Commission on African American History and Culture*, originally formed in 1969 and previously housed within the Governor's Office of Community Initiatives, was established as an independent unit within the Executive Branch per Chapter 452 of 2022. The commission is responsible for preserving and promoting Maryland's African American heritage, including operation of the Banneker-Douglas Museum in Annapolis.

Secretary of State

The Secretary of State is appointed by the Governor and confirmed by the State Senate. The Secretary of State assists the Governor and attests to the Governor's signature on public papers and documents, processes executive orders, and keeps a record of all commissions and appointments. The Secretary of State certifies presidential candidates and statewide ballot questions and accepts petitions for referendum seeking to overturn Acts of the General Assembly. The Secretary of State chairs the Governor's Subcabinet for International Affairs and serves on the Governor's Executive Council, as well as the Board of State Canvassers. Over the years, the responsibilities of the Office of the Secretary of State have expanded to include:

- the receipt of public disclosures from persons doing business with the State;
- maintaining the State's trademark and service mark registries and certifying documents (Apostille) for international use;
- regulating charitable organizations, including sharing joint statutory responsibility with the Attorney General to enforce violations of Maryland's charitable solicitations law;
- administering the State's notary public laws and processing notary commissions, including oversight of remote online notarization as of 2020;

- administering the Maryland Address Confidentiality Program, also known as the Maryland Safe at Home Program, which provides address confidentiality services for victims of actual, attempted, or threatened domestic violence, human trafficking, sexual assault, stalking, or harassment;
- processing public offering statements from condominiums offered for sale in Maryland;
- processing the extradition of prisoners and maintaining the State's Pardon Docket; and
- publishing administrative regulations and other official information in the Code of Maryland Regulations (commonly known as COMAR) and the *Maryland Register*.

Board of Public Works

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

The board approves appropriations from State loans authorized by the General Assembly and appropriations for capital improvements, except those for State roads, bridges, and highways. The board approves leases, contracts, and public-private partnership agreements executed by State agencies and is responsible for the adoption and promulgation of rules, regulations, and procedures for administering the State procurement law. The amount and timing of bond sales are also approved by the board.

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

Commission on Civil Rights

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

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

Election Services

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

The State board is charged with ensuring compliance with Maryland and federal law, access to candidacy for all those seeking elective office, and the fullest possible exercise of the voting franchise. Beginning with the 2016 primary election, the State returned to using a paper-based optical scan system for all ballots.

The Governor is required to appoint members of the local board of elections in each county and Baltimore City, subject to confirmation by the Senate or, if there is no resident Senator of the particular county, by the House of Delegates. Each local board is in charge of all elections to be held in the county and its municipalities and must provide for the registration of voters in that jurisdiction. Municipal elections must be conducted in accordance with the public local laws or the municipal corporation's charter. Municipalities are permitted to use the services or equipment of local boards and reimburse the local boards for expenses, or they may conduct the elections themselves.

Support Agencies at the State Level

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

Department of Budget and Management

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

Office of the Secretary

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

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

Office of Personnel Services and Benefits

The Office of Personnel Services and Benefits has overall responsibility for administering State personnel policies and health benefit programs. The office oversees seven functional areas: Classification and Salary; Employee Benefits; Employee and Labor Relations; Personnel Services; Recruitment and Examination; the Contract Administration Division; and the Shared Services Division, which is responsible for managing the Statewide Personnel System. The Contract

Administration Division manages numerous contracts, including the health benefits contracts, the State Medical Director contract, and the drug testing contract.

Since 1999, most State employees are granted the right to engage in collective bargaining. The Office of Personnel Services and Benefits negotiates with exclusive representatives and assists State agencies with implementing and interpreting memoranda of understanding negotiated for their employees through the collective bargaining process. The Personnel Services Division within the office also provides human resources services and support to the Department of Budget and Management and approximately 23 other agencies using a shared service model introduced in fiscal 2016. Participating agencies are generally small to midsize agencies.

The office is not only responsible for the health care-related benefits for State employees but also for those of retirees and satellite agencies. In the case of regular staff, employee benefits (health benefits, retirement, Social Security, etc.) add about 30% more to an employee's compensation over the employee's salary. The comprehensive health benefit plan has numerous options for medical health coverage that includes robust benefits coverage for mental health care needs. Dental coverage, prescription drug coverage, flexible spending accounts, life insurance coverage, and accidental death and dismemberment coverage are also offered. **Exhibit 2.2** shows the cost of salaries and fringe benefits for the State in fiscal 2021.

Exhibit 2.2
State Costs for Salaries and Fringe Benefits
Fiscal 2021
(\$ in Millions)

<u>Benefit</u>	<u>Amount</u>
Total Salaries	\$5,777.3
Health Insurance	1,145.9
Social Security	449.2
Retirement	1,005.7
Workers' Compensation	85.7
Unemployment Insurance	1.3
Overtime	288.4
Higher Education Specific Payments*	368.4
Other	89.7
Total State Costs	\$9,211.5

* Includes tuition waivers and remissions for graduate students, payments for student workers, and contractual employees.

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

Source: Department of Legislative Services

Budget Analysis

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

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

Department of General Services

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

- The ***Business Enterprise Administration*** encompasses capital grants and loans, inventory standards, surplus property, fleet management, fuel management, and mail courier service.
- The ***Facilities Management Division*** is charged with the operations and maintenance of the 55 facilities throughout the State for which the department is responsible. These facilities, totaling more than six million square feet of space, include 20 regional district court/multi-service centers, and the two State office centers in Annapolis and Baltimore.
- The ***Office of State Procurement*** provides professional and technical support services to State and local government agencies and conducts central procurement of architectural and engineering services, commodities, construction, energy, and facilities maintenance. Since October 2019, the department has also housed the position of chief procurement officer for State government. The chief procurement officer serves as the head of all procurement activity for the Executive Branch, including those procurements already under the purview of the Department of General Services as well as procurements for services and information technology. The officer is authorized to delegate procurement authority to agencies with specific expertise.
- The ***Office of Facilities Design, Construction, and Energy*** supervises and coordinates the design and construction of public improvement projects for which the department is responsible.

- The *Office of Real Estate* coordinates the State's real estate activities and long-term planning for the acquisition and disposition of leased and State-owned property.
- The *Maryland Capitol Police* operates through its Annapolis Detachment and Baltimore Detachment to provide security for the Annapolis and Baltimore State Office Centers.

Department of Information Technology

The Department of Information Technology develops, maintains, revises, and enforces information technology and cybersecurity policies, procedures, and standards throughout State government. The department also provides technical assistance, advice, and recommendations to the Governor and units of State government concerning information technology and cybersecurity; develops and maintains a statewide information technology masterplan including the statewide cybersecurity strategy; and adopts by regulation and enforces nonvisual access standards to be used in the procurement of information technology services. In addition, the department coordinates the development, procurement, management, and operation of all telecommunications equipment, systems, and services used by State agencies.

State Archives

The State Archives preserves, describes, and makes accessible – to the government and the public – records deemed to have permanent historical, educational, and administrative value. The archives also prepares the *Maryland Manual*, an online publication describing State and local government that is updated daily. The Commission on Artistic Property under the State Archives manages State-owned art collections, traveling exhibits that tour Maryland, and exhibits in the Annapolis government complex. In addition, the commission receives funding for conservation initiatives to enable objects to be put on public display or remain on display.

Maryland State Board of Contract Appeals

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

Retirement and Pension Systems

The Maryland State Retirement Agency administers the State's retirement and pension systems and subsystems under the direction of the Board of Trustees for the Maryland State Retirement and Pension System. The systems provide retirement and pension benefits for all State employees, all persons defined as teachers in the local boards of education, and local library and community college employees. For teachers and community college employees, each local government must pay a fee to reimburse the systems for administrative costs. Local governments may participate in the systems at their own cost. The State also contributes toward the retirement

costs for individuals in retirement plans not managed by the Maryland State Retirement Agency, primarily teachers in Maryland's colleges and universities and employees of the Maryland Transit Administration. Benefit payments to the 169,368 Maryland retirees and beneficiaries totaled \$4.3 billion during fiscal 2021.

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

For further information on the State's retirement plans, see *Volume V – Maryland State Personnel, Pensions, and Procurement*.

Local Administration and General Government

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

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

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

Local Personnel Management

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

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

All of the counties and some municipalities and special districts provide retirement benefits to their employees. These benefits are provided either through participation in the State employee retirement and pension systems or through independent retirement plans operated by individual governments. As discussed earlier, the State provides retirement benefits for the local boards of education, libraries, and certain employees of community colleges. For certain employees of the local boards of education, beginning in fiscal 2013, the State and the respective local board of education share in the cost of providing retirement benefits. These employees participate in the State teachers' retirement and pension systems. The retirement benefits for other employees of local agencies are paid for by the county agencies and are included in the personnel costs of those agencies. **Exhibit 2.3** shows the local governments participating in the Maryland State Retirement and Pension System as of June 30, 2021.

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

Exhibit 2.3
Local Governments Participating in the State Retirement and Pension System
As of June 30, 2021

Allegany County

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

Anne Arundel County

Board of Education
Community College
Economic Opportunity Commission*
Community Action Agency
Annapolis

Calvert County

Board of Education
North Beach

Caroline County

Board of Education
Sheriff Deputies

Denton
Federalsburg
Greensboro
Preston
Ridgely

Carroll County

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

Cecil County

County Government
Board of Education
Library Board
Elkton

Charles County

LaPlata

Dorchester County

County Government
Board of Education
Roads Board
Sanitary Commission
Cambridge
Cambridge Housing Authority
Hurlock

Frederick County

Board of Education
Brunswick
Emmitsburg
Middletown
Thurmont
Walkersville

Garrett County

Board of Education
Community Action Committee
Roads Board
Garrett County/Western Maryland Health Planning
Council
Oakland

Harford County

County Government
Board of Education
Community College
Library
Liquor Board

Howard County

Board of Education
Community College
Community Action Committee

Kent County

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

Montgomery County

Community College
Takoma Park

Prince George's County

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

Queen Anne's County

County Government
Board of Education
Centreville
Queenstown

St. Mary's County

County Government
Board of Education
Housing Authority
Metropolitan Commission

Somerset County

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

Talbot County

County Government
Board of Education
Oxford
St. Michaels

Washington County

Board of Education
Liquor Board
Hagerstown Community College
Library Board
Hagerstown

Wicomico County

Fruitland
Salisbury

Worcester County

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

Other

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

* Allegany County Housing Authority and Anne Arundel County Economic Opportunity Commission are withdrawn governmental units with a withdrawal liability balance.

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

Source: Maryland State Retirement Agency

Funding

Overall, State and local governments expended about \$2.5 billion on legislative/executive direction, including administrative support agencies in fiscal 2021. At the local level, these expenditures are reported under the “general government” category in Uniform Financial Reports. **Exhibit 2.4** summarizes this spending for the organizations involved in the exercise of legislative/executive direction at all levels of government. **Exhibit 2.5** shows local general government expenditures on a county-by-county basis.

Exhibit 2.4
Local, State, and Federal Funding for
Legislative/Executive Direction and Support Services
Fiscal 2021
(\$ in Thousands)

<u>Unit</u>	<u>Local</u>	<u>State</u> ¹	<u>Federal</u>	<u>Total</u>
Maryland General Assembly		\$44,349		\$44,349
Local Legislative Direction	\$70,203			70,203
Department of Legislative Services		60,482		60,482
Executive Direction	157,874	19,488	\$4,611	181,973
Secretary of State		3,471		3,471
Board of Public Works ²		6,991		6,991
Commission on Civil Rights		2,626	981	3,607
Department of Budget and Management		33,860		33,860
Department of General Services		78,259	2,955	81,214
Department of Information Technology		90,959		90,959
State Retirement and Pension Systems		1,936		1,936
Maryland State Board of Contract Appeals		799		799
Maryland State Archives		9,044	19	9,063
Elections	61,209	21,722	1,103	84,034
Other General Government/Counties	1,634,553			1,634,553
Other General Government/Municipalities	174,569			174,569
Total	\$2,098,406	\$373,986	\$9,669	\$2,482,063

¹ State totals exclude reimbursement by other State agencies and local governments. State total also exclude funding for the Governor’s Office of Prevention, Youth, and Victim Services, which is accounted for in “Chapter 5. Public Safety” of this handbook.

² Includes payments to private nonprofit organizations but excludes payments to the Maryland Zoo in Baltimore. The Maryland Zoo is accounted for in “Chapter 15. Management of the State’s Natural and Historic Resources.”

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

Source: Uniform Financial Reports; *Governor’s Budget Books*; Department of Legislative Services

Exhibit 2.5
Local Government Expenditures for
Legislative/Executive Direction and Support Services
Fiscal 2021

<u>County</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Spending Reported</u>
Allegany	\$7,037,087	\$5,872,191	\$12,909,278
Anne Arundel	127,891,471	8,720,356	136,611,827
Baltimore City	389,012,389	-	389,012,389
Baltimore	129,687,504	-	129,687,504
Calvert	24,791,035	916,946	25,707,981
Caroline	3,190,224	1,192,450	4,382,674
Carroll	38,883,299	8,045,912	46,929,211
Cecil	10,765,655	3,766,728	14,532,383
Charles	28,286,898	3,361,081	31,647,979
Dorchester	5,852,215	1,560,845	7,413,060
Frederick	63,274,221	16,682,429	79,956,650
Garrett	5,796,566	843,455	6,640,021
Harford	49,843,968	7,485,489	57,329,457
Howard	94,728,925	-	94,728,925
Kent	7,057,522	722,701	7,780,223
Montgomery	538,554,064	64,153,203	602,707,267
Prince George's	273,512,201	52,402,666	325,914,867
Queen Anne's	12,356,906	1,429,454	13,786,360
St. Mary's	36,375,307	543,611	36,918,918
Somerset	5,339,968	399,638	5,739,606
Talbot	5,870,883	3,202,892	9,073,775
Washington	12,706,491	13,212,928	25,919,419
Wicomico	8,341,758	5,593,000	13,934,758
Worcester	13,236,039	5,905,786	19,141,825
Total	\$1,892,392,596	\$206,013,761	\$2,098,406,357

Notes: Numbers may not sum to total due to rounding. General government expenditures do not include expenditures reported for financial administration or judicial functions. These expenditures are discussed in subsequent chapters of this volume of the handbook. County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. Fourteen municipalities and special taxing districts did not report their expenditures for fiscal 2021. There are no municipalities in Baltimore and Howard counties.

Source: Uniform Financial Reports; Department of Legislative Services

Chapter 3. Financial Administration

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

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

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

State Agencies and Local Structure

While the State and local financial administration agencies are independent of one another, they are connected through a variety of direct relationships. For example, State financial administrative agencies, perform or oversee multiple tasks that benefit the counties and municipalities, including the collection of local income taxes, assessment of real and personal property, and the administration of a local government investment pool. In turn, the counties collect local property taxes and remit the appropriate portions to the State. Seven agencies are responsible for financial administration at the State level:

- ***Comptroller of Maryland*** – collects several types of taxes, including corporate tax, State and local income tax, sales and use tax, and other taxes, and maintains the State’s general ledger and enforces compliance with local tax laws;
- ***Alcohol and Tobacco Commission*** – responsible for the regulation and licensing of alcohol, tobacco, and related products across the State;
- ***State Treasurer*** – responsible for the management and protection of all State funds and property and receives and invests all State funds and pays the State’s legal obligations;
- ***State Lottery and Gaming Control Commission and Agency*** – administers a variety of weekly, daily, and instant lottery games and regulate the State’s gaming program, which now includes sports betting;
- ***State Department of Assessments and Taxation*** – assesses the value of corporate and private property statewide and administers several property tax credit programs including the Homeowner’s Tax Credit;

- **Property Tax Assessment Appeals Boards** – hears all appeals on property assessments statewide, with a local hearing board in each county; and
- **Maryland Tax Court** – considers all appeals that are escalated from the Property Tax Assessment Appeals Boards and handles final administrative appeals on tax matters.

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

Services

Financial Control, Compliance, and Revenue Estimates

The Comptroller of the Treasury, elected by voters to a four-year term, administers general fund tax collection, State accounting systems, and State payroll. The Comptroller chairs the Board of Revenue Estimates and also serves as a member of the Board of Public Works, the Board of Revenue Estimates, the Board of Trustees of the Maryland State Retirement and Pension System, and the Maryland 529 Management Board. The Comptroller has primary responsibility for financial control and maintains the State's general ledger and other official accounting records.

The General Accounting Division performs compliance audits on all disbursements, prepares the State's comprehensive annual financial reports, and exercises overall appropriation control. The Central Payroll Bureau processes approximately 107,000 payroll checks and direct deposit transactions bi-weekly, and nearly three million employee wage payments annually. Mainframe computer services for several State agencies are managed by the Comptroller through the Annapolis Data Center, where agencies can access the computing resources of the center and are charged for the costs of the services used.

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

The Compliance Division enforces compliance with all State tax laws by conducting audits and collecting delinquent and unpaid taxes. The division is also responsible for the holding of

unclaimed property and the distribution to rightful property owners. In fiscal 2021, the division collected \$262.6 million in unpaid income taxes and \$172.8 million in delinquent business taxes.

Revenue Collection and Administration of Funds

The Revenue Administration Division within the Office of the Comptroller collects and processes State and local individual income taxes (including employee withholding); corporate income taxes; State sales and use tax, estate tax, alcohol, tobacco, and motor fuel taxes; and admissions and amusement taxes for local governments. The division directs these revenues to the proper statutorily assigned destinations such as the State's general fund, the Transportation Trust Fund, the Higher Education Investment Fund, or to local governments. For fiscal 2021, State revenues included \$11.7 billion in personal income taxes, \$1.8 billion in corporate income taxes, and \$5.5 billion in sales and use taxes. Details on Maryland's various revenue sources, including taxes, can be found in *Volume III – Maryland's Revenue Structure*.

The division is also responsible for administration of key funds, including federal funds related to Chapter 39 of 2021 (the RELIEF Act). In fiscal 2021, it oversaw the distribution of federal funds for a one-time \$500 economic impact stimulus payment for income eligible individuals, and temporary payments to certain unemployed individuals who were waiting for adjudication of their unemployment claims.

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

Enforcement of tax laws through auditing, testing, inspection, and compliance activities is also carried out under the direction of the Field Enforcement Division, the regulatory and enforcement arm of the Comptroller of Maryland. The division's agents and inspectors are responsible for the enforcement of the revenue laws relating to motor fuel, motor carrier, sales and use, and certain income taxes. Tasks include conducting investigations, arresting violators, and performing compliance inspections for proper licenses. The division also includes the State License Bureau, which is responsible for the monitoring, updating, and enforcement of the use of approximately 85,000 business licenses and coordinates license issues with the clerk of the courts in all counties. The Motor Fuel Testing Laboratory is responsible for testing motor fuel to ensure proper quality fuel is sold to consumers across the State. In previous years, the Field Enforcement Division was responsible for the regulation of alcohol and tobacco in the State; those duties are now under the purview of the recently formed Alcohol and Tobacco Commission.

Alcohol and Tobacco Commission

The Alcohol and Tobacco Commission was established by Chapter 12 of 2019 to oversee the State's alcohol and tobacco industries, after duties were transferred from the Comptroller's

Field Enforcement Division. The commission is led by an executive director and five members appointed by the Governor for five-year terms. The commission's goal is to deter the possession, transportation, and sale of illegal alcohol and tobacco products by conducting inspections of retailers. In fiscal 2021, the commission inspected 58% of all tobacco establishments in the State and 27% of alcohol retailers. Contingent upon the passage of a 2022 General Election referendum legalizing marijuana, legislation expresses intent that the Alcohol and Tobacco Commission be the successor to the Natalie M. LaPrade Medical Cannabis Commission and administer all matters concerning the regulation of medical cannabis.

State Lottery and Gaming Control Commission

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

While most lottery games are online games where players pick numbers (or use computer-generated numbers), receive a ticket, and wait for a drawing, instant games allow players to scratch off a covering on a ticket to uncover immediate results. Games are sold through lottery agents, which are private businesses that receive commissions and fees in exchange for selling the games to the public. Currently, there are 4,379 licensed sales agents across the State.

Under Chapter 356 of 2021, which established legal sports wagering in Maryland, the commission is now responsible for regulating sports betting and fantasy gaming in the State. Sports betting (not including fantasy gaming or licensing application fees) generated a total of \$19.2 million in revenue in fiscal 2022, including \$2.9 million to the Blueprint for Maryland's Future Fund.

The lottery is one of the largest contributors to the State's general fund, with revenues of \$635.1 million in fiscal 2022 (see **Exhibit 3.1**). The general fund proceeds represent the net revenue after all expenses are paid, including administrative costs for the State Lottery and Gaming Control Agency, and distribution to various agencies and funds, which includes appropriations for Baltimore City School Construction (\$20.0 million); the required distribution of revenues to the Maryland Stadium Authority (\$15.0 million); as well as smaller amounts for various sports funds, veterans' funding, and hold harmless grants.

Additionally, sales agents receive commissions for selling lottery tickets and for cashing winning tickets; agent earnings totaled \$203.0 million, or approximately 7.6% of gross sales; and prizes totaled \$1.7 billion, or approximately 63.6% of total sales in fiscal 2022. These earnings are likely to increase beginning in fiscal 2023, as Chapter 661 of 2022 raised lottery sales agent commissions from 5.5% to 6% of gross lottery sales. Lottery revenues are more fully discussed in *Volume III – Maryland's Revenue Structure*.

Exhibit 3.1
Summary of Lottery Sales and Revenue
Fiscal 2020-2022
(\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Gross Sales	\$2,192.0	\$2,614.0	\$2,666.6
Expenses (Agent Earnings, Prizes, Administrative Expenses)	1,604.0	1,947.0	1,993.0
Net Revenue	588.0	667.0	673.7
Less: Maryland Stadium Authority	-20.0	-15.0	2
Less: Veterans' Organizations Revenue	-0.2	-0.2	-0.3
Less: Baltimore City School Construction	-20.0	-20.0	-20.0
Less: Michael Erin Busch Sports Fund	0.0	-0.3	-1.0
Less: Maryland Humanities Council	0.0	0.0	-0.2
Less: Hold Harmless to Anne Arundel County*	0.0	0.0	-1.9
Net General Fund Revenue	\$547.8	\$631.5	\$635.1

*As required by Chapter 692 of 2021.

Source: Maryland State Lottery and Gaming Control Agency; Board of Revenue Estimates; *Governor's Fiscal 2023 Budget Books*; Department of Legislative Services

Future Funding

As a result of Chapter 60 of 2022, beginning in fiscal 2023, an annual maximum of \$90 million in State lottery revenue (up from \$20 million) will be distributed to the Maryland Stadium Facilities Fund, which will include improvements for the Camden Yards Sports Complex (Oriole Park at Camden Yards and M&T Bank Stadium). Additionally, Chapter 61 of 2022 established several programs within the Maryland Stadium Authority, designed to attract and fund major sporting and entertainment events in the State. These include mandated annual appropriations for the following, all of which will be paid from the State Lottery Fund:

- \$10 million for the Major Sports and Entertainment Event Program;
- up to \$25 million for sports and entertainment facilities; and
- up to \$27 million for Blue Line Corridor sports/entertainment facilities in Prince George's County.

Other lottery regulated games include casino table games and video lottery terminals. For fiscal 2022, table games generated \$670.0 million in gross revenue, while video lottery terminals

produced \$1.3 billion. The statutory allocation of video lottery terminal revenues, after payouts to bettors, is divided between the Education Trust Fund; operator licensees; the horse racing industry; local impact grants; the State Lottery and Gaming Control Agency; and the Small, Minority, and Women-Owned Business Investment Account.

Management of Public Funds

The Maryland State Treasurer is the principal custodian of the State treasury and is responsible for receiving and investing all State funds, paying the legal obligations of the State, issuing and redeeming general obligation bonds, and administering the State's tort liability. The Treasurer is elected to a four-year term by the General Assembly and is a member of the Board of Public Works, the Board of Revenue Estimates, the Maryland 529 Management Board, and the Board of Trustees of the Maryland State Retirement and Pension System. The Treasurer also serves as chair of the Capital Debt Affordability Committee.

While the agency's management program handles the receipt and daily deposit of State funds, it is also responsible for selecting and managing relationships with depository facilities to carry out the actual functions for payment of public debt, payroll accounts, and investment services. Consistent with State policy, the Maryland State Treasurer generally invests idle funds in short-term securities. As a result, the State receives additional income through a number of working fund accounts maintained by various State agencies. Overall, the State's investment portfolio earnings exceeded the rate of return of its benchmark, the 90-day U.S. Treasury Bill rate in 10 out of the last 11 years.

The Maryland State Treasurer administers the Maryland Local Government Investment Pool, which allows various local governments and authorities to pool investment funds in order to gain a higher average yield. In fiscal 2021, the pool maintained Standard and Poor's highest rating (AAAm), and had assets of \$9.7 billion due to multiple public entity participants, including counties, municipalities, library systems, boards of education, and community colleges.

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

Debt Management

The management of debt is an important function for both State and local governments. The State of Maryland has issued six types of tax-supported debt in recent years: general obligation debt, which pledges the full faith and credit of the State; bonds and notes issued by the Maryland Department of Transportation and backed by the operating revenues and pledged taxes of the department; bonds issued by the Maryland Transportation Authority for transportation projects supported by anticipated federal highway aid (Grant Anticipation Revenue Vehicle Bonds);

capital leases supported by State taxes; certain revenue bonds issued by the Maryland Stadium Authority secured by a lease with the State; and Bay Restoration Bonds issued by the Maryland Water Quality Financing Administration within the Maryland Department of the Environment, which are secured by the revenue from a statewide fee. Local governments can also incur various kinds of debt – general obligation, revenue or enterprise debt, State or federal loans, and short-term debt. (More information on the indebtedness of the State and local governments can be found in *Volume III – Maryland’s Revenue Structure*, *Volume IV – Maryland’s Budget Process*, and *Volume VI – Maryland Local Government*).

Outstanding State tax-supported debt totaled \$14.8 billion as of June 30, 2022. This was composed of the following: (1) \$10.6 billion in general obligation debt; (2) \$3.7 billion in transportation debt; (3) \$165.3 million in capital leases; (4) \$153.8 million in revenue bonds issued by the Maryland Stadium Authority; and (5) \$186.2 million in Bay Restoration Bonds. The State also had \$2.3 billion in authorized but unissued general obligation debt as of June 30, 2022.

As of June 30, 2021, the 23 counties and Baltimore City had \$28.7 billion in debt outstanding, while municipalities and State-created special taxing districts had \$1.3 billion in debt outstanding. Debt service on these obligations in fiscal 2021 totaled \$2.2 billion for the counties and Baltimore City and \$82.5 million for the municipalities.

The Maryland State Treasurer also manages the State’s insurance program, the State Insurance Trust Fund, in order to pay claims filed against the State, its agencies, and employees. The fund provides automobile liability, general liability, and fire and extended coverage on State buildings and property. In addition, the State self-insures for real and personal property protection, officer and employee liability, automobile property and liability, and for claims filed under the Maryland Tort Claims Act. Other specialized coverage is purchased through private insurance carriers. The State Insurance Trust Fund had a closing balance near actuarial recommendations of \$30.6 million in fiscal 2021. Additionally, local governments carry liability and property insurance. While most of the State’s larger jurisdictions self-insure, 17 counties and 147 municipalities participate in the Local Government Insurance Trust to realize the benefits of pooled risk.

State Reserve Fund

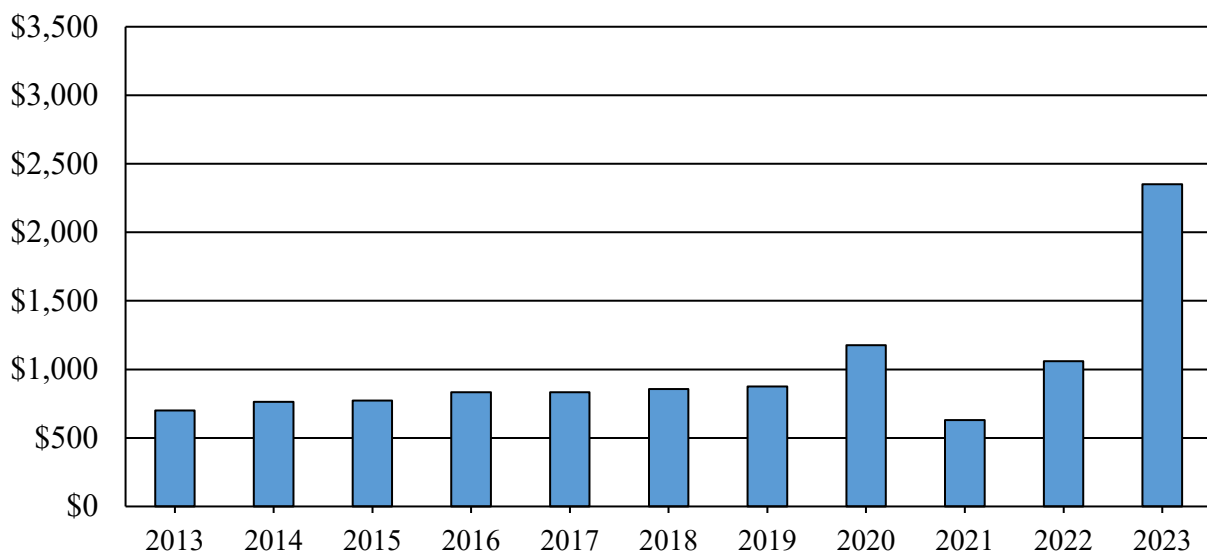
In 1986, the State Reserve Fund was established as a means to designate funds for future use. The fund comprises four accounts, each with a specific purpose.

Revenue Stabilization Account

The Revenue Stabilization Account (also known as the Rainy Day Fund) is designed to allow the accumulation of funds to stabilize revenues and allow the State to address fiscal shortfalls. By law, the Governor must appropriate \$100 million to the fund if the account balance is below 3.0% of projected general fund revenues. If the balance is between 3.0% and 7.5% of general fund revenues, the Governor is required to appropriate as much as \$50 million. Requiring appropriations if the balance falls below 7.5% provides a higher balance and a greater cushion if expenditures exceed revenues. State law requires an act of the General Assembly, other than the

State budget bill, to draw the fund balance below 5.0%, but the Governor may appropriate the balance between 5.0% and 7.5% in the State budget bill. **Exhibit 3.2** shows recent and anticipated Rainy Day Fund balances. The anticipated closing balance at the end of fiscal 2023 is \$2.35 billion, which is 10% of general fund revenues.

Exhibit 3.2
Rainy Day Fund Balance
Fiscal 2013-2023
(\$ in Thousands)



Source: Department of Legislative Services

In addition to the required balance, State law requires that the Governor appropriate a portion of the unassigned balance at closeout in excess of \$10 million into the Rainy Day Fund. For surpluses above \$10 million, the first \$100 million is divided between the Rainy Day Fund, the Pension System, and the Postretirement Health Benefits Trust Fund so that the Rainy Day Fund receives 50%, the Pension System receives 25%, and the Postretirement Health Benefits Trust Fund receives 25% on a dollar-for-dollar basis.¹ Amounts above \$110 million are credited to the Rainy Day Fund. This appropriation to the Rainy Day Fund is referred to as the “sweeper” and is made two years after the unassigned general fund surplus is realized.

¹ In fiscal 2024, Chapter 391 of 2022 mandates that the Governor appropriate 10% (up to \$10 million) of the unappropriated general fund surplus in excess of \$10 million from the second prior year to establish the Maryland Equity Investment Fund in the Maryland Technology Development Corporation. The purpose of the fund is to invest in a qualified Maryland business with a goal to increase private equity and venture capital in the State. For fiscal 2024 only the mandated appropriation of unappropriated surplus to the State Retirement and Pension System is reduced from 25% to 15%.

In recent years, legislative action has addressed the potential for revenue volatility. Capital gains and other nonwithholding income tax revenue sources are difficult to predict. As a result, Chapters 4 and 550 of 2017 established the ability to cap anticipated nonwithholding income tax revenue and direct the amount in excess of the cap to the Rainy Day Fund and one-time capital projects. In fiscal 2023 and subsequent years, nonwithholding income tax revenue in excess of the cap must be:

- applied to close any general fund budget deficit occurring at closeout;
- applied to raise the balance in the Rainy Day Fund to 6% of estimated general fund revenues;
- if the Rainy Day Fund equals or exceeds 6% and is less than 10% of general fund revenues, split evenly between the Rainy Day Fund and the Fiscal Responsibility Fund with all funds applied to the Fiscal Responsibility Fund and, specifically, dedicated to capital projects at public schools, community colleges, and higher education institutions; and
- once the Rainy Day Fund reaches 10%, fully allocated to the Fiscal Responsibility Fund.

Dedicated Purpose Account

The Dedicated Purpose Account is designed to retain appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain. The account receives funding through direct appropriations in the budget bill for specific purposes. Activity in this account has increased significantly.

Catastrophic Event Account

The Catastrophic Event Account was established in 1990 to enable the State to respond, without undue delay, to a natural disaster or catastrophic event. In recent years, funds were used for Ellicott City's flood cleanup and air conditioning repairs for Baltimore City schools. In fiscal 2022, \$3.8 million was allocated for Tropical Storm Ida recovery assistance.

Economic Development Opportunities Account

The Economic Development Opportunities Account (Sunny Day Fund) allows the State to address extraordinary opportunities that will result in significant job creation and capital investment in the State. This fund is discussed in more detail in "Chapter 13. Economic Development and Business Regulation" of this handbook.

Local Reserve Funds

Most counties have established revenue or budget stabilization accounts or contingency reserve funds to address future budget requirements or a downturn in revenues. Local laws in some

counties establish the fund and specify how revenues in the account may be used. In other counties, accounts conform to formal county policy to maintain a certain level of reserves. As shown in **Exhibit 3.3**, at the close of fiscal 2021, county reserve fund balances exceeded \$1.4 billion.

Exhibit 3.3
Local Reserve Funds
Fiscal 2021
(\$ in Thousands)

<u>County</u>	<u>Reserve Fund</u>
Allegany	\$8,000
Anne Arundel	84,400
Baltimore City	144,864
Baltimore County	216,171
Calvert	30,880
Caroline ¹	0
Carroll	23,709
Cecil	27,424
Charles	68,392
Dorchester ¹	0
Frederick	14,789
Garrett	9,000
Harford	32,931
Howard County	77,653
Kent	285
Montgomery	444,614
Prince George's	188,596
Queen Anne's	19,816
St. Mary's	1,625
Somerset	400
Talbot	14,000
Washington	57,917
Wicomico	7,700
Worcester	20,432
Total	\$1,493,597

¹ Caroline and Dorchester counties report having no official Reserve Account. However, both jurisdictions have relatively large General Fund balances.

Note: Total may not sum due to rounding.

Source: County Audit Reports, Fiscal 2021; Department of Legislative Services

Property Tax Assessment and Appeals

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

The department performs assessments on one-third of all real property and personal property in the State every year and certifies to the local taxing authorities the assessment value of each piece of property. Any increase in market value is then phased in over a three-year period to reduce the impact on the taxpayer. The impact is further mitigated for owner-occupied residential property by the imposition of a cap on the annual assessment increase known as the Homestead Tax Credit Program. The maximum increase varies from 0% to 10%, depending upon the county.

In addition to real property assessment, the department values the tangible personal property of businesses and the operating property of utilities and railroads annually. It also maintains property location maps to assist its property assessors with their physical reviews of property for valuation purposes. The department continues to provide support to the Maryland Department of Planning, which maintains property maps for use by the general public, for the State's geographic information system. Overall, the State's real property, new construction, and railroad properties had a total assessable tax base of \$815.9 billion in fiscal 2021.

In fiscal 2012 and 2013, the counties and Baltimore City were required to reimburse the State Department of Assessments and Taxation 90% of the costs of real property and business personal property valuations and for the department's related information technology needs. Since fiscal 2014, the counties and Baltimore City have been required to reimburse 50% of these costs to the department.

The State's franchise tax on public service companies, an important revenue source to the State's general fund, is also administered by the department. In addition, the department's corporate charter division approves and records articles of incorporation for all types of businesses in the State.

The State Department of Assessments and Taxation administers four property tax credit programs: (1) the Homeowners' Tax Credit program; (2) the Renters' Tax Credit program; (3) the State's Enterprise Zone Tax Credit program; and (4) the Homestead Tax Credit program. The Homeowners' and Renters' tax credit programs are discussed in further detail in "Chapter 12. Housing and Community Development" of this handbook along with the Enterprise Zone Tax Credit program, which is discussed in Chapter 13. One of the department's previous major tax credit programs, the Base Realignment and Closure Revitalization and Incentive Zone program, was closed to new zones at the end of fiscal 2019 and ended in fiscal 2020.

The Property Tax Assessment Appeals Boards is an independent agency that considers appeals related to the assessment of property in the State. There are boards in each county and in Baltimore City that hear appeals regarding assessments of real property conducted by the State Department of Assessments and Taxation and tax credits. Each board (made up of three members plus one to three alternates) is appointed by the Governor and is provided staff support through an administrative office in Hagerstown. Subsequent appeals are referred to the Maryland Tax Court and the circuit courts.

Maryland Tax Court

The Maryland Tax Court is the final administrative appeals entity for decisions of the Comptroller, local property tax assessment appeals boards, and local tax collectors. The court is composed of five judges appointed by the Governor for six-year terms. In fiscal 2019, 1,237 cases were disposed by the Maryland Tax Court, but the number of cases declined to 835 and 746 in fiscal 2020 and 2021, respectively, due to the COVID-19 pandemic.

Funding for Financial Administration

The source of funds to support financial administration functions is shown in **Exhibit 3.4**. The fiscal 2021 expenditures for State agencies, including local support of the State Department of Assessments and Taxation, totaled \$307.1 million.

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

Exhibit 3.4
Expenditures by Financial Administration Agencies
Fiscal 2021
(\$ in Thousands)

<u>Unit</u>	<u>State</u> ¹	<u>Special</u> ²	<u>Local</u>	<u>Total</u>
Comptroller of Maryland	\$96,961	\$30,807		\$127,768
State Treasurer	5,884	1,710		7,594
State Department of Assessments and Taxation	27,178	11,377	\$21,246	59,801
State Lottery and Gaming Control Agency	4,943	103,824		108,767
Alcohol and Tobacco Commission	1,475			1,475
Property Tax Assessment Appeals Boards	971			971
Maryland Tax Court	710			710
Local Governments ³				
Counties			160,762	160,762
Municipalities			38,981	38,981
Total	\$138,122	\$147,718	\$220,989	\$506,829

¹ State dollars for the Comptroller and the State Treasurer do not include funds provided by other State agencies as reimbursement for services rendered. In the case of the Comptroller (\$33.4 million), agencies are charged for data processing, mail room, print shop, and other support services. In the State Treasurer's budget, "reimbursable" funds (\$50.8 million) represent charges to various State agencies for insurance coverage. A portion of the reimbursements provided by the State agencies is federal funds.

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

³ For more detail, see Exhibit 3.5.

Note: Totals may not sum due to rounding.

Source: *Fiscal 2023 Governor's Budget Books*; Uniform Financial Reports; Department of Legislative Services

Total local spending, including county-paid, State Department of Assessments and Taxation administrative costs, was \$220.9 million in fiscal 2021. Not including those administrative costs, local governments report spending a total of \$199.7 million on financial administration in fiscal 2021, as shown in **Exhibit 3.5**.

Exhibit 3.5
Local Financial Administration Expenditures
Fiscal 2021

<u>County</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Spending Reported</u>
Allegany	\$1,908,610	\$1,009,880	\$2,918,490
Anne Arundel	13,544,350	2,580,195	16,124,545
Baltimore City	31,692,508	0	31,692,508
Baltimore	12,052,013	0	12,052,013
Calvert	2,598,779	1,193,707	3,792,486
Caroline	676,472	650,356	1,326,828
Carroll	6,346,003	1,211,671	7,557,674
Cecil	2,667,130	1,100,366	3,767,496
Charles	7,602,755	638,188	8,240,943
Dorchester	525,517	705,159	1,230,676
Frederick	7,201,938	5,116,629	12,318,567
Garrett	1,298,680	685,144	1,983,824
Harford	3,143,835	1,843,688	4,987,523
Howard	12,869,276	0	12,869,276
Kent	852,533	251,009	1,103,542
Montgomery	24,563,935	7,641,373	32,205,308
Prince George's	17,704,885	6,918,065	24,622,950
Queen Anne's	1,694,808	62,012	1,756,820
Somerset	2,834,750	75,637	2,910,387
St. Mary's	1,025,990	19,744	1,045,734
Talbot	1,291,715	1,350,664	2,642,379
Washington	2,588,733	1,391,181	3,979,914
Wicomico	1,670,299	1,688,897	3,359,196
Worcester	2,406,904	2,848,352	5,255,256
Total	\$160,762,418	\$38,981,917	\$199,744,335

Notes: County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. There are no municipalities in Baltimore and Howard counties.

Source: Uniform Financial Reports; Department of Legislative Services

Chapter 4. Courts and Related Offices

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

Structure

The Maryland judicial system operates primarily through two appellate courts (Court of Appeals and Court of Special Appeals), trial courts of general jurisdiction (circuit courts), a trial court of limited civil and criminal jurisdiction (District Court), and courts with special jurisdiction (orphans' courts). Chapters 82 and 83 of 2021 proposed a constitutional amendment, to be decided via referendum on the 2022 ballot, to rename the Court of Appeals to be the Supreme Court of Maryland and the Court of Special Appeals to be the Appellate Court of Maryland. Due to the timing of this publication and the outcome of the election, the potential change is not reflected in this chapter.

The courts are supported by clerks who are responsible for maintaining court documents. In addition to the courts, a number of related offices are financed by the State and local governments. **Exhibit 4.1** shows the organization of the major components of the Maryland judicial system and their sources of funding.

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

Services

Court of Appeals

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

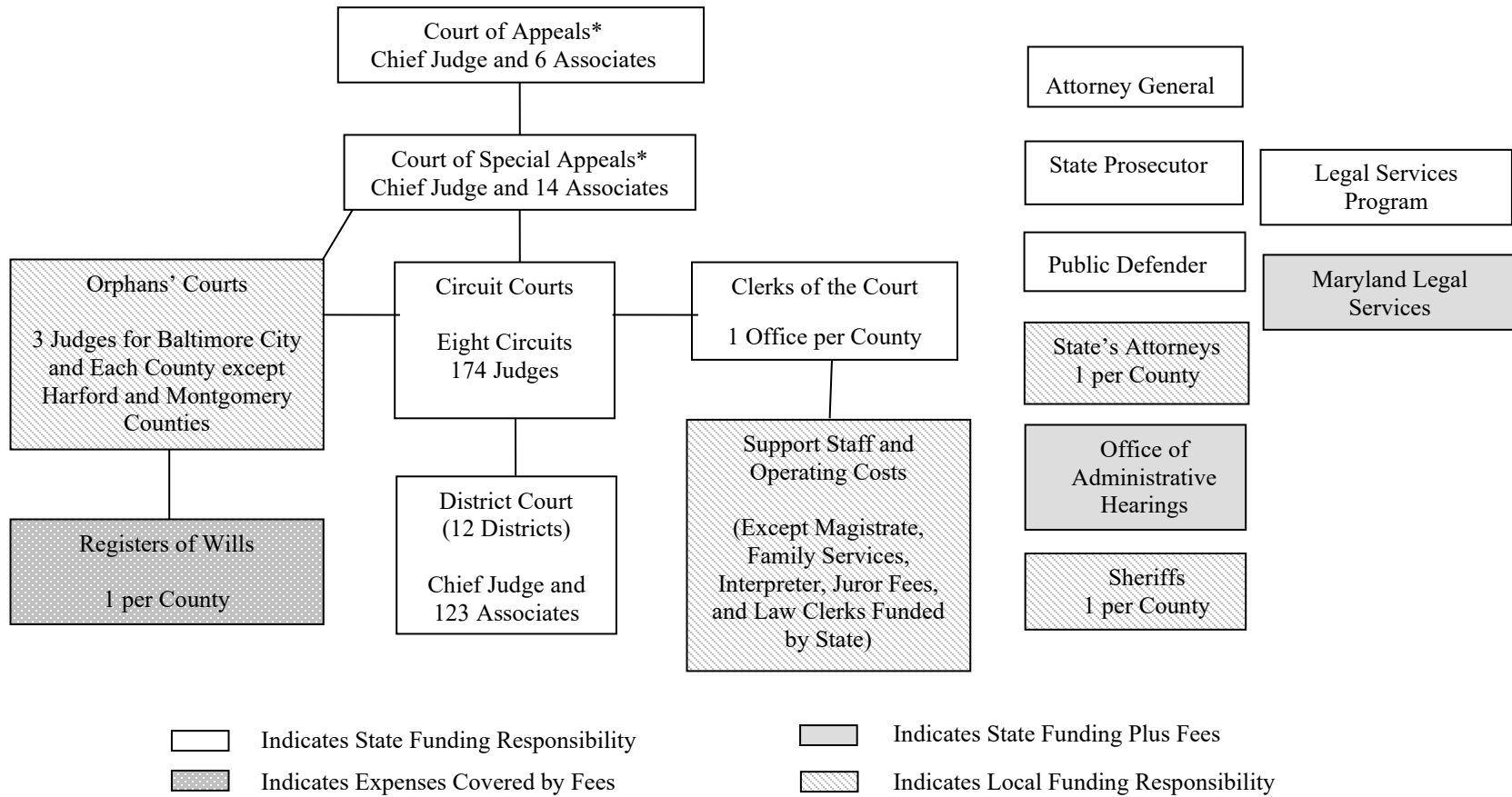
The Court of Appeals may also review certain decisions of a circuit court that acted in an appellate capacity with respect to an appeal from the District Court. The court has exclusive jurisdiction over cases involving legislative redistricting and also decides questions of law certified by federal or other states' appellate courts. Most cases decided by the Court of Appeals are cases in which a petition for *certiorari* is granted. The Court of Appeals received 500 petitions for *certiorari* and 64 regular docket filings in fiscal 2021.

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

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

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

Exhibit 4.1 Maryland Judicial System



* Chapters 82 and 83 of 2021 proposed a constitutional amendment, to be decided via referendum on the 2022 ballot, to rename the Court of Appeals to be the Supreme Court of Maryland and the Court of Special Appeals to be the Appellate Court of Maryland.

Source: Department of Legislative Services

Court of Special Appeals

The Court of Special Appeals is established by statute, pursuant to constitutional authorization, as an intermediate appeals court with statewide jurisdiction. It hears almost all initial appeals from circuit courts and orphans' courts. In addition, it considers applications to review various matters including post-conviction petitions, *habeas corpus* matters concerning denial of or excessive bail, inmate grievances, appeals from criminal guilty pleas, and probation violations. In fiscal 2021, 1,226 appeals were filed with the court.

Although the judges usually sit in panels of 3, a hearing or a rehearing before the full 15-member court may be ordered in any case by a majority of the judges on the court.

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

Exhibit 4.2 Appellate Judicial Circuits

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

Source: Department of Legislative Services

Circuit Courts

The circuit courts, which are established by the Maryland Constitution, sit in each county and Baltimore City. All jury trials are conducted in the circuit courts. The circuit courts handle major civil cases, including family law cases, and the more serious criminal matters. In addition, the circuit courts decide appeals from the District Court and from certain administrative agencies. The circuit courts also exercise juvenile jurisdiction when sitting as the juvenile court in petitions alleging a child to be delinquent, in need of supervision, or in need of assistance. From fiscal 2017 to 2021, the number of circuit court filings decreased from 239,134 to 146,511.

Circuit courts traditionally divided their cases between criminal and civil divisions. However, State law directs the Chief Judge of the Court of Appeals to take the necessary steps to create a family division in each circuit court in which a sufficient number of judges exists to make a family division feasible. The Maryland Rules require that a family division be established in those counties with more than seven resident circuit court judges. Counties without separate family divisions are, instead, provided with a family support coordinator and a budget for offering services to families involved in the judicial system.

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

The circuit courts are grouped into eight geographic circuits. Each of the first seven judicial circuits contains two or more counties. The eighth judicial circuit consists of Baltimore City. In fiscal 2023, there are 174 circuit court judges, 8 of whom act as circuit administrative judges pursuant to designation by the Chief Judge of the Court of Appeals. The organizational hierarchy of the circuits also includes county administrative judges who aid the circuit administrative judges. In addition, within each circuit, the judge who has served longest on the circuit court is designated as the chief judge of the circuit. In some jurisdictions, the circuit court judges are assisted in their functions by standing judicial magistrates who conduct hearings and make findings on some domestic relations and juvenile matters. The findings of a magistrate are subject to approval by a circuit court judge. The statutorily required composition of the eight circuits and the distribution of circuit court judges among the local jurisdictions are presented in the left-hand column of **Exhibit 4.3**.

Circuit court judges are appointed by the Governor and, after at least 1 year of service, must stand for election to a 15-year term. Unlike their colleagues on the Court of Appeals and the Court of Special Appeals, circuit court judges may face a contested election in which qualified members of the Maryland Bar challenge the incumbent judges by filing as candidates. The Maryland Constitution also provides for the election of a clerk of the circuit court in each county and Baltimore City who serves a term of 4 years.

Exhibit 4.3
Allocation of Circuit Court and District Court Judges
Fiscal 2023

<u>Circuit</u>	<u>Circuit Court Jurisdiction</u>	<u>Judges</u>	<u>District</u>	<u>District Court Jurisdiction</u>	<u>Judges</u>	
1	Dorchester	1	1	Baltimore City	28	
	Somerset	1				
	Wicomico	4	2	Dorchester	1	
	Worcester	3		Somerset	1	
2	Caroline	1	3	Wicomico	2	
	Cecil	4		Worcester	2	
	Kent	1		Caroline	1	
	Queen Anne's	1		Cecil	2	
	Talbot	1		Kent	1	
3	Baltimore	20	4	Queen Anne's	1	
	Harford	6		Talbot	1	
4	Allegany	2	5	Prince George's	19	
	Garrett	1		6	Montgomery	13
	Washington	6			7	Anne Arundel
5	Anne Arundel	13	8		Baltimore	15
	Carroll	4		9	Harford	4
6	Frederick	6	10		Carroll	2
	Montgomery	24		Howard	5	
7	Calvert	3	11	Frederick	3	
	Charles	5		Washington	2	
	Prince George's	24		12	Allegany	2
St. Mary's	3	Garrett	1			
8	Baltimore City	35	Chief Judge		1	
Total		174	Total		124	

Source: Department of Legislative Services

District Court

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

In addition, the District Court shares concurrent jurisdiction with the circuit courts in domestic violence protective order cases, in other civil matters that involve a claim for an amount above \$5,000 but not exceeding \$30,000, in criminal misdemeanor cases in which the maximum penalty is imprisonment for three or more years or a fine of \$2,500 or more, and in several specified felony cases. In fiscal 2021, approximately 1.0 million cases were filed in the District Court. Motor vehicle and landlord/tenant cases accounted for 32.7% and 30.8% of the cases filed, respectively.

There are no jury trials in the District Court. If a defendant in a criminal or civil case filed in the District Court is entitled to and elects a jury trial, the case is transferred to a circuit court. Statute specifies that a defendant in a criminal case charged with an offense punishable by imprisonment for more than 90 days is entitled to a jury trial. Also, a criminal defendant may obtain a jury trial through the defendant's right to a *de novo* appeal in a circuit court following a conviction in the District Court if the offense charged is punishable by imprisonment or there is a constitutional right to a jury trial for the offense. In civil cases filed in the District Court, a defendant may elect to have the case transferred to the appropriate circuit under Article 5 and Article 23 of the Maryland Declaration of Rights – which guarantees the right to a jury trial in a civil case if the amount in controversy exceeds \$15,000 (exclusive of attorney's fees if attorney's fees are recoverable in the case). Chapter 809 of 2021 proposed a constitutional amendment, to be decided via referendum on the 2022 ballot, to increase the threshold to amounts in excess of \$25,000.

The District Court is divided into 12 geographic districts throughout the State. In fiscal 2023, 124 judges compose the District Court bench, including the Chief Judge of the District Court who is designated by the Chief Judge of the Court of Appeals. Judges are nominated by the Governor and serve 10-year terms on confirmation by the Senate. The statutorily required composition of the 12 districts and the distribution of judges among the counties and Baltimore City are presented in the right-hand column of Exhibit 4.3.

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

The Maryland Constitution requires District Court commissioners to be appointed by the administrative judge of each district, subject to the approval of the Chief Judge of the District Court.

Commissioners may exercise power with respect to pretrial release determinations and the issuance of warrants of arrest and criminal summonses. In addition, commissioners may issue interim domestic violence protective orders and interim peace orders when the office of the clerk of the District Court is closed, including at night and on weekends and holidays.

Orphans' Courts

As established by the Maryland Constitution, the orphans' courts are responsible for the probate function in each jurisdiction, with the exception of Harford and Montgomery counties, where the function is carried out by the circuit courts. Chapter 539 of 2022 proposed a constitutional amendment, to be decided via referendum on the 2022 ballot, to transfer jurisdiction of the orphans' court in Howard County to the circuit court judges. Each jurisdiction with an orphans' court elects three judges to four-year terms. Orphans' court judges in Baltimore City and Baltimore and Prince George's counties only are required by the Maryland Constitution to be members in good standing of the Maryland Bar.

Administrative Hearings

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

Some departments and individual agencies conduct their own hearings, but many delegate their authority to the Office of Administrative Hearings, an independent unit of the Executive Branch. The office has approximately 51 administrative law judges – headed by the Chief Administrative Law Judge, who is appointed by the Governor with the advice and consent of the Senate.

The Office of Administrative Hearings is reimbursed by the State agencies that refer cases to it. The Department of Budget and Management allocates funds to these agencies to cover anticipated costs associated with such hearings by utilizing a caseload formula. Agencies' annual assessments are determined based on their prior year's caseload and the length of time it takes to hear cases. The cost per case varies because the length of time required to hear a particular type of case varies considerably according to the complexity of the case. As illustrated in **Exhibit 4.4**, motor vehicle hearings generally last less than an hour. By contrast, disciplinary hearings for health care professionals, including physicians, average longer than one week.

Exhibit 4.4
Office of Administrative Hearings
Cost Allocation – Fiscal 2021

<u>Agency</u>	<u>Types of Cases</u>	<u>Avg. Case Hours</u>	<u>Total Cases</u>	<u>Case Hours</u>	<u>% of Case Hours</u>
Transportation	MVA	0.73	14,657	10,700	13.54%
	MDOT	4.26	49	209	0.26%
	MDOT Personnel	17.39	39	678	0.86%
	MVA Personnel	17.39	21	365	0.46%
	Total			14,766	11,952
Health	Not Criminally Responsible	5.36	247	1,324	1.68%
	Involuntary Admissions	0.57	7,605	4,335	5.49%
	Medical Assistance	1.38	5,389	7,437	9.41%
	Boards	43.50	29	1,262	1.60%
	Maryland Children's Health Insurance Plan	10.38	20	208	0.26%
	Miscellaneous	4.59	503	2,309	2.92%
	Personnel	17.39	65	1,130	1.43%
Total			13,858	18,004	22.78%
Human Services	Child Support Enforcement	7.19	140	1,007	1.27%
	Income Maintenance	0.89	4,641	4,130	5.23%
	Child Abuse and Neglect	10.82	720	7,790	9.86%
	Personnel	17.39	30	522	0.66%
Total			5,531	13,449	17.02%
Labor	Home Improvement Commission	9.73	167	1,625	2.06%
	Real Estate Commission	19.14	49	938	1.19%
	Maryland Occupational Safety and Health	14.29	80	1,143	1.45%
	Miscellaneous	9.88	7	69	0.09%
	Personnel	17.39	3	52	0.07%
Total			306	3,827	4.84%
Education	Personnel	17.39	44	765	0.97%
	Mediations	5.12	313	1,603	2.03%
	Special Education (one tier, includes MITP)	22.45	328	7,364	9.32%
	Miscellaneous	8.34	296	2,469	3.12%
Total			981	12,200	15.44%
Housing and Community Development	Foreclosure Mediations	2.14	2,223	4,757	6.02%
	Personnel	17.39	11	191	0.24%
	Total			2,234	4,949
All Other		15.81	1,228	14,636	18.52%
Total			38,904	79,017	100.00%

MDOT: Maryland Department of Transportation

MITP: Maryland Infants and Toddlers Program

MVA: Motor Vehicle Administration

Note: Numbers may not sum due to rounding.

Source: Office of Administrative Hearings; Department of Legislative Services

Approximately 55% of the office's total case-hour allocation in fiscal 2021 was to the Maryland Department of Transportation, the Maryland Department of Health, and the Maryland Department of Human Services. Of the various types of hearings held, personnel grievances, with an average case time of approximately 17 hours, are among the most time-consuming cases heard by the office. The office heard 38,904 cases for a total of 79,017 case hours in fiscal 2021.

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

Although the form of administrative hearings varies somewhat, they have in common the fact that the parties have a right to appeal the administrative decision and obtain judicial review by the appropriate circuit court.

Judicial Agencies

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

Maryland Judicial Council

The Maryland Judicial Council serves as the principal advisory body to the Chief Judge of the Court of Appeals. The council generally meets bi-monthly to address any policy changes, judicial reforms, legislative issues, and other developments that affect the Judiciary. The council, which consists of 21 members, is headed by the Chief Judge of the Court of Appeals who serves as the chairperson. Various committees, whose members include judges, magistrates, court clerks, administrators, and commissioners, also develop recommendations for the council's consideration and for approval by the Chief Judge.

Administrative Office of the Courts

The administrative staff that assists the Chief Judge of the Court of Appeals, as the administrative head of the State judicial system, is within the statutorily created Administrative Office of the Courts. The State Court Administrator, who is appointed by the Chief Judge, heads the office. In addition to several other responsibilities, the office prepares and administers the Judiciary's budget, serves as liaison with the Legislative and Executive branches, provides staff

support for the Maryland Judicial Council and its committees, operates information systems, and conducts planning and research. Additionally, the office's Department of Juvenile and Family Services is responsible for coordinating the work of family divisions and family services programs in courts throughout the State.

The State Court Administrator also manages the Circuit Court Real Property Records Improvement Fund that is used for operating expenses of the land records offices of the clerks of the circuit courts, modernizing the equipment in the land records offices of the clerks of the circuit courts, and the funding of major information technology improvement projects.

The Administrative Office of the Courts also includes the Office of Problem Solving Courts which oversees the State's alternative court programs, including drug court programs, mental health court programs, and truancy court programs. The fiscal 2021 budget included \$6.8 million in grant funding for these programs. For a full discussion of alternative court programs, see *Volume VIII – Maryland's Criminal and Juvenile Justice Process*.

Commission on Judicial Disabilities

The Commission on Judicial Disabilities was established in the Maryland Constitution in 1966 to investigate and adjudicate complaints against judges. The commission consists of 11 members appointed by the Governor with the advice and consent of the Senate. Three commission members are appointed from among the judges, 3 from among the members of the Maryland Bar, and 5 from the public. The Judicial Inquiry Board within the commission consists of two judges, two lawyers, and three public members, each of whom the commission appoints. The commission's Investigative Counsel investigates complaints and forwards complaints to the board or the commission, depending on counsel's post-investigation recommendations. The board submits a report about each complaint it receives, including a recommendation, to the commission.

State Board of Law Examiners

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

Attorney Grievance Commission

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

Client Protection Fund of the Bar of Maryland

In general, the Client Protection Fund of the Bar of Maryland reimburses claimants for losses, not recoverable from other sources, caused by the theft or misuse of funds by an attorney during the attorney's legal representation of the claimant or while the attorney was acting in a fiduciary relationship with the claimant. The fund is maintained by annual assessments on members of the Maryland Bar. The Court of Appeals appoints the nine trustees, eight of whom are attorneys, who oversee the fund. The trustees serve seven-year terms.

State Reporter

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

Thurgood Marshall State Law Library

The Thurgood Marshall State Law Library provides legal information to the State's appellate courts and agencies throughout State government. The library also serves as the resource center for the circuit court libraries and as a select U.S. government repository for federal agency and congressional publications. The library is open to the public and reference staff are available to assist members of the public by providing information assistance and access to legal materials. The governing board of the library is the Library Committee that is composed of at least three members who are appointed by the Court of Appeals.

Other Offices

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

Registers of Wills

Baltimore City and each of the counties have a register of wills who is responsible for appointing personal representatives to administer the estates of decedents and is generally responsible for the administration of estates through the performance of various duties, including providing proper forms and assistance in the preparation of forms, admitting wills to probate, auditing accounts, maintaining accurate records of estate matters, and collecting inheritance taxes and fees associated with the judicial administration of decedents' estates. The registers also serve as clerks of the orphans' courts. Registers of wills are elected to four-year terms under the Maryland Constitution.

Sheriffs' Offices

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

Legal Representation of the State

Office of the Attorney General

The Office of the Attorney General, which is mandated in the Maryland Constitution, represents the State in all legal matters, including civil litigation and criminal appeals in federal and State courts. The office also enforces antitrust, consumer protection, and securities laws; prosecutes Medicaid provider fraud; and investigates police-involved incidents that result in the death of a civilian or injuries that are likely to result in the death of a civilian. The Attorney General is elected on a statewide basis to a four-year term.

Office of the State Prosecutor

The Office of the State Prosecutor is an independent office responsible for investigating and prosecuting criminal offenses under the State election and ethics laws, violations of the State bribery laws, and malfeasance in office. Additionally, at the request of the Governor, Attorney General, General Assembly, or a State's Attorney, the State Prosecutor may investigate alleged crimes conducted partly in Maryland and partly in another jurisdiction, or in more than one political subdivision of the State. Nominated by the State Prosecutor Selection and Disabilities Commission, the State Prosecutor is appointed to a six-year term by the Governor with the advice and consent of the Senate.

Offices of the State's Attorneys

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

Legal Services for Indigent Parties

Office of the Public Defender

The Office of the Public Defender provides legal representation on a statewide basis for indigent defendants in criminal trials and appeals, juvenile cases, and other proceedings, including

bail reviews before a judge. The Public Defender is appointed by the Board of Trustees of the Public Defender System.

District Court of Maryland Appointed Attorneys Program

The Appointed Attorney Program was established in 2014 to bring the State into compliance with *DeWolfe v. Richmond*, 434 Md. 444 (2013), in which the Court of Appeals held that indigent criminal defendants are entitled to State-furnished counsel at all initial appearances before a District Court commissioner. Under the program, the Judiciary selects and compensates private attorneys to represent indigent defendants at initial appearances. During fiscal 2021, 2022, and 2023, the General Assembly restricted \$8.25 million within the Judiciary's annual budget for the Appointed Attorney Program.

Maryland Legal Services Corporation

The Maryland Legal Services Corporation is a statutorily created entity that provides funds for legal services for persons with limited incomes. The corporation receives State funding through the Maryland Legal Services Corporation Fund. The corporation does not provide legal services directly but provides grants to organizations that assist low-income clients in civil proceedings. Ten members, including the executive director who is a nonvoting, *ex-officio* member, constitute the corporation's board of directors. Five voting members are lawyers and four voting members are not. The nine voting directors are appointed to three-year terms by the Governor with the advice and consent of the Senate. The corporation also administers the Access to Counsel in Evictions Program, which was established under Chapter 746 of 2021 to provide specified low-income tenants in the State with access to legal representation in proceedings to evict or terminate a tenancy or housing subsidy.

Legal Services Program

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

Funding

As depicted in **Exhibit 4.5**, the State and local governments share responsibility for funding Maryland's judicial system, with the State covering more than two-thirds of the costs. Federal funds accounted for less than 0.8% of total expenditures in fiscal 2021. The limited federal support was earmarked for, among other things, drug courts and Medicaid fraud investigations conducted by the Office of the Attorney General.

With the exception of the orphans' courts and a portion of the operating and capital costs of the circuit courts, the State funds all of the expenses of Maryland's courts. In addition, the State has sole responsibility for funding the operations of the Office of the State Prosecutor, the Office

of the Attorney General, the Office of the Public Defender, and the Office of Administrative Hearings. Local governments fund their own State's Attorney and sheriff.

Exhibit 4.5
Maryland Judicial System
Local, State, and Federal Funding Responsibility – Fiscal 2021
(\$ in Millions)

<u>Unit</u>	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Court of Appeals		\$12.2	\$0.0	\$12.2
Court of Special Appeals		13.4		13.4
Circuit Courts				
Judges and Magistrates		69.7		69.7
Clerks of the Circuit Court		124.8		124.8
Adm. Support/Operating Costs	\$77.4			77.4
District Court		207.9		207.9
Orphans' Courts	2.6			2.6
Registers of Wills ²		30.7		30.7
Office of the State Prosecutor		1.7		1.7
Office of the Attorney General		39.9	3.6	43.5
Office of the Public Defender		110.2	2.0	112.2
Offices of the State's Attorneys	154.0	3.2		157.2
Offices of Sheriffs ³	121.4			121.4
Office of Administrative Hearings		16.4		16.4
Administrative Office of the Courts		79.0	3.3	82.3
Legal Services Program – Department of Human Services		10.2		10.2
Maryland Legal Service Corporation ⁴		12.8		12.8
Other (law library, data processing support, etc.)	8.3	85.3		93.6
Total	\$363.7	\$817.4	\$8.9	\$1,190.0

¹ Local funds may include capital expenditures and may not include employee fringe benefits.

² The following is a summary of the Register of Wills' Offices for fiscal 2021.

Inheritance Taxes (75% Remitted Monthly)		\$59,720,160.50
Retained:		
Inheritance Taxes (25%)	\$19,886,254.09	
Fees of Offices	7,942,547.39	
Total Retained for Registers of Wills	\$27,828,801.48	
Less: Salaries and Expenses	\$30,688,683.83	
Excess Fees of Office (Remitted Annually)		(2,859,882.36)
Total Remitted (State General Fund)		\$56,860,278.14

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

⁴ This represents expenses for grant obligations and operating expenses. Revenues in fiscal 2021 for the Maryland Legal Services Corporation included \$2.0 million from the Abandoned Property Fund, \$8.5 million from court filing fees, and \$2.3 million from interest on lawyers' trust accounts.

Note: Numbers may not sum due to rounding.

Source: *Fiscal 2023 State Budget Books*; Uniform Financial Reports; Comptroller of the Treasury; Maryland Judiciary; Department of Legislative Services

Circuit Courts

In the case of the circuit courts, the State has traditionally paid the expenses associated with the judges and the clerks of the courts while the counties and Baltimore City have covered the remainder of the operating and all the capital and physical facility costs. However, the State supports some activities that have been historically the responsibility of local governments. For example, the State provides funding to the circuit courts for interpreter services and contributes toward juror per diems. As of October 2022, the State per diem amount is \$30 for each day of service, with the amount increasing to \$50 per day for each day more than five days. The State also has fiscal responsibility for standing magistrates, circuit court law clerks, and rental payments for the space occupied in local facilities by the circuit court clerks up to \$500,000.

Local Expenditures

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

Registers of Wills and Maryland Legal Services Corporation

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

The Maryland Legal Services Corporation receives its State funding through an appropriation from the State Unclaimed Property Fund, a surcharge on certain civil case filings, and the interest on attorney-trust accounts held by Maryland attorneys. In fiscal 2021, revenues from filing fee surcharges totaled approximately \$8.5 million, while trust account revenues totaled approximately \$2.3 million. During the 2021 legislative session, the General Assembly increased the corporation's annual appropriation from the Unclaimed Property Fund from \$2.0 million to \$8.0 million, beginning in fiscal 2022. The General Assembly added \$10 million of general funds to the fiscal 2023 budget for the Maryland Legal Services Corporation to support Access to Counsel services and mandated the appropriation of \$14 million of unclaimed property funds for this purpose in fiscal 2024.

Exhibit 4.6
Courts and Related Offices – Local Funding Responsibility¹
Fiscal 2021

County	Circuit Court	Orphans' Court	State's Attorney	Sherriff²	Law Lib/ Other
Allegany	\$513,493	\$79,139	\$1,647,273	\$0	\$509,433
Anne Arundel	5,994,576	133,603	12,682,591	10,880,159	0
Baltimore City	16,452,691	595,405	35,290,799	19,853,466	0
Baltimore	4,775,317	308,717	9,838,770	5,176,047	0
Calvert	977,666	27,435	2,597,235	0	4,780
Caroline	193,889	17,489	624,473	0	216,064
Carroll	3,334,867	57,723	4,722,078	0	272,032
Cecil	2,266,905	50,394	2,801,027	0	0
Charles	1,338,061	65,133	4,577,096	0	0
Dorchester	179,236	17,790	806,236	0	0
Frederick	1,715,154	38,145	6,769,148	0	17,567
Garrett	434,258	15,305	728,728	0	0
Harford	1,973,102	0	6,433,251	0	1,655,912
Howard	3,038,566	70,800	8,934,679	7,755,964	0
Kent	313,393	67,414	785,249	0	0
Montgomery	11,950,712	0	18,349,043	24,394,020	0
Prince George's	14,975,827	565,599	19,003,846	49,624,997	4,919,920
Queen Anne's	690,234	86,502	1,381,073	0	0
St. Mary's	170,933	62,587	1,008,434	0	278,731
Somerset	1,770,880	65,429	4,218,118	0	31,194
Talbot	329,085	75,201	1,127,479	193,444	354,830
Washington	1,790,270	36,178	3,919,608	3,479,697	0
Wicomico	1,687,176	79,276	3,534,883	0	0
Worcester	1,678,691	36,388	2,206,928	0	0
Total	\$78,544,982	\$2,551,652	\$153,988,045	\$121,357,794	\$8,260,463
Minus State Grants	(\$1,139,417)				
Net County Spending	\$77,405,565	\$2,551,652	\$153,988,045	\$121,357,794	\$8,260,463

¹ Figures may not include employee fringe benefits.

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

Source: Uniform Financial Reports; Department of Legislative Services

Chapter 5. Public Safety

The sharing of public safety responsibilities between the State and local sectors reflects the unique, historic development of the relationship between the various levels of government in Maryland. Currently, local governments, particularly the counties and Baltimore City, bear the primary responsibility for police protection; fire, rescue, and emergency services; and 9-1-1/3-1-1 emergency telephone services. Corrections is largely a State responsibility, as statutory provisions hold the State responsible for all long-term prisoners and for inmates with short-term sentences in Baltimore City. Offenders with shorter sentences in other jurisdictions are generally a local responsibility.

Exhibit 5.1 shows the local, State, and federal support for providing the various public safety and corrections services in fiscal 2021.

Police Protection

Police protection in Maryland is provided by the Department of State Police, the Maryland Department of Transportation, the Maryland Transportation Authority, the Department of General Services, the Natural Resources Police, universities and colleges, county sheriffs, and county and municipal police forces. The division of labor among agencies that has developed is based on statute, case law, and formal and informal agreements to coordinate services.

Department of State Police – Structure

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

Exhibit 5.1
Public Safety Services
Expenditures and Funding Sources
Fiscal 2021
(\$ in Millions)

<u>Service/Program</u>	<u>County</u>	<u>Municipal</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Police Protection/Crime Control	\$1,778.0	\$251.4	\$392.1	\$71.1	\$2,492.6
Governor's Office of Crime Prevention, Youth, and Victim Services			58.8	56.0	114.8
Department of State Police			258.8	15.1	273.9
Local Police Protection	1,778.0	251.4	74.5	0.0	2,103.9
Fire, Rescue, and Emergency Services	\$1,445.6	\$59.0	\$159.8	\$48.7	\$1,713.1
Fire and Rescue	1,299.5	59.0	39.0	0.0	1,397.5
Emergency Medical Services			59.1	1.5	60.6
9-1-1/3-1-1 Emergency Telephone Service ¹	146.1		47.0	0.3	193.4
Emergency Management ²			2.6	27.9	30.5
Military Department and National Guard			12.1	19.0	31.1
Correctional Services	\$487.2	\$0.0	\$1,232.8	\$71.1	\$1,791.1
Corrections and Detention	487.2		1,010.1	69.5	1,566.8
Community Supervision			108.6	0.4	109.0
Training and Administration			114.1	1.2	115.3
Other Public Safety³	\$341.1	\$35.0	\$16.2	\$78.6	\$470.9
Total	\$4,051.9	\$345.4	\$1,800.9	\$269.5	\$6,467.7

¹ State funds reflect funding for administrative operating expenses.

² Excludes \$880.1 million in federal public assistance funding related to the COVID-19 pandemic.

³ Includes own-source funding reported by local governments for protective inspections, civil defense, emergency management, traffic engineering, and animal control – with federal and State grants assumed to have been spent in the year they were received. The federal and State grant amounts reported by local governments are assumed to be accounted for in the State and federal amounts that pass through the State budget. This also includes State funding for protective inspections and funding for crime victims through the Criminal Injuries Compensation Board.

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

Source: *Fiscal 2023 Governor's Budget Books*; Uniform Financial Reports; Department of Public Safety and Correctional Services; Department of State Police; Governor's Office of Crime Prevention, Youth, and Victim Services; Department of Legislative Services

The department employs civilian employees and law enforcement officers. Civilian employees are part of the State personnel classification system and are subject to the State employee grievance and disciplinary system. Law enforcement officers are organized into a quasi-military rank classification system and are subject to the accountability and discipline system set forth by the department. The department's operating structure is composed of the following programs:

- **Office of the Superintendent**, which includes the Criminal Intelligence Section, Executive Protection Division, and the Strategic Planning Command;
- **Field Operations Bureau**, which includes 23 police barracks, the Special Operations Division, and the Transportation Safety Command;
- **Criminal Investigation Bureau**, which provides investigative services through specialized divisions including the Computer Crimes Section, the Forensic Sciences Division, the Gun Enforcement Unit, the Homicide Unit, the Licensing Division, the Maryland Center for Missing and Unidentified Persons, and the Statewide Apprehension Team; and
- **Support Services Bureau**, which includes the Aviation Command (including Medevac operations), the Logistics Command, the Personnel Command, and the Technology and Information Management Command.

The department also includes the Vehicle Theft Prevention Council, the Fire Prevention Commission, and the Office of the State Fire Marshal.

The fiscal 2023 budget for the Department of State Police is \$501.3 million. This funding will support 2,506 regular positions, of which more than 1,550 are authorized sworn officer positions.

Other State Law Enforcement

Other State agencies have law enforcement personnel who have limited geographic jurisdiction. For example, the Maryland Transit Administration has a police force for the transit services it provides. The Maryland Transportation Authority provides law enforcement services at eight toll facilities, the Baltimore/Washington International Thurgood Marshall Airport, and public marine terminals and port offices. The Natural Resources Police is responsible for law enforcement on public lands managed by the Department of Natural Resources. The Department of General Services has police and security officers who provide around-the-clock law enforcement and security for all State-owned and State-leased buildings and grounds (extending to the surrounding area that encompasses 1,000 feet in any direction from the boundary of those buildings and grounds). Additionally, the Warrant Apprehension Unit within the Department of Public Safety and Correctional Services maintains a staff of sworn officers authorized to assist

with special operations and apprehend those who walk off or abscond from the department's Home Detention program.

County Sheriffs/Police Departments

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

Municipal Police Forces

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

Exhibit 5.2 shows the number of sworn officers working for each county and municipal law enforcement agency statewide.

Department of State Police – Services

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

The Department of State Police provides a full range of direct law enforcement services complementary to those provided by local governments. Examples of these services are (1) patrol services on interstate and major highways; (2) interjurisdictional investigative services in support of local narcotics, gambling, fraud, computer theft, and other economic crime initiatives; (3) investigative support in the form of investigators, case managers, crime scene processing, intelligence analysis, and crime laboratory services that exceed the capabilities and resources of local police agencies; and (4) contract Department of State Police services to municipalities with limited local police resources through the Resident Trooper Program.

Exhibit 5.2
Local Law Enforcement Strength – Sworn Positions
Calendar 2020

<u>County</u>	<u>County</u>		<u>Municipal</u>		<u>Total</u>
	<u>Sheriff</u>	<u>Police Force</u>	<u>Police Force</u>	<u>Resident Troopers</u>	
Allegany	35		83		118
Anne Arundel	73	813	151		1,037
Baltimore City	122	2,443	-		2,565
Baltimore	72	1,965	-		2,037
Calvert	145		-		145
Caroline	36		31		67
Carroll	126		89		215
Cecil	94		65		159
Charles	299		20		319
Dorchester	40		49		89
Frederick	194		174	5	373
Garrett	36		2		38
Harford	312		103		415
Howard	56	469	-		525
Kent	24		14		38
Montgomery	158	1,298	266		1,722
Prince George's	-	1,535	442		1,977
Queen Anne's	63		11		74
St. Mary's	226		-		226
Somerset	22		33		55
Talbot	37		52		89
Washington	105		105		210
Wicomico	91		133		224
Worcester	52		157		209
Total	2,418	8,523	1,980	5	12,926

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

Source: 2020 Uniform Crime Report, Department of State Police; Baltimore City; Department of Legislative Services

The Department of State Police has formalized its relationships with local police through cooperative service agreements. Memoranda of understanding have been in place with various jurisdictions since the early 1980s. These agreements define major traffic and law enforcement responsibilities within the jurisdictions to avoid duplication of effort.

In terms of statewide functions, the Department of State Police handles all licensing and registration relating to firearms, and operates the Maryland Gun Center, a 24/7 firearms enforcement center that screens and otherwise pursues every gun incident statewide. In addition, the department produces the annual *Uniform Crime Report* for Maryland; works to improve the critical error rate of law enforcement agencies that enter civil protective orders into the Maryland Interagency Law Enforcement Agency/National Crime Information Center systems; serves as a catalyst for the interagency exchange of criminal justice, homeland security, and intelligence information at the federal, State, and local levels; and provides timely and efficient access to public information and records. The department also works closely with local police and federal agencies in numerous collaborative task forces throughout the State to combat serious types of crime, including drugs, gangs, and human trafficking.

Funding for Police Protection

The responsibility for funding local law enforcement agencies lies primarily with local governments. Fiscal 2021 county and municipal expenditures for police protection are shown in **Exhibit 5.3**. State Aid for Police Protection (discussed below), which totaled \$74.5 million in fiscal 2021, is not shown in the exhibit. The largest portion of State funding is allocated through a statutory formula, with smaller sums distributed through targeted grants. Local governments reported approximately \$2.0 billion in spending for police protection in fiscal 2021 (net of grants).

State Aid for Police Protection Grants

Under the State Aid for Police Protection Fund Program, which is administered by the Governor's Office of Crime Prevention, Youth, and Victim Services, grants are made to the counties and qualifying municipalities for the exclusive purpose of providing adequate police protection. Qualifying expenditures under this program include salaries and wages, other operating expenses, capital outlays from current operating funds, and properly identifiable debt service paid for police protection. The grants are formula-driven, based primarily on population.

Baltimore City was excluded from the program beginning in fiscal 1992 when the State assumed the responsibility for operating and funding the Baltimore City Detention Center. While that facility is now closed, the State continues to operate and fund a pretrial complex for detainees in Baltimore City, including the Baltimore Central Booking and Intake Center and Metropolitan Transition Center. Legislation was enacted pursuant to which Baltimore City receives a 50 cents per capita grant for police aid beginning in fiscal 1997.

Exhibit 5.3
Local Government Expenditures for Police – Fiscal 2021

<u>County</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Local Spending</u>
Allegany	\$4,549,893	\$7,819,974	\$12,369,867
Anne Arundel	176,837,438	19,474,358	196,311,796
Baltimore City	447,437,977	-	447,437,977
Baltimore	243,364,625	-	243,364,625
Calvert	22,300,410	1,610,466	23,910,876
Caroline	4,878,939	3,660,683	8,539,622
Carroll	25,342,709	10,429,488	35,772,197
Cecil	14,064,654	9,456,552	23,521,206
Charles	76,555,463	2,444,214	78,999,677
Dorchester	3,878,156	5,802,519	9,680,675
Frederick	30,735,627	40,906,379	71,642,006
Garrett	3,908,087	352,604	4,260,691
Harford	64,700,164	14,642,992	79,343,156
Howard	112,029,466	-	112,029,466
Kent	3,489,265	930,251	4,419,516
Montgomery	265,019,052	29,575,693	294,594,745
Prince George's	372,629,256	51,404,287	424,033,543
Queen Anne's	9,214,812	1,358,810	10,573,622
St. Mary's	32,247,584	92,576	32,340,160
Somerset	2,697,912	988,617	3,686,529
Talbot	5,121,540	8,863,661	13,985,201
Washington	19,429,973	15,089,145	34,519,118
Wicomico	12,892,443	17,475,448	30,367,891
Worcester	8,937,862	26,020,274	34,958,136
Total	\$1,962,263,307	\$268,398,991	\$2,230,662,298
Minus State Grants	-\$82,488,833	-\$12,976,032	-\$95,464,865
Minus Federal Grants	-101,802,754	-1,076,894	-102,879,648
Minus County Grants		-2,984,969	-2,984,969
Net Local Spending	\$1,777,971,720	\$251,361,096	\$2,029,332,816

Note: For purposes of this exhibit, the federal, State, and, as appropriate, county police grant revenues reported by the local jurisdictions are assumed to have been expended in the same year they were received. County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. Some regional agencies received grants from the county as well; such grants were removed from the spending total to avoid double counting expenditures. Fourteen municipalities did not report their expenditures for fiscal 2021. There are no municipalities in Baltimore and Howard counties.

Source: Uniform Financial Reports; Department of Legislative Services

The municipal sworn police officer allocation was last changed by Chapter 444 of 1999, when it increased from \$1,200 to \$1,950 per officer. The actual number of sworn municipal officers is used when calculating the municipal sworn officer allocation for each fiscal year. Each qualifying municipality receives \$1,950 for each sworn police officer employed on a full-time basis. For purposes of the police aid formula, Baltimore City is not considered a municipality. Additional funding was provided for police protection grants outside of the traditional formula in fiscal 2023 in response to increasing crime throughout the State. The allocation of the additional funds included Baltimore City and was based on the number of reported total violent crime offenses in the 2020 *Maryland Uniform Crime Report*.

Targeted Grants

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

Governor's Office of Crime Prevention, Youth, and Victim Services

The mission of the Governor's Office of Crime Prevention, Youth, and Victim Services is to serve as a coordinating office that advises the Governor on criminal justice strategies. One of the principal responsibilities of the office is the development of Maryland's Comprehensive State Crime Control and Prevention Plan. The office has been expanded, restructured, and renamed in recent years. As currently organized, the office encompasses the prior Governor's Office of Crime Control and Prevention, the prior Governor's Office for Children, and a Victim Services Unit that includes the long-standing Criminal Injuries Compensation Board. The office facilitates information sharing and coordination between all sectors of the criminal justice system, and is responsible for:

- administering many of Maryland's law enforcement grants;
- conducting crime data analysis;
- performing best practices research; and
- assisting with the development of legislation, policies, plans, programs, and budgets related to the reduction and prevention of crime, violence, juvenile delinquency, and substance abuse.

In addition, the office coordinates services for crime victims and houses the Justice Reinvestment Oversight Board, which oversees the implementation of statutory changes designed to reduce the State's inmate and detainee population and reinvest the savings in public welfare improvement endeavors.

Emergency and Protective Services

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

Emergency Medical Services

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

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

- **Emergency Medical Resource Center Communications** – The center is responsible for coordinating medical consultation between emergency personnel at the scene and hospital physicians and plays a critical role in ensuring a coordinated response to major incidents and catastrophic events. In fiscal 2021, the center handled 159,526 telephone and radio calls.
- **SYSCOM Helicopter Communications** – By statute, the Maryland Institute for Emergency Medical Services Systems is responsible for Medevac helicopter communications. SYSCOM is the communication system responsible for helicopter dispatch and for monitoring the transport of critically ill or injured patients by helicopter to area hospitals. In fiscal 2021, SYSCOM handled 20,760 telephone and radio calls.

Maryland is divided into five emergency medical services regions: two predominantly rural regions (Region I in far Western Maryland and Region IV on the Eastern Shore); two

suburban/urban regions (Region III covering Central Maryland and Region V encompassing the Washington metropolitan area and Southern Maryland); and a mixed suburban/rural region (Region II covering Frederick and Washington counties). Regional councils are composed of representatives from the spectrum of emergency medical services within the region. Each jurisdiction has a similar council which may bring issues to the regional council for resolution. Unresolved issues may be taken to the Statewide Emergency Medical Services Advisory Council and subsequently to the Emergency Medical Services Board. This system provides a forum for resolution of differences and facilitates information exchange on topics such as grants, training, emergency medical services policies/protocols, legislation, and communications.

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

Ground transportation is provided by more than 660 emergency ambulances operated by local jurisdictions and independent ambulance, fire, and rescue companies. The emergency ambulances operated by fire, emergency medical services, and rescue departments and companies are staffed by career or trained volunteer personnel. The four levels of pre-hospital medical certification and training can be divided into the categories of basic life support and advanced life support. The institute sets the standards and protocols for Maryland's basic and advanced life support personnel. In addition, the institute administers tests for basic life support personnel and maintains and records the testing and certification for all basic and advanced life support personnel.

Maryland pre-hospital Emergency Medical Services personnel (emergency medical dispatchers, first responders, emergency medical technicians, cardiac rescue technicians, and paramedics) devote numerous hours to obtain needed training, certification, recertification, and continuing education. Several types of educational institutions are approved by the Emergency Medical Services Board to provide such training, including the Maryland Fire & Rescue Institute, the University of Maryland Baltimore County, local community colleges, and fire department-based academies. One example is the R Adams Cowley Shock Trauma Center, which provided more than 430 classes to health care workers, including medical students, emergency medical services providers, attending physicians, and nurses in fiscal 2021.

The Department of State Police Aviation Command Medevac program transports critically ill and injured patients from the scene of an incident to a specialty center via helicopters staffed by Department of State Police paramedics. The helicopter functions in a multi-mission capacity, fulfilling police, search and rescue, and homeland security missions when not needed for Medevac services. The system operates from seven bases located throughout the State. During fiscal 2021, 1,868 injured patients were transported by helicopter from the scene, over half of which were due to motor vehicle accidents.

Maryland Department of Emergency Management

Chapter 287 of 2021 established the Maryland Department of Emergency Management to provide overall coordination with the Federal Emergency Management Agency, State agencies, local jurisdictions, and private organizations regarding disaster and emergency preparedness and response and recovery services. State law requires each subdivision to employ a director of emergency management to oversee coordination of local fire, rescue, and police agencies in the event of natural disaster, public disorder, or other emergency. Should an emergency exceed the capacity of local jurisdictions, county officials may petition the Governor for State assistance.

Maryland 9-1-1

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

The Maryland Department of Emergency Management operates the Maryland State 9-1-1 Board, which was reincorporated from the previous Emergency Number Systems Board, an independent agency that received administrative and budgetary support from the Department of Public Safety and Correctional Services. The Maryland State 9-1-1 Board sets policies for and provides grants to Public Safety Answering Points.

Counties are authorized to levy a fee of up to 75 cents on each telecommunications device that is 9-1-1 capable. If revenues from this maximum fee amount do not cover a county's 9-1-1 costs, the county can impose a fee of any amount sufficient to cover the projected operational costs for the following fiscal year. The Maryland State 9-1-1 Board collects these revenues and distributes them as a pass-through grant to local Public Safety Answering Points. Capital expenses that local Public Safety Answering Points incur may be reimbursed by the State 9-1-1 Trust Fund, which is supported by an additional 50 cent State fee on each 9-1-1 capable device.

The State is currently implementing Next Generation 9-1-1, an environment which allows for improved utilization and processing of 9-1-1 communications, including voice calls, texts, multimedia, and data, using Internet-Protocol-based network connectivity.

Prior to fiscal 2014, prepaid wireless telecommunication services did not collect 9-1-1 fees or contribute to the 9-1-1 Trust Fund. However, legislation enacted in 2013 established a fee

applicable to prepaid wireless telecommunication services; the fee, which is 60 cents per each retail transaction selling prepaid wireless services, is paid into the 9-1-1 Trust Fund.

Fire and Rescue

The primary responsibility for meeting Maryland's fire and rescue needs is provided at the local level by 354 active member organizations of the Maryland State Firemen's Association. According to the National Fire Department Registry from the Federal Emergency Management Agency, more than 60% of Maryland's firefighters are volunteers. Baltimore City only employs professional firefighters.

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

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

The State Fire Marshal actively works in 16 of Maryland's 23 counties and provides support in the others when requested. There are six regional offices throughout the State. The headquarters of the agency is located in Baltimore County.

Military Department

The Military Department maintains a trained national guard within the State that can be called upon by the federal or State government in a time of emergency. The department also operates and maintains facilities required by the Maryland Army National Guard, including 29 readiness centers located in 16 counties and Baltimore City, 4 weekend training facilities including its major facility, Camp Fretted, and an Army aviation facility in Edgewater.

Building Safety Standards

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

The Safety Inspection Program within the Maryland Department of Labor inspects amusement rides, boilers, pressure vessels, elevators, and escalators to ensure that the units are operating according to State laws and regulations, nationally recognized safety standards, and manufacturers' specifications. In fiscal 2021, the program inspected almost 2,300 amusement rides, more than 7,660 boilers and pressure vessels, and roughly 8,800 elevators. The program is funded through assessments made against employers by the Workers' Compensation Commission.

The Railroad Safety and Health Program, also within the Maryland Department of Labor, works to reduce railroad accidents, injuries, and deaths through inspections and investigations of track, equipment, and operating practices. The Maryland Railroad Safety Law supplements the inspection requirements of the Federal Railroad Administration and also applies to tourist and museum railroad operators that carry passengers. In addition to inspections of rail cars, locomotives, and more than 1,400 miles of track, the department estimated a total of 349 track and operating inspections in fiscal 2021.

Funding for Emergency and Protective Services

The responsibility for funding emergency and protective services lies primarily with county governments. Total spending on these services was over \$1.7 billion in fiscal 2021, with county funds representing about 88% of that total.

Funding for the State's Emergency Medical Services System, which totaled \$59.1 million in fiscal 2021, is provided from a variety of State, local, and volunteer sources. Annual State budget support for emergency medical services is provided from the Maryland Emergency Medical System Operations Fund. The source of revenue for this fund is a \$14.50 annual surcharge on motor vehicle registrations and, overall, the fund supports the Emergency Medical Services Volunteer Loan Fund; the Medevac portion of the Department of State Police Aviation Division; information technology upgrades for the Department of State Police; State grants for local fire, rescue, and ambulance services in all counties and Baltimore City; a portion of the Maryland Fire and Rescue Institute; a portion of the R Adams Cowley Shock Trauma Center; and the Maryland Institute for Emergency Medical Services Systems. **Exhibit 5.4** shows the Maryland Emergency Medical Services Operations Fund expenditures, which totaled \$77.7 million in fiscal 2021.

Exhibit 5.4
Maryland Emergency Medical Services Operations Fund Expenditures
Fiscal 2021
(\$ in Millions)

Funding Recipient

Maryland Fire and Rescue Institute	\$9.6
Maryland Institute for Emergency Medical Services Systems	15.1
R Adams Cowley Shock Trauma Center	3.5
Local Fire, Rescue, and Ambulance Grants (Amoss Fund)	15.0
Department of State Police Aviation Division	34.5
Total	\$77.7

Source: *Fiscal 2023 Governor's Budget Books*; Maryland Institute for Emergency Medical Services Systems; Department of Legislative Services

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

State and federal monies also are made available to support the emergency medical services-related programs, facilities, and equipment. Research and demonstration programs are principally supported by federal grants and awards. Federal funds support most of the efforts of the Maryland Department of Emergency Management; in fiscal 2021, federal funds for emergency management totaled \$27.9 million, excluding over \$880.1 million in public assistance funding related to the COVID-19 pandemic. The agency distributes federal emergency management grants to local jurisdictions to support planning, training, and administrative functions at the local level.

Because they bear primary responsibility for meeting Maryland's fire and rescue needs, local governments support most of the costs of these services. In fiscal 2021, local government funds supported 87.8% of total spending on fire and rescue services, excluding public assistance funding related to the COVID-19 pandemic. Some costs are defrayed through fundraising efforts of the volunteer fire companies. The State provides assistance through the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (better known as the Amoss Fund), which is distributed on the basis of a county's share of property tax accounts relative to the statewide total. Qualified municipalities receive a portion from the county's share based on the proportion of the municipality's expenditures relative to those of the county. Use of monies from the fund is limited to the purchase of capital equipment and building improvements.

Exhibit 5.5
9-1-1 Emergency Services Local Funding
Fiscal 2021

<u>County</u>	<u>County Operating Costs</u>	<u>County 9-1-1 Rate</u>	<u>County Revenue</u>	<u>% of Costs Covered by County Fees</u>	<u>State 9-1-1 Grants</u>
Allegany	\$3,163,749	0.75	\$434,566	14%	\$29,491
Anne Arundel	8,623,415	0.75	6,410,622	74%	6,307,192
Baltimore City	7,671,088	1.00	5,233,221	68%	1,406,450
Baltimore	13,052,372	0.75	8,975,319	69%	2,146,018
Calvert	3,731,878	0.75	995,975	27%	276,909
Caroline	1,193,574	1.50	484,467	41%	577,909
Carroll	3,564,383	1.50	1,748,853	49%	3,342,787
Cecil	2,250,008	0.75	955,000	42%	31,298
Charles	2,703,839	0.75	1,744,617	65%	1,491,921
Dorchester	1,293,789	0.75	289,834	22%	2,361,225
Frederick	9,121,597	0.75	2,820,028	31%	8,088,516
Garrett	2,301,449	1.50	221,891	10%	1,341,731
Harford	7,159,159	0.75	2,675,629	37%	1,717,170
Howard	10,664,514	0.75	3,906,423	37%	742,260
Kent	1,254,576	0.75	195,735	16%	901,326
Montgomery	29,034,049	0.75	11,796,231	41%	2,658,529
Prince George's	18,021,485	0.75	9,513,183	53%	1,408,124
Queen Anne's	1,860,593	0.75	512,642	28%	2,322,000
St. Mary's	1,078,077	0.75	1,071,690	99%	397,060
Somerset	3,394,420	0.75	165,270	5%	919,055
Talbot	3,089,968	0.75	425,025	14%	1,983,492
Washington	5,259,448	0.75	1,136,596	22%	1,955,220
Wicomico	1,382,493	1.00	923,226	67%	288,879
Worcester	5,185,559	1.50	666,307	13%	3,727,147
Total	\$146,055,481		\$63,302,349	43%	\$46,421,709

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

Source: Maryland Department of Emergency Management

The State also provides supplemental grants and loans through the Volunteer Company Assistance Fund. Disbursements are limited to volunteer fire companies or rescue squads that are not able to provide adequate services because of unforeseen circumstances or the lack of financial resources. A \$7.50 surcharge on certain motor vehicle violations was credited to this fund until a

total of \$20 million had been credited to the fund; that threshold was met in fiscal 2014. Now, the surcharge is credited to the general fund.

Exhibit 5.6 shows the local expenditures for fire and rescue services. **Exhibit 5.7** shows the amount of State aid provided to each local jurisdiction through the Amoss Fund in fiscal 2021. The purposes of the Amoss Fund are to promote (1) the delivery of effective and high-quality fire protection, rescue, and ambulance services in the State; (2) increased financial support for fire, rescue, and ambulance companies by counties; and (3) the continued financial viability of volunteer fire, rescue, and ambulance companies given the greatly increased costs of equipment. The fund consists of money appropriated in the State budget and revenue distributed to the fund from civil penalties imposed as a result of manufacturers or sellers selling cigarettes that have not been tested or that fail to meet specified fire safety performance standards. The fund receives \$15.0 million in special funds annually, and each county must receive a share of the funds that is at least 2% of the total funds (\$300,000).

Exhibit 5.6
Local Government Expenditures for Fire and Rescue Services
Fiscal 2021

<u>County</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Spending Reported</u>
Allegany	\$7,644,438	\$6,082,663	\$13,727,101
Anne Arundel	142,381,462	19,042,168	161,423,630
Baltimore City	239,118,048	-	239,118,048
Baltimore	119,156,916	-	119,156,916
Calvert	15,079,147	50,000	15,129,147
Caroline	5,879,152	202,340	6,081,492
Carroll	18,204,620	554,193	18,758,813
Cecil	11,405,272	283,230	11,688,502
Charles	25,332,905	42,537	25,375,442
Dorchester	4,210,560	396,473	4,607,033
Frederick	77,514,922	387,158	77,902,080
Garrett	2,386,685	-	2,386,685
Harford	16,061,732	1,015,130	17,076,862
Howard	120,672,765	-	120,672,765
Kent	1,367,355	81,581	1,448,936
Montgomery	274,934,950	-	274,934,950
Prince George's	239,262,613	298,674	239,561,287
Queen Anne's	5,072,169	61,000	5,133,169
St. Mary's	3,786,175	2,000	3,788,175
Somerset	1,345,277	251,904	1,597,181
Talbot	7,723,485	621,970	8,345,455
Washington	13,974,934	9,904,657	23,879,591
Wicomico	6,398,448	10,044,439	16,442,887
Worcester	8,974,317	12,960,078	21,934,395
Total	\$1,367,888,347	\$62,282,195	\$1,430,170,542
Minus State Grants	-\$17,004,195	-\$169,672	-\$17,173,867
Minus Federal Grants	-51,379,220	-1,179,350	-52,558,570
Minus County Grants		-1,969,420	-1,969,420
Net Local Spending	\$1,299,504,932	\$58,963,753	\$1,358,468,685

Note: For purposes of this exhibit, any grant revenues are assumed to have been expended in the same year they were received. County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. Fourteen municipalities did not report spending in fiscal 2021. There are no municipalities in Baltimore and Howard counties.

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

Exhibit 5.7
Amoss Fund Grants to Local Governments
Fiscal 2021

<u>County</u>	<u>Amoss Fund Grants</u>
Allegany	\$348,889
Anne Arundel	997,064
Baltimore City	1,374,549
Baltimore	1,745,493
Calvert	305,587
Caroline	313,257
Carroll	395,617
Cecil	314,541
Charles	394,211
Dorchester	329,729
Frederick	599,922
Garrett	305,587
Harford	578,931
Howard	633,868
Kent	315,274
Montgomery	1,995,269
Prince George's	1,742,378
Queen Anne's	305,587
St. Mary's	305,587
Somerset	314,785
Talbot	322,272
Washington	344,909
Wicomico	337,002
Worcester	379,692
Total	\$15,000,000

Amoss Fund Grants: Senator William H. Amoss Fire, Rescue, and Ambulance Fund

Source: Uniform Financial Reports; Maryland Department of Emergency Management; Department of Legislative Services

Corrections and Community Supervision

Through historical and statutory evolution, the responsibility for corrections came to be administered through a bifurcated system with short-term inmates held at the local level and those with longer sentences incarcerated by the State. Persons on parole or probation are handled by the State. The specific responsibilities are shown in **Exhibit 5.8**.

Exhibit 5.8 State and Local Responsibilities for Correctional Services and Community Supervision

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

Source: Department of Public Safety and Correctional Services

Department of Public Safety and Correctional Services – Corrections

The Department of Public Safety and Correctional Services administers the correctional services provided by the State. The Division of Correction oversees the State's prison facilities and inmates, while the Division of Pretrial Detention oversees facilities in Baltimore City that house pretrial detainees. Due to a declining inmate population, several State correctional and detention facilities have been either downsized or closed, including the following:

- the Men's Detention Center – closed in August 2015;

- the Women’s Detention Center – closed in October 2016;
- the Annex at the Baltimore City Jail – closed in August 2016;
- Maryland Correctional Institution – Hagerstown – downsized in 2017;
- Poplar Hill Pre-Release Unit – closed in July 2017;
- Jail Industries Building at the Baltimore City Jail – closed in August 2017;
- Brockbridge Correctional Facility – closed in September 2019; and
- Eastern and Southern Maryland Pre-Release Units – closed in July 2021.

Persons serving a sentence of one year or less in a jurisdiction other than Baltimore City are sentenced to local detention facilities. For persons sentenced to a term of between 12 and 18 months, the sentencing judge has the discretion to order that the sentence be served at a local facility or a State correctional facility. Persons sentenced in Baltimore City are generally incarcerated in State correctional facilities, including the Baltimore City Correctional Center. The now-demolished Baltimore City Detention Center was previously used to house pretrial detainees. Currently, the city’s Central Booking and Intake facility and the Metropolitan Transition Center house the majority of detainees.

In fiscal 2022, the average daily population of incarcerated individuals was 14,955. Most of the prisoners were housed in facilities operated by the State, which are listed in **Exhibit 5.9**. The exhibit specifies the housing capacity of each correctional facility in the State. For additional information on the State correctional facilities, see *Volume VIII – Maryland’s Criminal and Juvenile Justice Process*.

Patuxent Institution

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

Exhibit 5.9
State Correctional and Detention Facilities
Fiscal 2022

<u>Facility</u>	<u>County</u>	<u>2022 Capacity</u>
<i>Division of Corrections West Region</i>		
Maryland Correctional Institution – Hagerstown	Washington	711
Maryland Correctional Training Center	Washington	2,941
North Branch Correctional Institution	Allegany	1,487
Patuxent Institution*	Howard	1,306
Roxbury Correctional Institution	Anne Arundel	1,804
Western Correctional Institution	Allegany	1,715
Total Beds – West		9,964
<i>Division of Corrections East Region</i>		
Baltimore City Correctional Center	Baltimore City	508
Central Maryland Correctional Facility	Carroll	516
Dorsey Run Correctional Facility	Anne Arundel	1,098
Eastern Correctional Institution	Somerset	2,811
Eastern Correctional Institution Annex	Somerset	608
Jessup Correctional Institution	Anne Arundel	1,819
Maryland Correctional Institution – Jessup	Anne Arundel	940
Maryland Correctional Institution for Women	Anne Arundel	849
Total Beds – East		9,149
<i>Division of Pretrial Detention and Services</i>		
Baltimore City Booking and Intake Center	Baltimore City	948
Chesapeake Detention Facility**	Baltimore City	576
Maryland Reception and Diagnostic Correctional Center	Baltimore City	768
Metropolitan Transition Center	Baltimore City	594
Youth Detention Center	Baltimore City	60
Total Beds – Pretrial Detention		2,946
Total State-operated Facilities		22,059

* The Patuxent Institution falls under the administrative authority of the Deputy Secretary for Operations.

** The Chesapeake Detention Facility houses federal inmates.

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

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

Division of Parole and Probation – Community Supervision

The Division of Parole and Probation is responsible for supervising individuals who have been placed on probation by the courts, granted parole by the Parole Commission, or released from incarceration on mandatory supervision, as well as Drinking Driver Monitor Program participants. Community supervision is divided into regions – North, South, and Central (which consists of the Baltimore City offices). Each region is overseen by the Regional Director of Community Supervision, who reports to a statewide director. The statewide director reports to the Secretary of Public Safety and Correctional Services.

The division operated 48 offices throughout Maryland in fiscal 2021 with nearly 1,200 employees who are involved directly or indirectly in the supervision and monitoring of approximately 93,000 probationers, parolees, mandatory supervision releasees, and Drinking Driver Monitor Program participants. The majority (83%) of supervisees are criminal supervision cases, while the remainder are monitored under the Drinking Driver Monitor Program.

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

Division staff also administer the Drinking Driver Monitor Program, which manages individuals who are sentenced to probation for operating a motor vehicle while either intoxicated or while their abilities are impaired by alcohol. Drinking Driver Monitors supply the courts and the Motor Vehicle Administration with information essential in determining whether to modify a supervisee’s conditions of probation or to initiate either violation of probation proceedings or administrative hearings. In fiscal 2021, monitors handled nearly 16,000 Drinking Driver Monitor Program cases.

The Community Surveillance and Enforcement Program is a special program that overlaps the department’s administrative and community supervision functions through the Warrant Apprehension Unit and the Central Home Detention Unit. The Warrant Apprehension Unit falls under the Division of Parole and Probation while the Central Home Detention Unit falls under the Office of the Deputy Secretary for Operations. Qualifying inmates and parolees who have been assigned to GPS monitoring are supervised by approximately 60 Central Home Detention Unit agents. Sworn officers under the Warrant Apprehension Unit are utilized by the Central Home

Detention Unit and the Division of Parole and Probation to bring in offenders who have violated the terms of their supervision and return them to custody to await revocation hearings.

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

Corrections and Community Supervision – Funding

Because the State is responsible for prisoners with longer sentences and all prisoners in Baltimore City, correctional services are primarily funded by the State, as shown earlier in Exhibit 5.1. In fiscal 2021, spending on corrections in Maryland totaled almost \$1.8 billion, 69% of which was funded by the State, 27% of which was funded by the counties, with the remaining 4% being funded by the federal government. **Exhibit 5.10** breaks out local corrections operating expenditures by jurisdiction in fiscal 2021.

Inmate Grievance Office

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

In fiscal 2021, the Inmate Grievance Office received 1,465 grievances filed by inmates in State custody. The vast majority (1,200) were administratively dismissed. The office scheduled a total of 100 grievances for hearings, reopened 5 grievances, and ended the fiscal year with 270 active cases.

Exhibit 5.10
Local Corrections Operating Expenditures
Fiscal 2021

<u>County</u>	<u>County Expenditures</u>
Allegany	\$9,008,544
Anne Arundel	55,105,974
Baltimore City*	-
Baltimore	46,776,250
Calvert	9,892,550
Caroline	3,309,579
Carroll	11,481,471
Cecil	12,000,444
Charles	17,757,672
Dorchester	4,382,529
Frederick	21,932,685
Garrett	2,339,300
Harford	25,831,968
Howard	19,910,875
Kent	3,549,756
Montgomery	75,970,262
Prince George's	104,180,137
Queen Anne's	5,337,005
St. Mary's	13,106,899
Somerset	2,881,500
Talbot	4,557,352
Washington	17,422,770
Wicomico	18,077,231
Worcester	12,443,011
Total	\$497,255,764
Minus State Grants	-\$935,814
Minus Federal Grants	-9,155,019
Net Local Spending	\$487,164,931

Note: Local detention in Baltimore City is operated and funded by the State.

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

Maryland Commission on Correctional Standards

The Maryland Commission on Correctional Standards was established by the General Assembly to advise the Secretary of Public Safety and Correctional Services regarding standards for State, local, and privately operated correctional facilities. The commission staff audit correctional facilities and private home detention monitoring agencies to determine levels of compliance, develop audit reports, and provide technical assistance to correct areas of noncompliance. Trained volunteers are used extensively to accomplish the inspection process. Final audit reports of correctional facilities are reviewed by commission members, who are appointed by the Governor for a term of three years.

Maryland Parole Commission

The 10-member Maryland Parole Commission conducts parole release and parole revocation hearings. Commissioners serve staggered six-year terms and are appointed by the Secretary of Public Safety and Correctional Services, with the approval of the Governor and the advice and consent of the Senate. The commissioners approve all parole releases except those from the Patuxent Institution. For additional information on the Maryland Parole Commission, see *Volume VIII – Maryland’s Criminal and Juvenile Justice Process*.

Police and Correctional Training Commissions

Chapter 519 of 2016 required the reconstitution of the Police Training Commission as the independent Maryland Police Training and Standards Commission. This new independent commission, along with the Correctional Training Commission, make up the Police and Correctional Training Commissions. Both commissions are vested with the statutory authority to set standards of initial selection and training for all governmental law enforcement, correctional, community supervision, and juvenile justice officers in the State, and to otherwise upgrade the professionalism of these officers. Administration of the training occurs at the Public Safety Education and Training Center in Carroll County.

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

The Correctional Training Commission prescribes minimum standards for the selection and training of community supervision employees and correctional officers in Maryland. These standards address selection, promotion to supervisory and management positions, entry-level training, and in-service advanced training. Local governments pay a nominal fee for each employee trained by the State.

Local Role in Corrections System

Each of the 23 counties operates at least one local detention center that serves as the point of entry into the criminal justice system after arrest. These county detention centers also house inmates awaiting transfer to a State correctional facility, offenders sentenced to weekend detention, and in some instances, federal inmates under contractual agreements.

A \$45 per diem State grant is provided to each county for each day between 12 and 18 months that a sentenced inmate is confined in a local detention center. Counties also receive an additional \$45 per day grant for inmates who have been sentenced to a State correctional facility but are confined in a local facility (known as local jail back-up). As a point of comparison, per diem operating costs of local detention facilities have ranged from approximately \$90 to \$300 per inmate in recent years.

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

The State pays 50% of most capital costs, subject to certain standards. In addition, the State pays 100% of capital costs associated with the expansion of local correctional systems when the local facility houses post-conviction State prisoners. For related information on public safety funding see *Volume III – Maryland Revenue Structure* and *Volume VIII – Maryland’s Criminal and Juvenile Justice Process*.

Chapter 6. Public Education

The State and county governments share responsibility for Maryland’s public schools. The State Board of Education is responsible for statewide education policy, with the State Superintendent of Schools and the Maryland State Department of Education overseeing implementation and providing administrative support. Changes to public education policy and funding over the last four years are primarily the result of the work of the Commission on Innovation and Excellence in Education (also known as the Kirwan Commission), which was established in Chapters 701 and 702 of 2016. The commission’s work, which was completed in December 2019, focused on recommendations for policy, funding formulas, and programs within the following five main policy areas:

- **Early Childhood Education:** A significant expansion of voluntary, high-quality, full-day prekindergarten, which will be free for all low-income three and four-year-olds and provided on a sliding scale for all other four-year-olds, as well as capacity building for child care providers and additional supports and services for young children and their families;
- **High-quality and Diverse Teachers and Leaders:** Raising the standards and status of the teaching profession, including a performance-based career ladder and salaries comparable to other fields with similar education requirements as well as revamped teacher preparation programs to provide the skills and knowledge teachers need to be successful with students’ different learning abilities and styles;
- **College and Career Readiness:** An internationally benchmarked curriculum that enables most students to achieve college and career readiness by the end of grade 10 and then pursue pathways that include early college, high-quality college preparatory programs, and/or rigorous career and technical education with an apprenticeship or other workplace experience leading to an industry-recognized credential;
- **More Resources for Students to Be Successful:** Extensive additional support for schools serving high concentrations of students living in poverty, including community schools and wraparound services, and increased support for students learning English and students with disabilities; and
- **Governance and Accountability:** An independent accountability board with the authority to ensure that the commission’s recommendations are successfully implemented and produce the desired results.

The Kirwan Commission’s recommendations resulted in four bills adopted by the General Assembly under the Blueprint for Maryland’s Future Grant Program): Chapter 771 of 2019; Chapters 36 and 55 of 2021; and Chapter 33 of 2022. Together these bills established new programs and updated funding formulas in each of these policy areas for public education in

Maryland. This chapter provides information on the governance and structure of education in Maryland, including prekindergarten through postsecondary education and workforce training (P-20 alignment), education services from prekindergarten through grade 12 including early childhood development, and operating and capital funding.

Detailed information on all programs and areas in this chapter, as well as higher education, can be found in *Volume XI – Education in Maryland*.

Governance and Structure

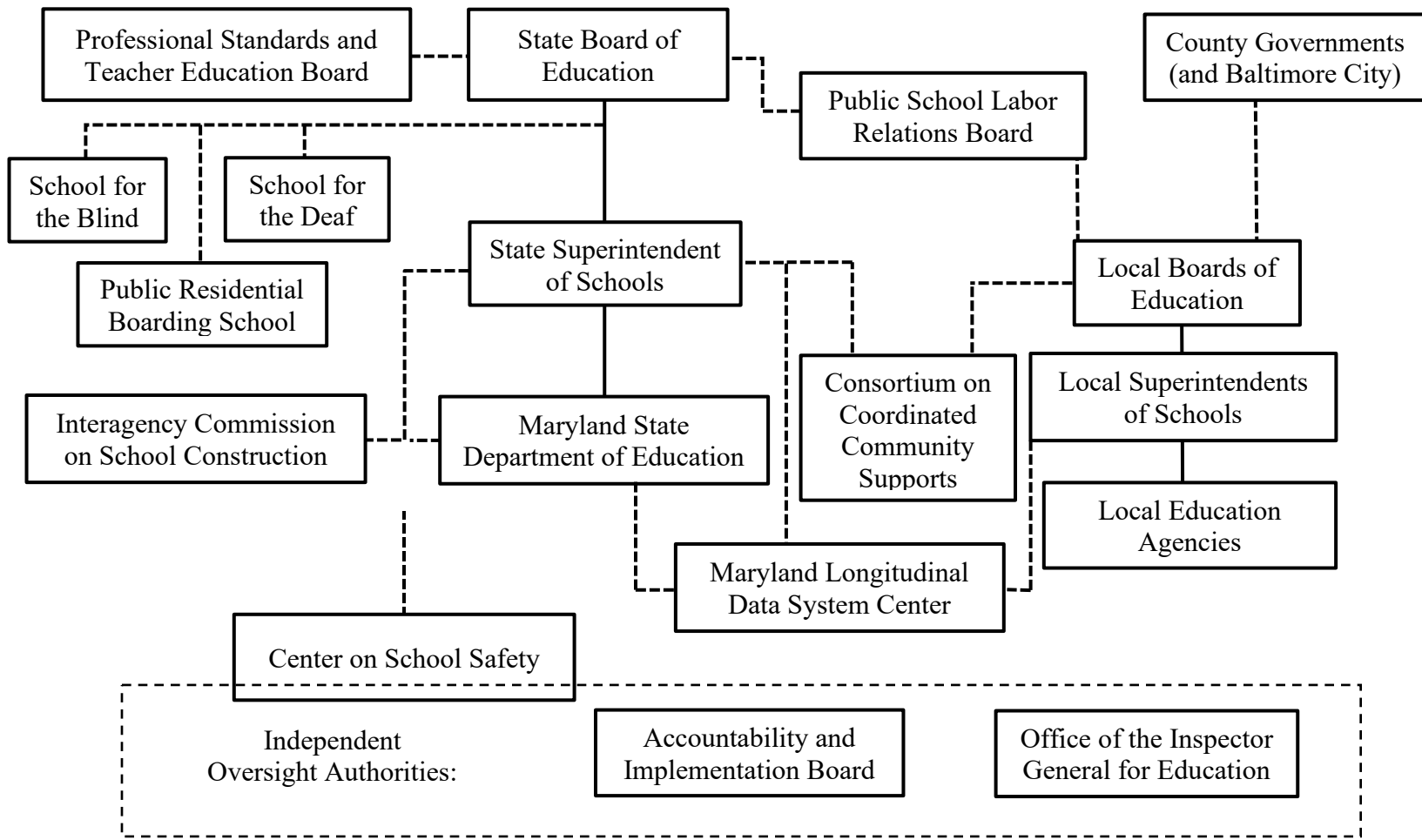
Primary and secondary education is one of the most significant services provided in the State. The State generally provides coordination, oversight, and monitoring of the education services provided by the 24 local school systems (23 counties and Baltimore City). The Constitution of Maryland requires the General Assembly to “establish throughout the state a thorough and efficient System of Free Public Schools” (Article VIII, Section 1). Pursuant to this mandate, the General Assembly established a system governed by the State Board of Education at the State level and by 24 local boards of education. **Exhibit 6.1** displays this governance structure.

State Governance

The State Board of Education, a 12-member board appointed by the Governor with the advice and consent of the Maryland Senate, has general authority over public elementary and secondary education in Maryland and appoints the State Superintendent of Schools. Under the direction of the State Board of Education and the State Superintendent, the department is the State agency with the most direct impact on primary and secondary education in Maryland. The department develops the State’s overall policies and guidelines for primary and secondary education, directs the State’s vocational rehabilitation programs, and distributes and accounts for State grants to local school systems and educational institutions.

The Blueprint for Maryland’s Future (Blueprint) established two independent oversight authorities: the Accountability and Implementation Board and the Office of the Inspector General for Education. The Accountability and Implementation Board is an independent unit of the State created to hold other units of government accountable for implementing the Blueprint and evaluating the outcomes achieved. The Office of the Inspector General for Education is also an independent unit of the State and is responsible for examining and investigating statutory matters related to the management and affairs of local boards of education, local school systems, public schools, nonpublic schools that receive State funds, the department, and the Interagency Commission on School Construction.

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



Note: Solid line indicates a relationship of direct authority. Chart does not include appointing authority of Governor or General Assembly.

Source: Department of Legislative Services

Local Governance

In general, the local boards of education and the local superintendents appointed by the local boards control educational matters and policymaking within the county school districts and oversee the day-to-day operation of public schools. The school boards are not agencies or departments of county or State government; they are quasi-State agencies that are considered State agencies for some purposes and units of county government for other purposes, as stipulated in State law. While the State Board of Education has the “last word on any matter concerning educational policy or the administration of the system of public education” (*Board of Education of Prince George’s County v. Waeldner*, 298 Md. 354, 360 (1984)), local school boards have relative autonomy in the management of the schools.

The composition of the local boards of education varies, with members serving three- to four-year terms. Twenty counties have elected school boards, and four counties have combined appointed and elected school boards. Twenty-two boards have student members but only eight boards allow student members to vote, which generally excludes collective bargaining and other personnel and budgetary decisions. Although local school boards are independent governmental units, they rely on county governments for a significant portion of their funding. School boards must submit their budget requests to the county governing body. A detailed exhibit on local school boards is in “Chapter 2. Primary and Secondary Education – Governance, Students, Teachers, and Content Standards” of *Volume IX – Education in Maryland*.

Other State Agencies

Professional Standards and Teacher Education Board

The Professional Standards and Teacher Education Board is a semi-autonomous board composed of 25 members who are appointed by the Governor and serve three-year terms. The board shares authority with the State board to develop rules and regulations for the certification of and requirements for the preparation of teachers and other professional personnel in Maryland schools.

Maryland Consortium on Coordinated Community Supports

As part of the Blueprint goal to provide additional resources for student success, the Maryland Consortium on Coordinated Community Supports was created and tasked with (1) supporting the development of community support partnerships to meet student behavioral health needs and other related challenges in a holistic, nonstigmatized, coordinated manner and (2) providing expertise for the development of best practices in the delivery of student behavioral health services, supports, and wraparound services. The consortium may award grants to coordinated community supports partnerships to deliver services and supports to meet students’ holistic behavioral health needs and to address other related challenges. The fiscal 2023 operating budget includes \$50 million to support the consortium in its first year of funding, and funding is mandated to increase to \$125 million annually by fiscal 2026.

Public School Labor Relations Board

The Public School Labor Relations Board is responsible for administering and enforcing the provisions of law relating to school system labor disputes. The board consists of five members, including one member who represents the public and per Chapter 806 of 2017, must chair the board.

Department of Juvenile Services

Between 2003 and 2013, the department gradually assumed responsibility of educational programming at all residential facilities operated by the Department of Juvenile Services. However, Chapter 147 of 2021 repealed statutory provisions regarding the Juvenile Services Education Program within the department and instead established a Juvenile Services Education Board as an independent unit within the Department of Juvenile Services to oversee and provide for educational services to all juveniles who are in a residential facility operated by the Department of Juvenile Services. Individuals in juvenile services facilities can earn credit toward a Maryland high school diploma, prepare for the GED exam, or earn industry certification in various Career and Technical Education programs.

P-20 Alignment

Maryland's approach to P-20 alignment (the continuum of learning from early childhood education through postsecondary education and workforce training) is in transition from oversight previously provided by the Governor's P-20 Leadership Council to implementation of the college and career readiness standards adopted in the Blueprint. This approach to P-20 alignment focuses on high-quality instruction from preschool through high school that prepares all students for college or a career after graduation. To ensure successful implementation, outcome assessments and data analysis serve as accountability measures to support the Blueprint's vision of a world-class education system for all Maryland students.

P-20 Framework and Governance

To ensure success of the Blueprint implementation, the law established accountability measures and reporting requirements across numerous State and local entities: the department; the Maryland Higher Education Commission; the Maryland Department of Labor; the Department of Commerce; local boards of education; and the State Board of Education. The Accountability and Implementation Board and the Maryland Longitudinal Data System Center gather and analyze data on the effect of the Blueprint's implementation plans on student performance and outcomes. Additional entities have been created to support the Blueprint's implementation efforts, including expert review teams, a Career and Technical Education committee within the Governor's Workforce Development Board, and a Skills Standards and Advisory Committee working under the Career and Technical Education Committee.

College and Career Readiness

The framework for college and career readiness developed as part of the Blueprint was preceded by (1) adoption of Maryland's College and Career Ready Standards for mathematics and English language arts/literacy in 2010 and (2) codification in 2013 of the State goal that at least 55% of the State's residents ages 25 to 64 will hold at least an associate's degree by 2025. Policy changes intended to move students toward college and career readiness were implemented by the department starting in the 2021-2022 school year and are reflected in both Chapter 533 of 2013 (College and Career Readiness and College Completion Act of 2013) and the Blueprint's goals. These goals include assessments that measure college and career readiness in required subjects, courses of study aligned with these assessments, and specific college and career readiness programs of study for students who meet the college and career ready standard. **Exhibit 6.2** shows Maryland's current college and career readiness pathways under the Blueprint for Maryland's Future framework.

Assessments

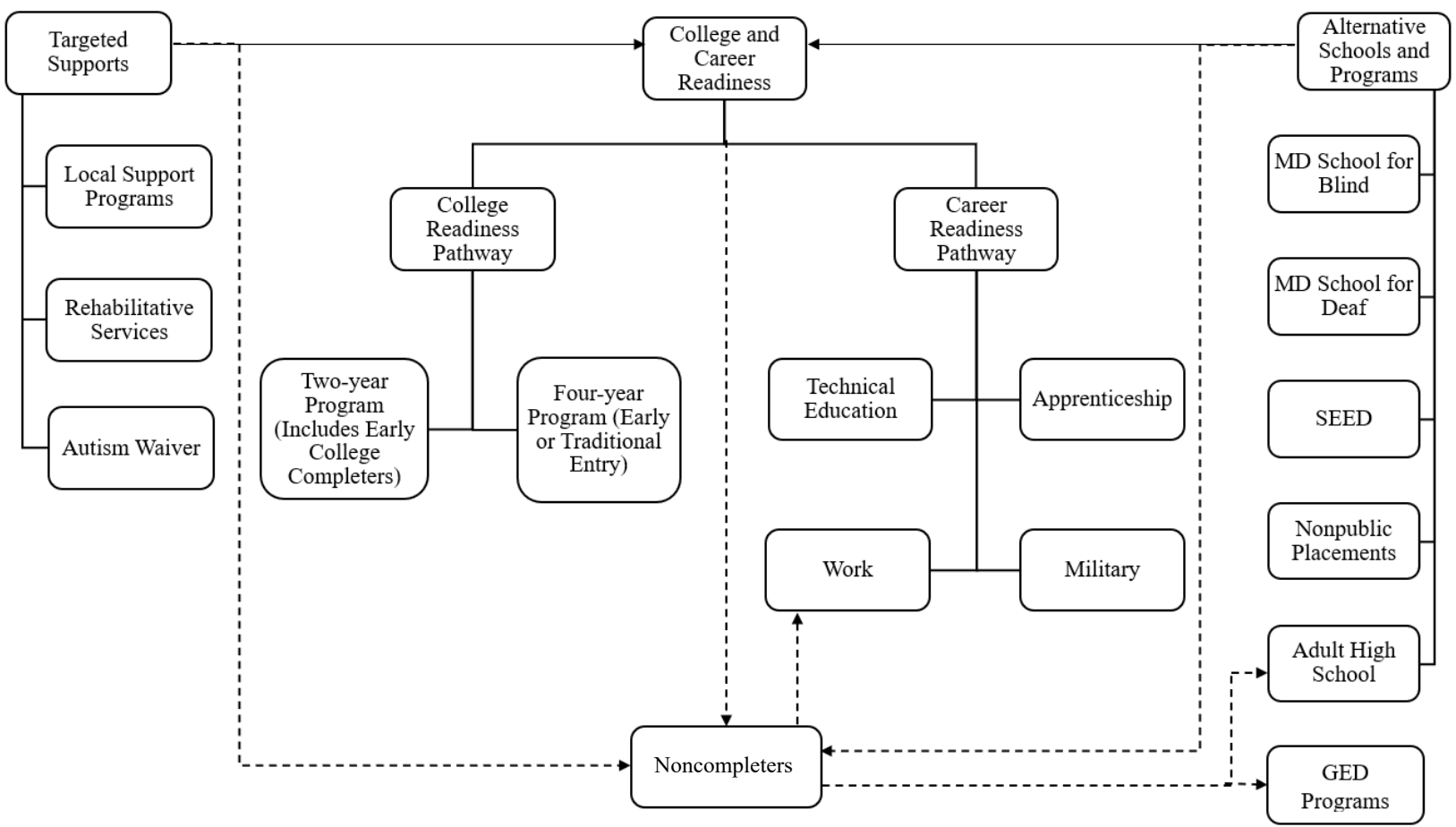
The federal Every Student Succeeds Act of 2015 is the most recent reauthorization of the Elementary and Secondary Education Act of 1965. Federal law requires the following assessments: reading/language arts and mathematics assessments of all students annually in grades 3 through 8 and at least once in high school; a science assessment at least once in grades 3 through 5, 6 through 8, and 9 through 12; and annual proficiency assessments in grades kindergarten through 12 for English language learners. State law also requires a social studies assessment in grade 8 and the High School Assessment in American Government. Prior to the 2019-2020 school year, Maryland used assessments aligned with the Partnership for Assessment of Readiness for College and Careers to meet these requirements in reading and math but is currently transitioning to the new Maryland Comprehensive Assessment Program. Under the Blueprint, each local school system must adopt implementation plans and submit those plans to the Accountability and Implementation Board for approval by March 15, 2023.

The department is working to (1) draft plans for how curricula at each grade level or course by content area will need to be revised to align with the new college and career readiness standards; (2) establish early warning indicators for students who may not be progressing toward college and career readiness; and (3) develop recommended options for students who want to pursue both college and career readiness pathways.

College and Career Readiness Pathways

Starting in the 2021-2022 school year, students meet the college and career readiness standards when they complete required courses and receive a passing score on requisite assessments. In alignment with the Blueprint's goals, in future years students will need to meet additional requirements to be considered college and career ready. The Blueprint offers two options for students who plan to attend college after earning a high school diploma: advanced school-level programs of study or dual enrollment and early college programs.

**Exhibit 6.2
College and Career Readiness Pathways**



Note: Solid lines indicate a current program in the college and career readiness pathway; dotted lines are pathways available to non-completer individuals.

Source: Department of Legislative Services

Maryland students who meet the college and career readiness standard by the end of grade 10 may also choose to pursue career and technical education. Maryland has 55 career and technical education programs of study grouped within 10 career clusters, which represent career areas that reflect Maryland's key economic sectors. Depending on the local school system and school, students may participate in a variety of programs of study, including Apprenticeship Maryland, Pathways in Technology Early College High, Junior Reserve Officers' Training Corps, or blended instruction.

Maryland Longitudinal Data System and Center

The Maryland Longitudinal Data System links individual-level student data from all levels of education with data on the State's workforce. The primary purpose of the system is not only to facilitate and enable linkage of student and workforce data but also generate timely and accurate information about student performance that can be used to improve the State's education system and guide decision makers at all levels. The center is an independent unit within State government that serves as a central repository for these data, ensures compliance with federal privacy laws, performs research on the data sets, fulfills education reporting requirements, and approves public information requests.

For more information on P-20 alignment, see "Chapter 10. P-20 Alignment" of *Volume IX – Education in Maryland*.

School Personnel

Educator Certification

Certification is the process that the State uses to verify that each educator has the appropriate qualifications and training to carry out their professional responsibilities. In accordance with the Every Student Succeeds Act, and subject to change by the State Board of Education and/or the Professional Standards and Teacher Education Board, the department oversees the certification of teachers, principals, and other school personnel; approves the educational program at nonpublic schools; and evaluates and approves higher education programs that educate and prepare teachers and other certified school personnel.

Each local school system is responsible for evaluating its certified educators and administrators. Chapter 189 of 2010 required the State Board of Education to adopt (1) general standards for performance evaluations of certified educators and administrators for a local school system-established evaluation system and (2) default model State performance evaluation criteria for local school systems that do not reach an agreement with the exclusive employee representative of that jurisdiction. Under this law, all educators and administrators, with or without tenure, must be evaluated annually. State Board of Education regulations further require local school systems' evaluations to meet general standards, which are based on educator standards of

professional practice and student growth. The Blueprint requires additional attention to educator evaluation systems used in connection with the career ladder.

Career Ladder

The Blueprint establishes a career ladder for educators under which teachers with more expertise get more responsibility, authority, status, and compensation. There are two tracks: a Teacher Leadership Track and an Administrative Track. Participants are required to maintain National Board Certification. The State provides uniform design parameters for the career ladder, including titles and criteria for moving up the ladder, and while local school districts have flexibility to develop ladder pay scales and roles for teachers within the school, districts must remain within the State parameters. Each local school system must develop and implement a career ladder by July 1, 2024. Prior to implementation of the career ladder, the law requires minimum salary increases beginning in fiscal 2023 for educator salaries that are associated with the career ladder. The department has until calendar 2024 to develop and implement training on educator career ladders, which all educators must receive prior to June 30, 2026.

Collective Bargaining

Collective bargaining with local employee organizations is an important function of local school boards. Under State law, boards and employee organizations that are designated as the exclusive representative of each bargaining unit in each school system *must* negotiate all matters that relate to salaries, wages, hours, service or representation fees, and other working conditions and *may* negotiate other matters to which they mutually agree. However, the school calendar, the maximum class size, and any other matter addressed in statute may *not* be the subject of negotiations.

Additional information on the structure of public education governance in Maryland is in “Chapter 2. Primary and Secondary Education – Governance, Students, Teachers, and Content Standards” of *Volume IX – Education in Maryland*.

Early Childhood Development and Education – Services and Funding

With research repeatedly demonstrating the importance of positive early educational experiences, State policy has focused on early learning initiatives, such as aligning early childhood programs with K-12 education and enhancing school readiness in young children. The department’s Division of Early Childhood regulates child care programs through licensing and credentialing and implements several programs related to child care and early childhood development in partnership with child care and early education providers, local school systems, the federal government, and other stakeholders. Programs administered at the State level include:

- the Child Care Scholarship Program (formerly known as the Child Care Subsidy Program), which provides financial assistance with child care costs to low-income families that meet certain technical requirements;
- the Child Care Credential Program and other workforce advancement programs that distribute funding and incentives for child care providers and early childhood educators to strengthen their qualifications and program quality;
- the Maryland EXCELS Program, the State’s quality rating and improvement program for child care and early education programs; and
- grants for Patty Centers (previously referred to as family support centers) that are managed by the Maryland Family Network and offer free, educational, and health-related services to parents and their children from birth to age three. The Division of Early Childhood also contracts with the Maryland Family Network to operate the Maryland Child Care Resource Network for child care professionals and LOCATE Child Care, a referral service for parents.

The State, primarily through the department, provides direct grants to local school systems through the following programs for early childhood development and education services operated at the local level:

- the Maryland State Prekindergarten Program distributes funding to local school systems based on a funding formula established in Chapter 36 of 2021 for voluntary full-day, high-quality prekindergarten for low-income children ages three and four. Fiscal 2023 is the first year of implementation for this program and full implementation is scheduled to phase in through fiscal 2030 as prekindergarten capacity and program quality grow;
- the Prekindergarten Expansion Grant Program awards competitive grants to qualified private and public providers serving low-income children ages three and four in full-day, high-quality prekindergarten programs. Beginning in fiscal 2026, funding awarded through this program will be consolidated with the Maryland State Prekindergarten Grant Program;
- the Judith P. Hoyer Early Childhood Education Enhancement Program distributes grants to local school systems for early childhood education and family support services in or near schools at sites known as Judy Centers; and
- the Ready for Kindergarten Early Childhood Comprehensive Assessment, which measures school readiness of children ages three to six through the Early Learning Assessment and Kindergarten Readiness Assessment.

Many low-income families in Maryland also participate in Head Start and Early Head Start, which are federally funded, comprehensive child development programs serving children from

birth to age five, pregnant women, and children with disabilities. Although Head Start and Early Head Start programs mainly receive direct federal grants, the department supplements this funding with \$3.0 million annually to support staff development, summer programs, and before- and after-school programs. The State also supports early learning through the Healthy Families/Home Visiting Program and Infants and Toddlers Program.

Across State programs supporting early childhood development and education, fiscal 2021 spending totaled \$540.9 million, as shown in **Exhibit 6.3**.

For more information on Early Childhood Development, see “Chapter 1. Early Childhood Development and Education” of *Volume IX – Education in Maryland*.

Exhibit 6.3
Funding for Early Childhood Development and Education
Fiscal 2021
(\$ in Millions)

	<u>State</u>	<u>Federal</u>	<u>Total</u>
State Department of Education¹			
Division of Early Childhood	\$12.8	\$47.0	\$59.8
Child Care Scholarship Program and other child care assistance	43.5	153.4	196.9
Aid for Local Early Education Programs			
Support for Prekindergarten	110.7	6.9	117.6
Other programs ²	31.4	135.1	166.5
Total	\$198.4	\$342.4	\$540.9
Percent of Total	36.7%	63.3%	

¹ State support does not include approximately \$18.1 million in special funds from the Blueprint for Maryland’s Future Fund for certain early childhood development programs, such as new Patty Centers and child care workforce programs. Federal support does not include \$8.0 million from the Preschool Development Birth to Five grant for improving the State’s early education system.

² State aid for local education programs includes fiscal 2021 spending for Judy Centers; the Infants and Toddlers Program; and Head Start/Early Head Start. Federal aid for local education programs includes federal fiscal 2021 funds from Head Start/Early Head Start; the Early Intervention Program for Infants and Toddlers; Maternal, Infant, and Early Childhood Home Visiting Grant; and Special Education Preschool Grants.

Source: *Fiscal 2023 Governor’s Budget Books*; Federal Funds Information for States; Maryland State Department of Education; Department of Legislative Services

K-12 Services

Under State law, except in certain circumstances, every child from age 5 through 17 must attend a public school or receive regular, thorough instruction during the school year in studies usually taught in the public schools to children of the same age. As of September 2021, 848,653 full-time equivalent students were enrolled in local public schools (kindergarten through grade 12). These enrollments ranged from 1,707 students in Kent County to 154,410 students in Montgomery County. In addition to the State's public school students, 128,498 kindergarten through grade 12 students were enrolled in private schools as of September 2021.

Maryland School for the Blind

Maryland School for the Blind is a private, nonprofit organization that serves students who are blind or visually impaired. The school also provides equipment, Braille textbooks, and tutoring services to visually impaired students attending local schools across the State and supports the Library for the Blind and Print Disabled. The school receives an annual State appropriation based on enrollment, and with the implementation of the Blueprint, the school's per pupil allocation is aligned with the State per pupil amount. During the 2021-2022 school year, the school served a total of 392 students, including 217 school-age students, 36 early intervention students, and 139 students in the school's outreach program.

Maryland School for the Deaf

Maryland School for the Deaf is a State agency with a Governor-appointed board of trustees that is responsible for the educational, personal, and vocational development of deaf school-age children residing in the State and in attendance at the school. With campuses in Frederick and Columbia, the school provides free comprehensive educational programs similar to public schools with enhanced communication skills training, vocational education, and rehabilitation programs. The school receives an annual State appropriation based on enrollment, and with the implementation of the Blueprint, the school's per pupil allocation is aligned with the State per pupil amount. During the 2021-2022 school year, Maryland School for the Deaf served a total of 522 students, including 402 school-age students, 67 early intervention students, and 53 students in the school's enhanced services program.

The School for Education Evolution and Development

The School for Education Evolution and Development, also known as the SEED School of Maryland, is a Title I, public boarding school for at-risk youth in grades 6 through 12. The school opened in 2008, accepts students entering grades 6 and 9 from across the State via a lottery system, and is tuition free. Students must fall within household income limits of less than 250% of the federal poverty guidelines and must be identified as at-risk to qualify for entrance. SEED School of Maryland students follow a college-preparatory curriculum and the college and career readiness standards. Eighty percent of the SEED school of Maryland students are first-generation college-bound students, and 91% of its students enroll in college. SEED School of Maryland

graduates continue to receive academic counseling through college. The school receives an annual State appropriation based on enrollment, and with the implementation of the Blueprint, the school's per pupil allocation is aligned with the State per pupil amount. During the 2021-2022 school year, the SEED School of Maryland served 397 students.

School Safety

School safety grants are managed primarily by the Maryland Center for School Safety, which is an independent agency under the department. The School Resource Officer grant program, established in Chapter 30 of 2018, receives \$10 million annually to offset local school system costs for hiring school resource officers. The Early Childhood School Safety Grant for Schools at Risk of Hate Crimes (Hate Crimes Grant), established in Chapter 732 of 2017, provides funding for security-related technology grants to schools and child care centers determined to be at risk for hate crimes. The Safe Schools Fund, transferred from the Department of State Police in 2018, is a special fund supported by revenues from fines on motorists driving without proper insurance and is designated for performing risk assessments, safety training, and outreach. The Maryland Center for School Safety also administers capital appropriations for the School Safety Grant Program and the Nonpublic School Security Improvements program, which are covered in “Chapter 4. School Construction and Capital Improvement Oversight and Funding” of *Volume IX – Education in Maryland*.

Funding

Financial support for public schools in Maryland is a shared State and local responsibility, with the federal government also playing an important role. **Exhibit 6.4** provides an overview of State, local, and federal primary and secondary education funding in fiscal 2021.

With Kirwan Commission recommendations adopted in Chapters 36 and 55 of 2021, starting in fiscal 2023 education funding in Maryland incorporates new funding formulas, which primarily impact State education aid and local school system maintenance of effort. Maintenance of effort refers to the requirement that local funding must be at least equivalent to the prior year on a per pupil basis. For more information on these changes, see below and “Chapter 3. Primary and Secondary Education – Funding” of *Volume IX – Education in Maryland*.

Exhibit 6.5 shows total funding for operating expenses for each school system and the share provided by local, State, federal, and other local revenue sources. Overall, the State and local shares are similar at 47.1% and 45.6%, respectively. The exhibit shows a wide range of funding patterns, with schools in Howard, Montgomery, Talbot, and Worcester counties getting more than 61% of their funding from local sources and schools in Caroline and Wicomico counties getting 71% or more of their funding from the State. The majority of federal funding is provided according to the needs of each local school system, as measured by economically disadvantaged and special education student counts. Most State funding is provided inverse to local wealth. School systems with lower wealth, as measured by property assessable base and net taxable income, receive more

aid per student than wealthier school systems. In addition, school systems with greater needs and higher costs also get additional State aid. Local funding is a function of local wealth and local effort.

Exhibit 6.4
Public Education Funding
Fiscal 2021
(\$ in Millions)

	<u>County</u> <u>Revenues</u>	<u>Other Local</u> <u>Revenues</u> ¹	<u>State</u>	<u>Federal</u>	<u>Total</u>
Local School Boards					
Operating Expenses ²	\$6,860.5	\$126.8	\$7,086.4	\$986.6	\$15,060.3
Other ³	871.8	15.4	15.1	222.9	1,125.1
State Department of Education ⁴					
Career and College Readiness			1.0	2.1	3.1
Accountability and Assessment			32.3	4.9	37.2
Early Childhood Development ⁵			56.3	200.4	256.7
Juvenile Services Education			16.2	2.8	19.0
Administration and Other Programs ⁶			57.7	35.2	93.0
Educational Organizations					
Maryland School for the Blind	2.0	1.2	29.5	1.1	33.8
Other Organizations			18.5		18.5
Other Education Funding					
IAC Administration			8.6		8.6
Maryland School for the Deaf		0.4	33.0	0.7	34.1
Baltimore City School Construction			20.0		20.0
School Safety			9.4		
Office of the Inspector General			0.8		
Total	\$7,734.3	\$143.7	\$7,384.9	\$1,456.6	\$16,709.4
Percent of Total	46.3%	0.9%	44.2%	8.7%	

IAC: Interagency Commission on School Construction

¹ Other local revenues generated by the local school system from tuition, transportation fees, food service fees, transfers from school units in other states, and other miscellaneous revenue. Maryland School for the Blind revenues include private gifts, tuition, and other sources.

² Revenues for operating expenses support costs for instruction, administration, transportation, student services, health services, and community services. Revenues for adult education are not included. State-paid retirement is included.

³ Other school board revenues support food service and debt service costs. State and local school construction is not included. State debt service for school construction is not included.

⁴ State Department of Education funding includes expenditures for headquarters operations and programs, excluding rehabilitation services, library services, adult learning, and adult correctional education.

⁵ Early Childhood Development includes funding for the Child Care Subsidy Program.

⁶ Administration and other programs include funding for the Office of the Superintendent; Business Services; Academic Policy and Innovation; Information Technology; School and Community Nutrition Programs; Student, Family and School Support; Special Education and Early Intervention Services; Certification and Accreditation; and the Autism Waiver.

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

Sources: *Selected Financial Data 2020-2021, Part I – Revenue, Wealth, and Effort*, Maryland State Department of Education; *Fiscal 2023 Governor's Budget Books*; Maryland School for the Blind; Department of Legislative Services

Exhibit 6.5
Operating Revenues for Local School Systems
Fiscal 2021
(\$ in Thousands)

County	Local ¹	% Local	Other Local ²	% Other Local	State	% State	Federal	% Federal	Total
Allegany	\$31,139	22.0%	\$1,500	1.1%	\$94,595	66.9%	\$14,137	10.0%	\$141,370
Anne Arundel	749,580	57.3%	9,666	0.7%	477,299	36.5%	71,335	5.5%	1,307,879
Baltimore City	287,347	19.5%	17,959	1.2%	964,183	65.4%	204,438	13.9%	1,473,926
Baltimore	861,086	47.3%	2,623	0.1%	848,106	46.6%	107,125	5.9%	1,818,939
Calvert	134,705	52.5%	3,100	1.2%	106,915	41.6%	12,046	4.7%	256,766
Caroline	15,576	16.3%	1,085	1.1%	68,195	71.2%	10,862	11.3%	95,717
Carroll	198,925	51.3%	2,485	0.6%	163,241	42.1%	23,075	6.0%	387,726
Cecil	86,368	36.9%	4,437	1.9%	125,509	53.6%	17,825	7.6%	234,140
Charles	195,747	44.1%	5,319	1.2%	224,933	50.7%	17,897	4.0%	443,895
Dorchester	20,290	23.9%	987	1.2%	53,672	63.2%	9,918	11.7%	84,866
Frederick	296,598	45.9%	5,627	0.9%	311,175	48.1%	33,460	5.2%	646,860
Garrett	28,319	45.7%	881	1.4%	26,686	43.1%	6,036	9.7%	61,922
Harford	276,928	46.6%	20,410	3.4%	260,433	43.8%	36,261	6.1%	594,031
Howard	620,300	61.3%	13,224	1.3%	350,840	34.7%	27,346	2.7%	1,011,710
Kent	18,812	55.1%	433	1.3%	11,936	35.0%	2,946	8.6%	34,127
Montgomery	1,753,569	61.2%	17,685	0.6%	957,478	33.4%	136,081	4.8%	2,864,813
Prince George's	815,985	34.7%	10,388	0.4%	1,384,919	58.9%	139,191	5.9%	2,350,483
Queen Anne's	61,034	54.3%	1,271	1.1%	44,030	39.1%	6,140	5.5%	112,475
St. Mary's	109,543	41.5%	1,983	0.8%	130,407	49.4%	22,268	8.4%	264,201
Somerset	10,189	17.3%	390	0.7%	39,685	67.4%	8,625	14.6%	58,889
Talbot	43,624	61.3%	1,218	1.7%	21,375	30.0%	4,975	7.0%	71,193
Washington	103,208	28.7%	1,893	0.5%	213,788	59.4%	41,306	11.5%	360,196
Wicomico	47,683	19.0%	496	0.2%	177,847	71.0%	24,537	9.8%	250,563
Worcester	93,992	70.3%	1,759	1.3%	29,144	21.8%	8,741	6.5%	133,636
Total	\$6,860,546	45.6%	\$126,816	0.8%	\$7,086,392	47.1%	\$986,570	6.6%	\$15,060,324

¹ Local Appropriations represent each county's appropriation to the school system.

² Other local revenues are generated by the local school system from tuition, transportation fees, transfers from school units in other states, and other miscellaneous revenue.

Note: Does not include revenues for school construction, debt service, food service, or adult education.

Source: Selected Financial Data 2020-2021, Part I – Revenue, Wealth, and Effort, Maryland State Department of Education

Blueprint for Maryland's Future

Chapters 36 and 55 of 2021 altered (1) State-aid formulas for both foundation and targeted programs; (2) local wealth calculations; and (3) funding for Concentration of Poverty, Teacher Collaborative, and Transitional Supplemental Instruction for Struggling Learners grants (interim programs recommended by the Kirwan Commission and first implemented in fiscal 2020). Chapters 36 and 55 also added Blueprint transition grants and an education effort index. These changes did not alter Maryland's fundamental approach to education aid formulas, which is "wealth-equalized," meaning that the State aid structure compensates for wealth differences by providing less aid per pupil to wealthy jurisdictions and more aid per pupil to less wealthy jurisdictions. These changes were fully implemented for the first time in fiscal 2023.

The Blueprint modified maintenance of effort requirements, increasing the number of programs that local funding must support. Beginning in fiscal 2023, the local share requirement continues to include the local share of the foundation formula but also includes the local share of the compensatory education, English learner, special education, Consumer Wage Index (beginning in fiscal 2024), full-day prekindergarten, college and career readiness, transitional supplemental instruction (through fiscal 2026), and career ladder grant programs. County governments may, to the extent authorized under federal law, use federal funds received for COVID-19 relief to meet maintenance of effort requirements.

Teacher Retirement

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

Before fiscal 2013, Maryland paid the full employer pension contribution for teachers and others in the State Teachers' systems employed by local school boards. Legislation enacted in 2012 phased in a requirement by fiscal 2017 that local school boards pay 100% of the employer *normal* cost for active members of the Teachers' Retirement or Pension systems, while the State will continue to pay 100% of the amortized accrued liability for active and retired members. The employer normal cost represents the employer's share of the payment that is necessary to fund benefits that currently employed members accrue in any given year. To assist local school boards in funding this cost, each county government is also required to include this amount in its appropriation to the local school board as part of the county's annual maintenance of effort payment. The legislation also established State Teacher Retirement Supplemental Grants to help mitigate local costs. In fiscal 2021, State retirement costs total \$750.3 million, local share (normal) costs total \$293.8 million, and local administrative costs total \$15.2 million.

Local Funding and Expenditures

Unlike many other states, Maryland’s school systems do not have independent taxing authority. Instead, the local school systems rely on the county governments, including Baltimore City, for a significant share of their funding. Historically, county funds have accounted for more than half of total funding for Maryland school systems. Each year, county government is required to appropriate funds to their local board of education equivalent to at least the same per pupil level as in the prior year (called maintenance of effort), or its required local share – whichever is greater.

Exhibit 6.6 shows that in fiscal 2021, local school system operating expenditures totaled \$14.1 billion, with almost half of that amount, \$6.0 billion, allocated to instruction. For more information on education funding, see “Chapter 3. Primary and Secondary Education – Funding” of *Volume IX – Education in Maryland*.

Exhibit 6.6
Local School System Expenditures
Fiscal 2021
(\$ in Thousands)

<u>Expenditure Category</u>	<u>Amount</u>	<u>Percent of Total</u>
Instruction	\$5,965,351	42%
Fixed/Fringe Benefits ¹	3,016,528	21%
Special Education	1,812,825	13%
Plant Operation and Maintenance	1,135,522	8%
Mid-level Administration	856,795	6%
Transportation	558,149	4%
Administration	385,171	3%
Other ²	331,287	2%
Total Expenditures	\$14,061,630	100%

¹ Includes \$750 million in State paid retirement costs.

² Includes student personnel services, school/student activities, health, capital outlay, and community services.

Source: *Selected Financial Data, 2020-2021, Part 2 – Expenditures*; Department of Legislative Services

Capital Funding

State and local governments share in the financing and oversight of capital construction and renovation of public school facilities in Maryland. School construction project oversight is the responsibility of the Interagency Commission on School Construction, which is an independent

agency within the department. This agency consists of nine members, including three *ex officio* members (the State Superintendent of Schools and the Secretaries of Planning and General Services) and six public members (two each appointed by the Governor, Senate President, and Speaker of the House).

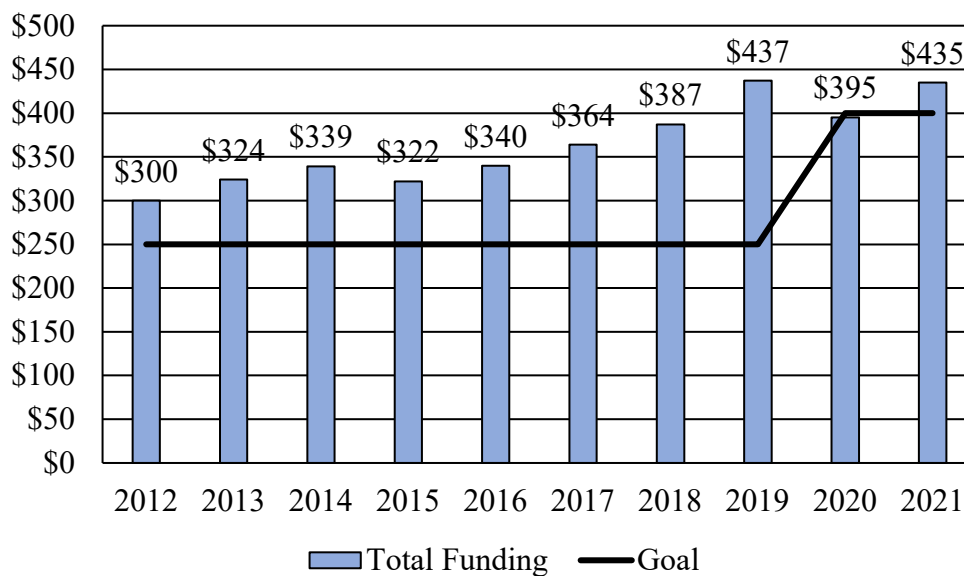
The State funds its share of school construction primarily through the issuance of general obligation bonds; however, in some years, funds for school construction are included in the State's operating budget as either general pay-as-you-go funding, or more recently with federal stimulus as federal pay-as-you-go funding. Two major school construction programs enacted in recent years, Chapter 647 of 2013 (Baltimore City 21st Century Schools Program) and Chapter 20 of 2020 (Built to Learn Act), rely on revenue bonds issued by the Maryland Stadium Authority. In addition to these programs, the State provides direct financial support and oversight to local governments for the construction and renovation of public school facilities through a variety of programs and special funds including:

- Aging Schools Program;
- Capital Grant Program for Local School Systems with Significant Enrollment Growth or Relocatable Classrooms;
- Healthy School Facility Fund;
- Public School Construction Program;
- School Construction Revolving Loan Fund;
- School Safety Grant Program; and
- Nancy K. Kopp Public School Facilities Priority Fund (effective in fiscal 2027).

The State also provides limited capital funding to nonpublic schools through two programs: the Senator James E. "Ed" DeGrange Nonpublic Aging Schools Program and the Nonpublic School Security Improvements Program.

Between fiscal 2012 and 2019, the State's goal for annual school construction funding was \$250 million. As part of Chapter 14 of 2018 (the 21st Century School Facilities Act), the State set a new goal of \$400 million for annual school construction funding beginning in fiscal 2020. **Exhibit 6.7** shows State public school construction funding from fiscal 2012 to 2021.

Exhibit 6.7
Public School Construction Funding
Fiscal 2012-2021
(\$ in Millions)



Note: Includes new general obligation bonds, pay-as-you-go general and federal funds, and reallocated funds that were previously authorized. Does not include Aging Schools or Qualified Zone Academy Bonds.

Source: Interagency Commission on School Construction, Department of Legislative Services

Exhibit 6.8 shows State funding for public school construction by county for fiscal 2018 through 2021. During these four years, public school construction funding totaled \$2.9 billion.

Built to Learn

Chapter 20 of 2020, the Built to Learn Act, authorizes the Maryland Stadium Authority to issue up to \$2.2 billion in revenue bonds starting in fiscal 2022, backed by annual payments from the Education Trust Fund, for public school construction projects in the State, including to support a possible public-private partnership agreement for Prince George's County. The Interagency Commission on School Construction began approving Built to Learn projects in fiscal 2022; it is expected that project approvals will continue for the next several years. Annual disbursements for debt service from the Education Trust Fund continue until the 30-year Maryland Stadium Authority issued bonds are no longer outstanding. Total debt service for all bond issuances may not exceed \$30 million in fiscal 2022, \$60 million in fiscal 2023, and \$125 million annually thereafter; it may not exceed \$100 million annually if Prince George's County enters into a public-private partnership agreement.

Built to Learn funding supplements State funding for school construction from other sources; local school systems can commingle Built to Learn funding with funding from other State programs to finance school construction projects.

For more information on school construction, see “Chapter 4. School Construction and Capital Improvement Oversight and Funding” of *Volume IX – Education in Maryland*.

Exhibit 6.8
Public School Construction Funding by County
Fiscal 2018-2021
(\$ in Millions)

<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Allegany	\$12.9	\$4.4	\$2.8	\$2.1	\$22.2
Anne Arundel	36.8	30.5	36.4	38.1	141.8
Baltimore City	37.3	71.5	51.3	69.5	229.6
Baltimore	45.7	44.7	58.9	53.0	202.3
Calvert	14.6	10.1	2.2	4.1	31
Caroline	1.6	0.7	11.6	13.7	27.6
Carroll	3.9	7.4	7.6	10.3	29.2
Cecil	6.7	5.5	4.0	3.9	20.1
Charles	10.5	15.4	13.9	12.5	52.3
Dorchester	10.8	11.3	4.1	6.0	32.2
Frederick	19.6	20.0	16.6	22.8	79
Garrett	1.6	0.2	0.4	1.8	4
Harford	13.6	13.1	13.0	13.0	52.7
Howard	21.1	11.5	6.5	32.5	71.6
Kent	0.0	0.2	1.4	3.2	4.8
Montgomery	59.2	62.9	59.1	55.7	236.9
Prince George’s	49.2	51.3	52.3	47.1	199.9
Queen Anne’s	2.5	1.1	0.7	1.2	5.5
St. Mary’s	0.8	6.8	4.8	5.5	17.9
Somerset	14.7	17.8	3.2	3.1	38.8
Talbot	0.0	8.6	9.0	3.2	20.8
Washington	2.6	12.5	11.7	8.3	35.1
Wicomico	11.8	10.3	11.3	10.4	43.8
Worcester	0.0	4.6	4.3	1.5	10.4
Maryland School for the Blind	9.4	14.2	7.4	6.8	37.8
Statewide	0.5	0.0	0.0	5.8	6.3
Total	\$387.4	\$436.6	\$394.5	\$435.1	\$1,653.6

Note: Includes new general obligation bonds, pay-as-you-go general and federal funds, and reallocated funds that were previously authorized. Counties receiving \$0 did not request any eligible projects to be funded in that year. Statewide includes funds for the State outsourcing of design reviews and contingency funds for unforeseen overruns. Does not include Aging Schools or Qualified Zone Academy Bonds.

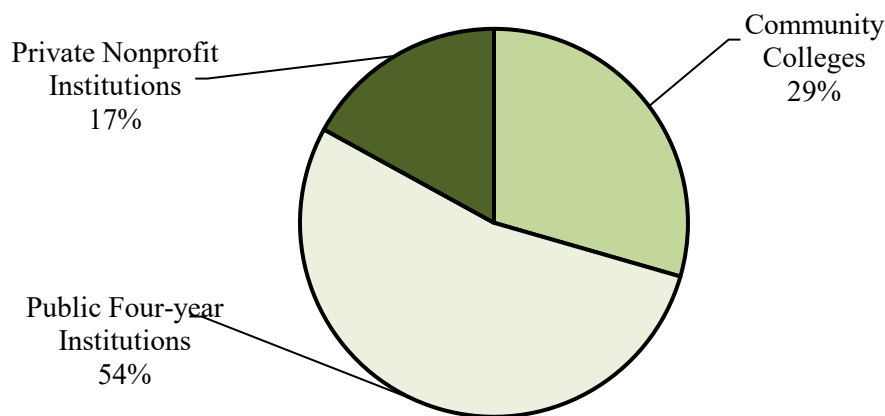
Sources: Interagency Commission on School Construction; Department of Legislative Services

Chapter 7. Higher Education

Maryland's higher education system consists of the Maryland Higher Education Commission, which is the State's postsecondary coordinating body, the University System of Maryland, two public four-year institutions independent of the University System of Maryland (Morgan State University and St. Mary's College of Maryland), seven regional higher education centers, 16 community colleges, and a multitude of private colleges, universities, and career schools. In fiscal 2021, 259,547 full-time equivalent students enrolled in a public or private nonprofit college or university in Maryland. As shown in **Exhibit 7.1**, the largest portion of the students (54%) attended public four-year institutions, while 29% enrolled at community colleges and 17% enrolled at private nonprofit institutions. Enrollment in private career schools and other for-profit institutions is not included in these figures.

Maryland's public higher education system is primarily a State function. Oversight of public four-year institutions and community colleges is generally the responsibility of the State. The Governor appoints the boards of trustees/regents. The Maryland Higher Education Commission provides additional oversight. In fiscal 2021, State dollars provided about one-quarter of the revenues at the public four-year institutions and at the community colleges, while local governments were responsible for 30% of community college revenues. Eligible private nonprofit colleges and universities in Maryland also receive direct financial assistance from the State.

Exhibit 7.1
Full-time Equivalent Student Enrollment by Segment
Fiscal 2021



Total: 259,547

Source: *Fiscal 2023 Governor's Budget Books*; Department of Legislative Services

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

Structure

Responsibility for the delivery of public higher education services lies primarily with the State, as shown in **Exhibit 7.2**. However, the organizational structure varies somewhat depending on whether the institution is part of the University System of Maryland, a four-year institution separate from the university system, a regional higher education center, or a community college. Additionally, Maryland 529, formerly the College Savings Plans of Maryland, which is independent of the organizational structure shown in Exhibit 7.2, offers higher education savings for Maryland families.

Maryland Higher Education Commission

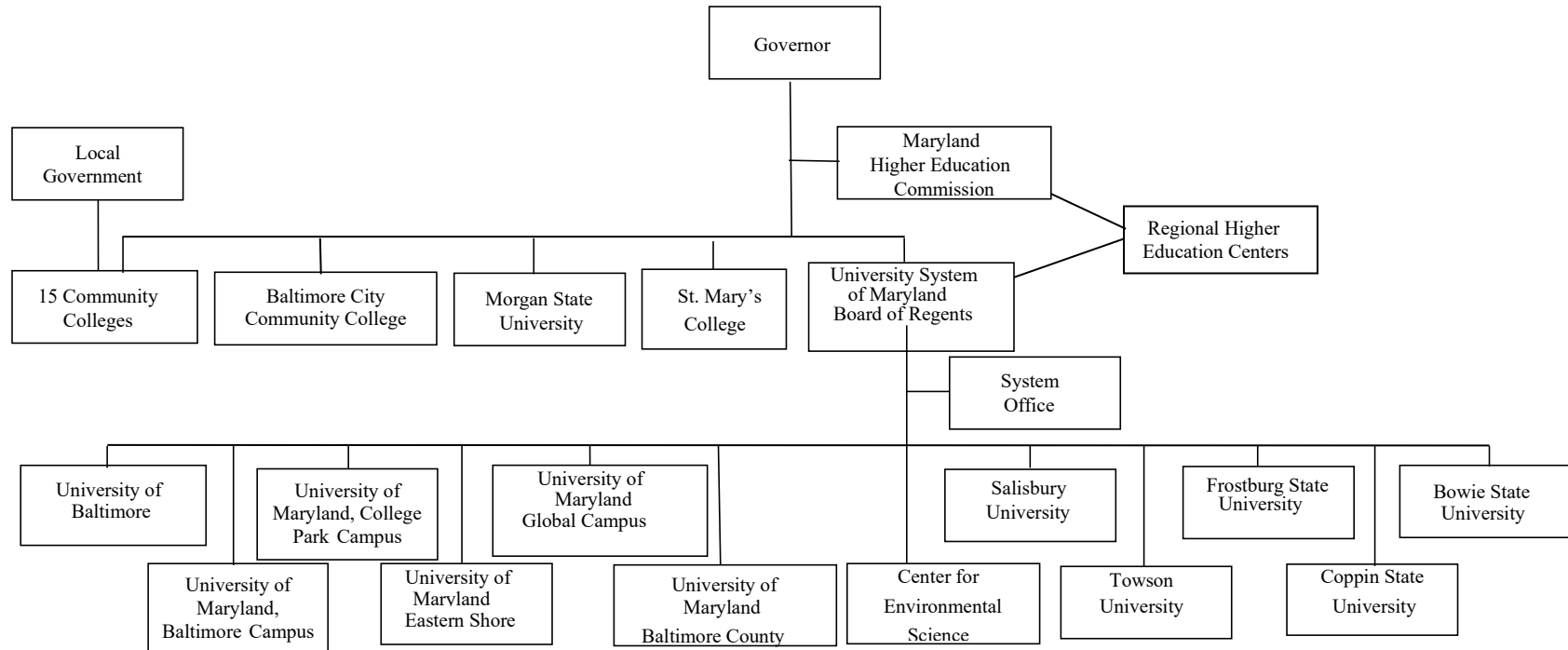
As the State's higher education planning and coordinating body, the Maryland Higher Education Commission oversees various aspects of the public and private higher education system. The commission is governed by 12 members and the Secretary of Higher Education, who are appointed by the Governor with the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

University System of Maryland

The University System of Maryland encompasses 11 degree-granting institutions; the University of Maryland Center for Environmental Science, which is an independent research and education center; and three regional higher education centers. It includes the University of Maryland Strategic Partnership, which is a formal alliance between the University of Maryland, College Park Campus and the University of Maryland, Baltimore Campus, to leverage the resources of each campus within the University of Maryland.

The system is governed by a 21-member Board of Regents, of which 17 members (including 2 student members) are appointed by the Governor with the advice and consent of the Senate, 1 member is appointed by the Senate President, 1 member is appointed by the Speaker of the House of Delegates, and 2 members are *ex officio* (the Secretary of Agriculture and the Secretary of Commerce). The board is responsible for overseeing the operations of the university system, setting tuition and fees, and selecting a Chancellor for the system. The Chancellor acts as the system's chief executive officer and assists the Board of Regents in selecting a president for each of the institutions.

Exhibit 7.2 Maryland Public Higher Education System



Source: Department of Legislative Services

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

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

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

Regional Higher Education Centers

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

Community Colleges

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

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

The county role with regard to community colleges is similar to that for the public schools. Each community college, with the exception of Baltimore City Community College, submits its operating and capital budgets to the county governing body, or in the case of regional colleges, to each of the counties in the region. The budget submission includes revenues by source and expenditures by major function, as established by the Maryland Higher Education Commission. The county governing body reviews and approves or reduces the budget.

Maryland 529

Established in 1997, Maryland 529, formerly the College Savings Plans of Maryland, is an independent agency with a mission to provide simple, convenient ways for Maryland families to save in advance for college and reduce future reliance on loans. A 10-member board administers the trust and oversees the administration of the plan.

Services

Maryland's postsecondary education programs can be grouped into four basic categories: (1) the Maryland Higher Education Commission, which provides systemwide oversight, administers student financial assistance programs, and focuses on statewide initiatives; (2) public four-year institutions; (3) regional higher education centers; and (4) community colleges. Additionally, savings plans for postsecondary education are offered through Maryland 529.

Maryland Higher Education Commission

The Maryland Higher Education Commission provides systemwide oversight by:

- establishing and updating the State Plan for Postsecondary Education every four years;
- approving new academic programs;
- administering State funding for the regional higher education centers not part of the University System of Maryland; and
- providing oversight of the two-year and four-year public and private institutions that operate in the State.

The commission approves mission statements and recommends State funding levels and priorities for each public institution that conforms with the State plan. The commission also oversees academic matters, administers the program of State support for the community colleges and eligible private nonprofit institutions, and administers State student financial aid programs.

Financial assistance programs include the following categories: need-based aid; legislative scholarships; career/occupational scholarships; community college promise scholarships; near completer programs; and scholarships for unique populations. These programs are designed to improve access to higher education for needy students; encourage students to major in areas of great economic need to the State, such as teaching and nursing; and encourage students who are near completing a degree to return to college in the State. In addition, the commission administers student loan assistance repayment programs and the student loan tax credit for eligible individuals to reduce the burden of undergraduate and graduate school debt.

Additionally, the commission provides oversight of out-of-state institutions that offer fully online distance education programs to students domiciled in Maryland. Within three months of a Maryland student enrolling in a program offered by an out-of-state institution, the institution is required to file an application to register with the commission and must comply with the principles for good practice for distance education established by the commission. The commission is required to post on its website a list of registered institutions and a list of institutions for which the commission denied or revoked registration. Furthermore, Maryland participates in the State Authorization Reciprocity Agreement, a voluntary agreement program among states and U.S. districts and territories that establishes national standards for interstate offering of postsecondary distance education courses and programs. Institutions in states participating in the agreement are required to annually report on the number of in- and out-of-state students enrolled in its online programs. States are required to approve their institutions for participation and resolve student complaints. In addition, states agree not to impose additional requirements on institutions from other participating states. Maryland became a full participant in 2016 and as of 2022, California is the only state not participating in the agreement.

Similarly, the commission regulates private career schools and for-profit institutions of higher education. These entities are required to register with the commission and to furnish the commission with a performance bond or irrevocable letter of credit in the amount equal to the school's or institution's non-Title IV adjusted gross tuition and fees.

Public Four-year Institutions

Maryland's public four-year higher education institutions enrolled 138,915 full-time equivalent students in fiscal 2021, of which approximately 82% were in-state students. The average cost of tuition and fees for the 2020-2021 academic year (fiscal 2021) for a full-time undergraduate student was \$9,790 for an in-state student and \$22,492 for an out-of-state student.

Maryland has 13 public four-year institutions: 7 hold a Carnegie Classification of a Master's College and University; 4 are classified as a type of research university; 1 is classified as a baccalaureate college; and 1 is classified as a special focus institution since it is a medical school. Included in these public four-year institutions are the State's 4 public historically black colleges and universities: Bowie State University; Coppin State University; the University of Maryland Eastern Shore; and Morgan State University. In addition, while not a four-year institution, the University of Maryland Center for Environmental Science is an independent research and

education center that offers three joint graduate degrees with University System of Maryland institutions.

Regional Higher Education Centers

The State's regional higher education centers offer a variety of lower and upper level undergraduate degree programs, as well as graduate and professional degree programs through participating institutions. For example, the largest regional higher education center, the Universities at Shady Grove, offers more than 70 degree programs ranging from a bachelor's degree in business administration to a master's degree in social work to a doctor of nursing practice. On the other hand, one of the smallest regional higher education centers, the Eastern Shore Higher Education Center, offers 9 degree programs, 2 of which are undergraduate programs and 7 of which are graduate programs.

Community Colleges

Maryland's community colleges enrolled 76,482 full-time equivalent students in fiscal 2021. The average cost of tuition and fees for the 2020-2021 academic year was \$4,725 for a full-time undergraduate student residing in the service area.

The State's community colleges provide diverse education services, with particular emphasis on community-centered programs that afford open access to individuals. The community colleges are a flexible, lower cost higher education alternative accommodating the needs of a wide variety of students. Community colleges offer undergraduate courses, technical and career education programs, skills training for businesses, continuing education programs, and remedial education. Students may receive a certificate or associate's degree.

Maryland 529

Maryland 529, formerly the College Savings Plans of Maryland, currently offers two savings plans for higher education: (1) a defined benefit plan called the Senator Edward J. Kasemeyer Maryland Prepaid College Trust; and (2) an investment plan called the Senator Edward J. Kasemeyer Maryland College Investment Plan. The plans allow a participant to either prepay or contribute to an account established for paying a student's qualified education expenses at an eligible educational institution. A qualified educational institution includes any college, university, vocational school, or other postsecondary educational institution eligible to participate in a U.S. Department of Education student aid program, as well as trade/technical schools, certified apprenticeship programs, or private K-12 schools. Both plans offer federal and State tax benefits, including federal and State taxes deferred on growth; federal and State tax-free earnings, provided funds are used for eligible college expenses; and a State income tax deduction of contributions to one or both plans up to a certain amount depending on the plan. For individuals that meet certain income requirements, an annual State matching contribution of up to \$500, in lieu of the State income tax deduction, is also available under the investment plan. In addition, Maryland 529 also offers the Maryland Achieving a Better Life

Experience Program, which allows certain individuals with disabilities to save for qualified disability expenses.

Funding

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

Financial Aid Programs

The Office of Student Financial Assistance within the Maryland Higher Education Commission is responsible for the administration of the State's financial assistance programs that distributed \$119.9 million in State general, special, and reimbursable funds during fiscal 2021 to 49,149 students. Maryland students use the assistance from these programs at the State's public four-year campuses and community colleges, private nonprofit colleges and universities, and private career schools in the State as well as for loan assistance repayment for undergraduate and graduate student debt.

Historically Black Colleges and Universities – State Support

In December 2000, the State and the U.S. Department of Education, Office for Civil Rights entered into a partnership agreement that included commitments from the State to further enhance the four public historically black colleges and universities and improve higher education opportunities for African American students. As part of the agreement, the State has provided enhancement funds to the historically black colleges and universities since fiscal 2002. Although the partnership agreement officially expired on December 31, 2005, the State continues to provide enhancement funds to the historically black colleges and universities which, as of fiscal 2019, are included in the base budget appropriations for these institutions.

Exhibit 7.3
Higher Education Funding
Fiscal 2021
(\$ in Millions)

	<u>County</u>	<u>State</u>	<u>Federal</u> ¹	<u>Tuition and Fees</u>	<u>Grants and Contracts</u> ²	<u>HEERF</u> ³	<u>Other</u> ⁴	<u>Total</u>
Public Four-year Institutions		\$1,642.6 ⁵	\$1,052.1	\$1,832.3	\$507.0	\$287.6	\$934.7	\$6,256.2
Community Colleges	\$446.2	330.2 ⁶	124.8	378.8		118.4	38.7	1,437.1
Baltimore City Community College	0.6	37.3	11.1	12.4	2.0	5.0	6.0	74.3
Maryland Higher Education Commission		41.9 ⁷	0.4				0.2	42.4
Student Financial Assistance		119.9 ⁸						119.9
Nonpublic Institutions		59.0						59.0
Total	\$446.8	\$2,230.9	\$1,188.4	\$2,223.5	\$508.9	\$411.0	\$979.4	\$7,988.9

HEERF: Higher Education Emergency Relief Funds

¹ Federal funds include current unrestricted and restricted funds for grants and contracts, and Pell awards.

² Grants and contracts include State, local, and private grants and contracts for services (unrestricted and restricted).

³ Includes federal funds dedicated to COVID-19 relief for higher education from three rounds of stimulus as well as State-directed federal Coronavirus Relief Funds.

⁴ Other includes the following unrestricted and restricted revenues: sales and services of educational activities and auxiliary enterprises, endowment, investment income, rental income (community colleges); Guarantee Student Tuition (Maryland Higher Education Commission); and \$24.2 million in bond premiums for facilities renewal projects at the public four-year institutions.

⁵ State funding includes \$22.9 million for Shady Grove, \$2.3 million for Hagerstown, and \$2.1 million for Southern Maryland regional higher education centers; \$22.8 million for University of Maryland Center for Environmental Science; and \$14.0 million for University System of Maryland Office. State funds also include \$83.2 million in Higher Education Investment Funds. Excludes \$24.2 million in bond premiums for facilities renewal.

⁶ State funding includes formula aid, State-paid retirement costs, Aid to Small Community Colleges, Statewide and Regional programs, Garrett County and West Virginia reciprocity, English for Speakers of Other Languages grants, Somerset Reciprocity Grant, and Innovative Partnerships for Technology program. Excludes \$6.8 million in annuity bond funding through the Community College Facilities Renewal Grant Program.

⁷ State funding includes funds for educational grants (including \$1.4 million for independent Regional Higher Education Centers), College Prep/Intervention program, Nurse Support Program II, and general administration; as well as \$378,005 in Academic Review Fees, \$154,759 in Guaranteed Student Tuition fees, and

\$33,061 in online certification fees. Excludes \$21.0 million in funds reimbursed by other State agencies for services provided including \$20 million in federal COVID-19 relief funding to community colleges for workforce development.

⁸ State funding includes general and special funds including \$1.4 million from the Need-based Student Financial Assistance Fund.

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

Source: *2023 Data Book*, Maryland Higher Education Commission; *Fiscal 2023 Governor's Budget Books*; Department of Legislative Services

In 2006, after the partnership officially expired, a coalition of former, current, and prospective students of the State's four historically black colleges and universities filed suit against the State and the Maryland Higher Education Commission for violations of the Civil Rights Act of 1964 and the Equal Protection Clause of the Fourteenth Amendment. The lawsuit, *The Coalition for Equity and Excellence in Maryland Higher Education Inc., et al. v. Maryland Higher Education Commission, et al.*, was settled in June 2021 as a result of Chapters 41 and 42 of 2021, which provide \$577.0 million in supplemental funding to the State's historically black colleges and universities. This funding, which will be allocated over 10 years, will be used to provide the Maryland Higher Education Commission with funding to hire additional personnel to evaluate and bolster academic programs at the State's historically black colleges and universities.

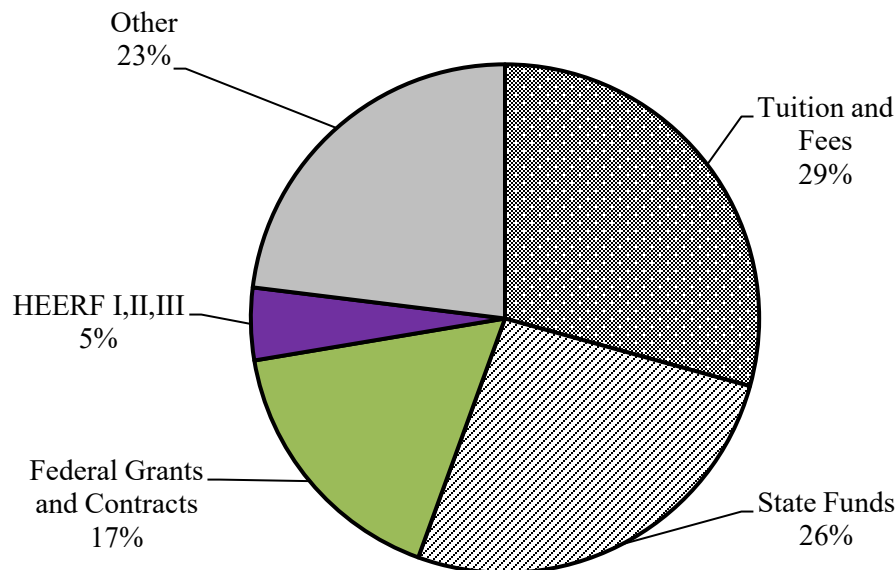
For each of fiscal 2024 through 2032, the Governor must include in the annual State budget \$57.7 million across all four historically black colleges and universities, with funding for each based on the percentage share of students enrolled during the immediately preceding academic year compared to the total number of students enrolled at all Maryland historically black colleges and universities, with a minimum of \$9.0 million representing the lowest dollar amount, which may be allotted to an institution. In fiscal 2023, \$22 million of the \$57.7 million appropriation is directed to the commission for lawyer fees, with the remainder distributed to the historically black colleges and universities.

Public Four-year Institutions

As shown in **Exhibit 7.4**, in fiscal 2021, State support for the operations of public four-year institutions accounted for 26% of revenues for the institutions. State support consists of general funds and Higher Education Investment Funds. A portion of the corporate income tax is dedicated to the Higher Education Investment Fund to support public four-year institutions. In fiscal 2021, a total of \$83.2 million in Higher Education Investment Funds supported public four-year institutions. Other than St. Mary's College of Maryland, which is formula funded, State appropriations for public four-year institutions are determined through budget requests from the respective governing board and a negotiation process with the Governor and, once the Governor's budget is introduced, the General Assembly, as well as any funding mandated for particular institutions or purposes. The next largest share of revenue (29%) is tuition and student fees. The other category accounts for 23% of revenue and consists of government grants/contracts/scholarships and sales by auxiliary enterprises (e.g., dining service, resident halls, and athletics), and other sources. Higher Education Emergency Relief Funds (available from various federal COVID-19 related stimulus legislation) were 5% of revenue in fiscal 2021 while federal grants and contracts accounted for 17% of revenue.

St. Mary's College of Maryland is the only public four-year institution with a statutory funding formula. Since 1991, the minimum general fund appropriation has been based on the prior year's appropriation that was increased to offset inflation. Beginning in fiscal 2019, the general fund grant must increase by 0.25% if the college's six-year graduation rate was 82% or greater in the second preceding fiscal year. In addition to the general fund grant, the college also receives add-on funding for (1) 100% of the increase in State-supported health insurance costs and (2) 100% of any cost-of-living adjustment for State-supported employees, if State employees receive a cost-of-living adjustment.

Exhibit 7.4
Public Four-year Institutions – Revenue Sources
Fiscal 2021



HEERF: Higher Education Emergency Relief Funds

Note: State funds include general funds and Higher Education Investment Funds. The other category includes State and local grants and contracts, sale of educational services, auxiliary enterprises, other revenue sources, and \$24.2 million in bond premiums for facilities renewal projects.

Source: *Fiscal 2023 Governor's Budget Books*; Department of Legislative Services

In order to assess how Maryland institutions are funded relative to their peers, the Maryland Higher Education Commission establishes annual operating funding guidelines for University System of Maryland institutions and Morgan State University. A guideline is not established for St. Mary's College of Maryland because it is funded through a formula. Full funding of the guidelines is not mandated in law; however, the funding guidelines have been used as a basis for supplemental funding for those residential campuses with the lowest attainment levels. Funding guidelines consider the resources, students, facilities, and other relevant factors for universities of similar size, program mix, and location. The Maryland Higher Education Commission identified peer institutions in 10 states that Maryland competes with for business and jobs (competitor states) as determined by the Maryland Department of Commerce. These states are California, Massachusetts, Minnesota, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Virginia,

and Washington. The overall goal of the guidelines has been that an institution funded at its proposed funding guideline level would receive more State support than 75% of its identified peers, and 80% for historically black colleges and universities.

Regional Higher Education Centers

Two of the three University System of Maryland centers – Hagerstown (Washington County) and California (St. Mary’s County) – are funded as line items in the University System of Maryland Office operating budget. Beginning in fiscal 2023, the center located in Shady Grove (Montgomery County) is budgeted separately from the University System of Maryland Office; prior to this date, it was also included within this office similar to the other two centers. The independent centers are funded by grants through the Maryland Higher Education Commission operating budget. The Maryland Higher Education Commission developed a funding strategy for the four centers under the commission that is based on certain components including base funding, per student funding, leasing costs, and incentive funding.

Community Colleges

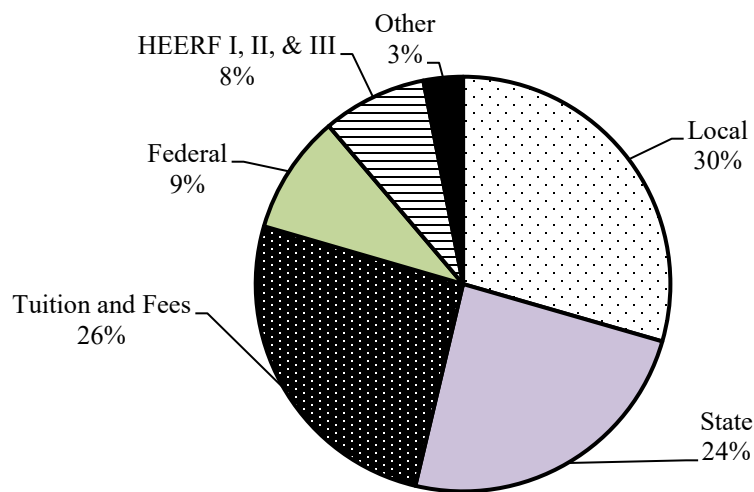
From the establishment of the first community colleges in 1946, the State, counties, and students have shared the responsibility for funding the community colleges. Baltimore City Community College has been a State institution since fiscal 1991 and receives minimal local support. As shown in **Exhibit 7.5**, in fiscal 2021, student tuition and fees accounted for 26% of community college revenues, the local and State shares of support were 30% and 24%, respectively.

Community College Aid Formulas

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

When the Cade formula began in 1996, community colleges were scheduled to receive 25.0% of the State general funds per full-time equivalent student at selected public four-year institutions. Subsequent legislation was passed in the 2006 legislative session to phase in higher funding levels for Maryland’s local community colleges (29.0%); however, due to budget constraints, funding was reduced below the original statutory levels from fiscal 2008 to 2016. The percentage used in the formulas was 25.0% of the selected public institutions in fiscal 2021. As of fiscal 2023, the percentage reached the statutory maximum of 29.0% for the Cade formula funded community colleges.

Exhibit 7.5
Community Colleges – Revenue Sources
Fiscal 2021



HEERF: Higher Education Emergency Relief Funds

Note: Federal funds primarily from Pell Grants and Higher Education Emergency Relief Funds (available through various federal COVID-19 stimulus legislation).

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

Chapters 568 and 569 of 1998 established the funding formula for Baltimore City Community College that was enhanced in fiscal 2006 and further revised several times since then. Similar to the Cade funding formula, Baltimore City Community College receives a statutorily identified percentage of the State general funds per full-time equivalent student at the selected public four-year institutions. The percentage used in the formula was 64.5% in fiscal 2021. As of fiscal 2023, the current statutory maximum level of 68.5% has been reached.

Retirement

The State pays 100% of the employer retirement costs for qualifying local community college employees, mainly faculty, who are eligible to be members of the State Teachers' Retirement or Pension systems. Both systems are maintained by the State and guarantee a monthly retirement allowance based on a predetermined formula. In fiscal 2021, State support for these programs on behalf of community colleges totaled \$62.0 million. The community colleges pay a

share of the administrative costs for the system proportional to their share of the participants in the system. In fiscal 2021, this totaled about \$0.7 million.

The State also offers a defined contribution plan, the Optional Retirement Program, instead of the defined benefit plan for certain higher education employees. Under this program, the employee and employer both make contributions toward investment products whose performance determines the amount available to the employee upon retirement. In fiscal 2021, State support for this program for qualifying community college employees totaled \$16.7 million.

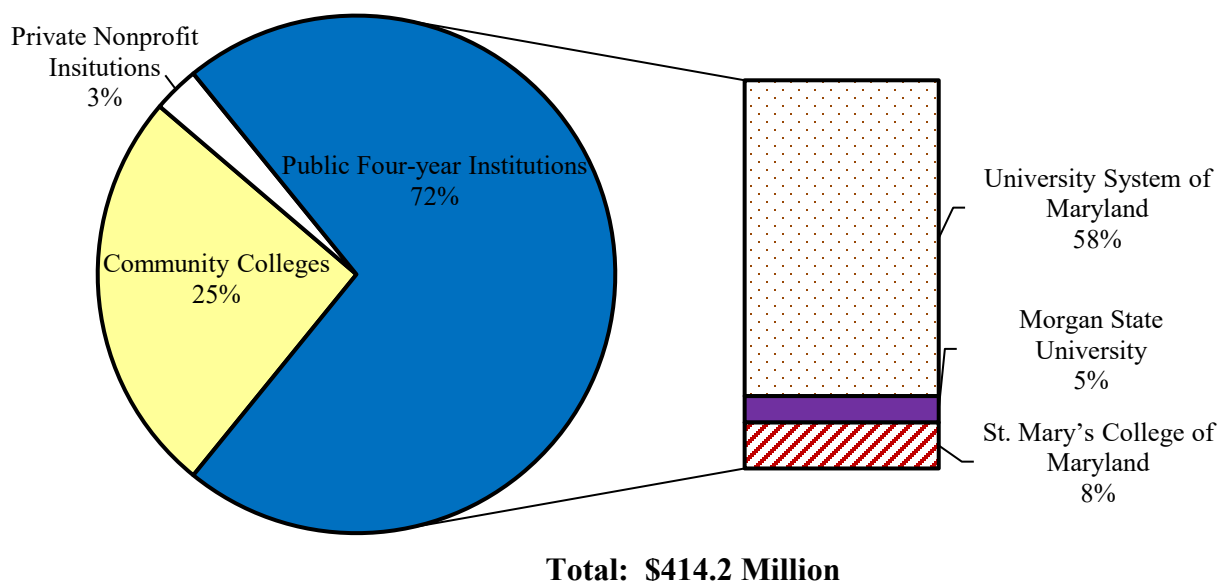
Aid to Private Nonprofit Colleges and Universities

Recognizing their importance as an educational resource, the State provides eligible private nonprofit four-year colleges and universities with financial assistance. The grants are funded through the Joseph A. Sellinger Program and are calculated using a statutory formula that multiplies the number of full-time equivalent students by 15.5% (as of fiscal 2021) of State funds per full-time equivalent student at selected public four-year institutions. This percentage is the maximum level under statute.

Capital Funding

Higher education institutions also receive capital funding support from the State. As shown in **Exhibit 7.6**, a total of \$414.2 million in general obligation bond, pay-as-you-go, and academic revenue bond funds were authorized for higher education in fiscal 2021. Local community colleges received \$100.5 million in general obligation bond funds and pay-as-you-go funding through the Community College Facilities Grant Program, which assists counties in improving the facilities and infrastructure of locally operated community colleges. For regional colleges, State support may total up to 75% of project costs, while other community colleges may receive between 50% and 70% of costs from the State, depending on the wealth of the jurisdiction. Baltimore City Community College, separate from the local community colleges, received \$4.6 million. Finally, eligible private nonprofit institutions received \$12.0 million in capital grants.

Exhibit 7.6
Capital Funding by Higher Education Segment
Fiscal 2021



Source: Department of Legislative Services

Maryland 529

Maryland 529 administrative costs are self-funded through fees charged to account holders, and the agency does not receive operational funding from the State. The agency's budget must be approved by the Maryland 529 Board each year.

Maryland 529 receives annual funding (through the Maryland Higher Education Commission) for the State's share of the matching contribution program intended to increase savings participation. According to statute, the Governor must include \$3.0 million for the matching contribution program; however, in recent years the program has ultimately received more than \$10 million annually to ensure that all eligible applicants receive a match. Eligibility for the State matching program is set in statute. As of fiscal 2023, the State match is \$500 per eligible beneficiary (higher income account holders receive \$250).

Chapter 8. Public Libraries and Public Television

Maryland Public Libraries

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

Structure

Prior to 2017, the State Board of Education was responsible for the general direction and control of library development in Maryland. However, Chapters 337 and 338 of 2017 abolished the Division of Library and Development Services and the State Advisory Council on Libraries, created the State Library Agency and the State Library Board, and generally transferred the authority and responsibilities of the State Board of Education related to library development to the State Library Agency. The State Library Board, which consists of 12 members, oversees the State Library Agency and exercises general discretion and control of library development. The board may adopt rules and regulations, establish policies and procedures for a statewide system of public libraries, and advise the Governor on library matters. The State Librarian is appointed by the board, with the advice and consent of the Senate, as the head of the State Library Agency. The State Librarian performs the duties the board assigns and sees that the policies and the decisions of the board are carried out by the State Library Agency.

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

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

With a few exceptions, a library board of trustees generally consists of 7 members appointed by the county governing body. Board of trustee members must be residents of the county in which they serve and generally may serve five-year terms. State law provides that the Harford County Board of Library Trustees consists of at least 7 members, but not more than 11 members. Currently, Harford County's board has 10 members (including 1 nonvoting student member). The Baltimore City and Washington County boards operate under nineteenth century enactments that preceded the State general law of 1945. State law allows these boards to be

self-perpetuating and of any size. Accordingly, the board members may indefinitely reappoint themselves or others. The Anne Arundel County and Queen Anne's County boards are also self-perpetuating. Under State law, Prince George's County board members may serve any number of consecutive terms, and Charles County board members serve four-year terms.

Services

As required by State law, a county library provides free library services to residents of the county. A library may establish policies governing the use of the library by individuals living outside the county. Free library services include the use of all library materials and services available for reference and circulation, regardless of format. However, five jurisdictions – Baltimore City and Baltimore, Charles, Montgomery, and Prince George's counties – may charge fees for the rental of media. Generally, all libraries may charge fees for the late return of borrowed materials and for the use of copying machines and other equipment. However, State law prohibits a public library from charging a fine for overdue library materials for a minor. A public library is also prohibited from attempting to collect any outstanding fees for overdue library materials incurred by a minor after June 30, 2021. Libraries may also place reasonable limitations on online database searches. **Exhibit 8.1** summarizes information relating to Maryland's local public libraries.

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

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

Exhibit 8.1
Selected Public Library Data
Fiscal 2020

County	Branches	Bookmobiles	Total Holdings¹	Registered Users	% of Population Registered	Total Librarians
Allegany	6	0	1,113,456	13,415	19%	26
Anne Arundel	16	0	1,120,586	296,817	52%	137
Baltimore City	22	3	2,371,686	260,078	43%	178
Baltimore	19	4	1,623,784	468,470	56%	159
Calvert	5	2	318,841	56,870	62%	43
Caroline	3	0	183,693	14,019	42%	17
Carroll	7	3	1,172,387	94,472	56%	63
Cecil	6	1	377,142	55,282	54%	40
Charles	4	1	336,823	74,085	46%	44
Dorchester	2	0	178,175	12,562	39%	7
Frederick	9	2	752,659	126,818	50%	86
Garrett	5	0	198,804	18,321	63%	7
Harford	13	2	1,832,364	206,595	82%	85
Howard	7	0	1,464,897	238,275	74%	115
Kent	3	0	146,234	9,005	46%	8
Montgomery	22	0	2,546,600	335,099	32%	162
Prince George's	19	0	787,495	570,717	63%	140
Queen Anne's	2	0	210,464	48,810	98%	9
St. Mary's	3	0	301,682	31,403	28%	18
Somerset	3	0	167,270	9,043	35%	2
Talbot	2	0	226,620	29,198	79%	9
Washington	8	1	1,380,789	71,308	47%	22
Wicomico	3	2	298,202	66,865	65%	13
Worcester	5	0	332,188	40,779	79%	16
Total	194	21	19,442,841	3,148,306	52%	1,406
Regional Libraries						
Eastern Shore			111,879			12
Southern Maryland			150,168			3
Western Maryland			1,088,629			6

¹ Holdings include book volumes, videos, audio recordings, current periodicals, e-books, databases, and other materials.

Source: Maryland Public Library Statistics, Fiscal 2020; websites of each county public library system

The State Library Resource Center administers Sailor, Maryland's online electronic information network. Overseen by the State Library Agency in conjunction with the center, Sailor connects Marylanders to information resources within the State and worldwide. Sailor allows users to identify and locate books as well as articles in magazines, newspapers, and journals. In all 23 counties and Baltimore City, Sailor is available without charge through libraries and through the Internet at <http://www.sailor.lib.md.us>. **Exhibit 8.2** summarizes electronic access available at Maryland's public libraries.

Exhibit 8.2
Electronic Access at Public Libraries
Fiscal 2020

County	Internet Terminals Used by Public	Registered Users Per Internet Terminal	Internet Uses Per Year	E-Books
Allegany	70	192	19,178	522,527
Anne Arundel	314	945	306,047	149,254
Baltimore City	863	301	671,730	89,582
Baltimore	460	1018	593,257	126,611
Calvert	120	474	44,992	66,495
Caroline	78	180	27,680	67,834
Carroll	114	829	74,204	475,230
Cecil	110	503	80,884	83,550
Charles	145	511	76,736	80,355
Dorchester	30	419	12,687	65,939
Frederick	294	431	115,215	141,204
Garrett	45	407	11,610	65,935
Harford	496	417	149,827	565,039
Howard	389	613	409,724	344,518
Kent	34	265	8,559	67,787
Montgomery	845	397	259,539	139,846
Prince George's	674	847	477,296	60,926
Queen Anne's	21	2324	13,090	65,918
St. Mary's	130	242	56,342	74,501
Somerset	26	348	11,013	68,515
Talbot	64	456	16,759	65,918
Washington	103	692	14,794	522,506
Wicomico	90	743	28,460	65,918
Worcester	121	337	30,315	65,918
Total	5,636	559	3,509,938	4,041,826

Source: Maryland Public Library Statistics, Fiscal 2020

Library Resources for the Blind, Print Disabled, and Deaf

The Maryland State Library for the Blind and Print Disabled provides comprehensive library services to eligible blind and physically handicapped residents of Maryland, which includes individuals who are legally blind, visually or physically limited, or reading disabled. The library is part of the national network of the National Library Services for the Blind and Print Disabled through the Library of Congress. The National Library Services selects and produces recordings of full-length books and magazines for a network of libraries providing alternative format materials. The Maryland State Library for the Blind and Print Disabled supplements the National Library Service collection with large print books, descriptive videos, children's braille books, and tactile materials such as maps, atlases, and art books. Books are lent on a wide range of subjects in braille, audio, and large type. The service is free, statewide, and can be provided to individuals via the U.S. mail. Approximately 8,400 Maryland residents receive the services provided by the library annually.

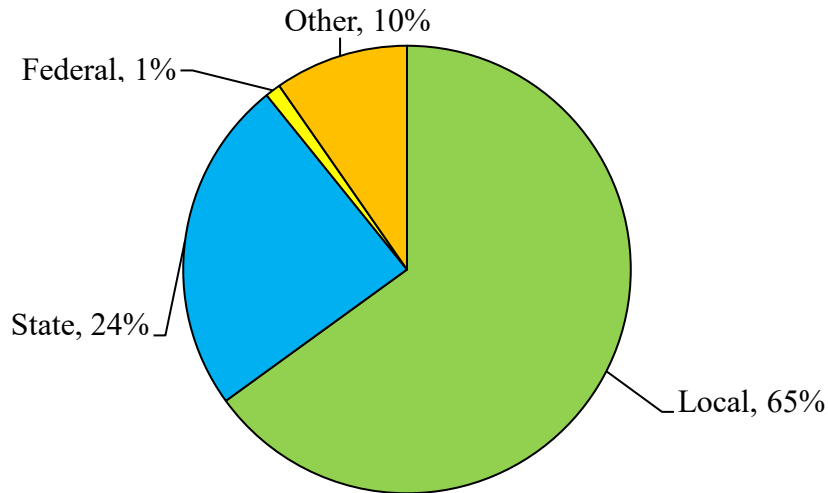
In 2007, the Maryland Library for the Blind and Print Disabled, with the assistance of a committee established by the General Assembly, developed guidelines to facilitate the distribution of instructional materials to blind and print disabled students. The Maryland Library for the Blind and Print Disabled must request that a publisher that sells electronic or print instructional materials used by postsecondary education students in Maryland provide the instructional materials to the Maryland Library for the Blind and Print Disabled in an electronic format. Legislation enacted in 2014 established a minimum State funding amount for the Library for the Blind and Print Disabled; annual State funding must be an amount equivalent to at least 25% of the State funding provided to the State Library Resource Center.

Pursuant to legislation, the State Library Agency established a Deaf Culture Digital Library in 2014. The Deaf Culture Digital Library serves as the primary information center on deaf library resources in the State. The 2014 legislation also required the State Library Agency to develop and provide sensitivity training for State and county library staff; and to develop partnerships, collaborations, and alliances with specified government and other entities.

Funding

Public libraries in Maryland receive funding from several sources. As summarized in **Exhibit 8.3**, county appropriations accounted for about two-thirds of public library funding in fiscal 2021, while the State contributed 24% of the total funding. **Exhibit 8.4** shows a breakdown of the \$359 million in fiscal 2021 revenues available for local library systems, State and regional resource centers, and State-level library administration.

Exhibit 8.3
Sources of Funding for Public Libraries
Fiscal 2021



Total: \$359.0 Million

Note: Includes regional libraries, State Library Resource Center, and Maryland State Library Agency funding. Other includes library-generated gifts, grants, and fees.

Source: Maryland Public Library Statistics, Fiscal 2021; *Fiscal 2023 Governor's Budget Books*; Department of Legislative Services

Exhibit 8.4
Sources of Public Library Funding by County – Fiscal 2021
(\$ in Thousands)

County	Local	Percent Local	Other	Percent Other	State	Percent State	Federal	Percent Federal	Total
Allegany	\$967	43%	\$238	11%	\$1,018	46%	\$14	1%	\$2,237
Anne Arundel	24,847	83%	726	2%	4,218	14%	15	0%	29,806
Baltimore City	22,415	35%	29,712	46%	11,965	19%	391	1%	64,483
Baltimore	35,252	77%	762	2%	9,095	20%	395	1%	45,504
Calvert	3,711	78%	8	0%	996	21%	28	1%	4,743
Caroline	1,253	67%	128	7%	473	25%	15	1%	1,870
Carroll	9,410	79%	164	1%	1,995	17%	397	3%	11,966
Cecil	6,407	82%	93	1%	1,319	17%	29	0%	7,849
Charles	3,880	68%	82	1%	1,715	30%	18	0%	5,695
Dorchester	554	51%	120	11%	392	36%	10	1%	1,075
Frederick	10,377	80%	129	1%	2,474	19%	66	1%	13,046
Garrett	1,076	71%	106	7%	290	19%	39	3%	1,511
Harford	18,340	84%	387	2%	2,943	14%	68	0%	21,738
Howard	21,880	84%	463	2%	3,192	12%	409	2%	25,944
Kent	617	63%	146	15%	194	20%	20	2%	977
Montgomery	32,758	86%	180	0%	5,289	14%	71	0%	38,298
Prince George's	24,884	71%	123	0%	9,828	28%	383	1%	35,218
Queen Anne's	1,958	78%	158	6%	388	15%	19	1%	2,523
St. Mary's	2,966	69%	66	2%	1,183	28%	85	2%	4,300
Somerset	542	48%	118	11%	392	35%	67	6%	1,120
Talbot	1,451	71%	262	13%	285	14%	58	3%	2,056
Washington	3,181	59%	190	4%	1,947	36%	40	1%	5,357
Wicomico	1,469	48%	150	5%	1,369	44%	99	3%	3,087
Worcester	3,192	84%	116	3%	427	11%	60	2%	3,795
Subtotal	\$233,384	70%	\$34,629	10%	\$63,389	19%	\$2,794	1%	\$334,196

County	Local	Percent Local	Other	Percent Other	State	Percent State	Federal	Percent Federal	Total
Regional Libraries	\$28	0%	\$80	1%	\$8,473	96%	\$247	3%	\$8,828
SLRC	0	0%	0	0%	11,179	100%	0	0%	11,179
MSLA – Administrative	0	0%	0	0%	3,814	79%	990	21%	4,804
Total	\$233,412	65%	\$34,709	10%	\$86,855	24%	\$4,031	1%	\$359,007

MSLA: Maryland State Library Agency
SLRC: State Library Resource Center

Note: Numbers may not sum to total due to rounding. State funding includes State aid for local library retirement payments. Other includes library-generated gifts, grants, and fees. MSLA – Administrative includes only funding for agency operations and excludes any formula aid distributed through MSLA.

Source: Maryland Public Library Statistics, Fiscal 2021; *Fiscal 2023 Governor's Budget Books*; Department of Legislative Services

Library Aid Formula

The State and local governments share in the cost of funding local public library systems through the library aid formula, which establishes minimum State and local contributions. The formula distributes funds on the basis of county population and wealth. Less wealthy counties, as measured by net taxable income and assessable property tax base, receive relatively more aid than wealthier counties. A total program cost for each county and Baltimore City, which is shared by the State and local governments, equals a specified dollar amount per county or city resident (\$16.43 in fiscal 2021). Generally, the State pays approximately 40% of the total statewide formula cost, with the per county amount determined on a wealth-equalized basis; however, no library board receives less than 20% of the program cost from the State. State aid for local libraries totaled \$44.1 million in fiscal 2021, excluding retirement-related expenses.

Under Chapters 496 and 497 of 2022, the library aid program per resident amount is scheduled to increase annually through fiscal 2027, when per capita funding is set at \$19.10. In addition, funding of \$3.0 million is mandated annually to support additional operating expenses for branches of the Enoch Pratt Free Library.

Library Network

The State also provides funds to libraries that have been designated as resource centers and that support cooperative arrangements. The resource centers include the Central Library of the Enoch Pratt Free Library System in Baltimore City (as the State Library Resource Center) and three regional resource centers located in Charlotte Hall, Hagerstown, and Salisbury. Under State law, the three regional resource centers receive State support based on a specified amount for each resident in the area served by the resource center.

Funding levels for the State Library Resource Center are set at \$1.93 per resident in fiscal 2023 and will phase up to \$1.97 per resident by fiscal 2024. Per resident funding for regional resource centers is set at \$9.19 in fiscal 2023 and will phase up to \$9.99 per resident by fiscal 2027.

Retirement

The State pays all employer retirement costs for local library employees who are members of the State Teachers' Retirement or Pension systems. For Montgomery County, whose librarians elected to remain in the county's retirement system, the State pays the lesser of the employer retirement costs for the county or State systems. In fiscal 2021, the State paid a total of \$19.6 million for the employer share of retirement costs for library employees. The State also pays retirement administrative costs (\$366,475 in fiscal 2021) on behalf of the county library boards.

Library Capital Project Grants

Since 2006, the State Library Agency has administered a State grant program for county library capital projects to provide a uniform and objective analysis of proposed capital projects and to support projects that address library needs in the State. Chapter 27 of 2021 increased the mandated appropriation for the program from \$5 million to \$7.5 million annually.

Beginning with fiscal 2014, legislation altered the State share and local matching requirement for the State grant program for county public library capital projects based on the per capita wealth measure that is used to calculate the State aid formula for operating grants to county libraries. The State share percentage for an approved county library capital project is calculated by dividing the State aid formula grant amount by the full minimum program amount and multiplying the result by 1.25; however, the State share cannot be less than 50% or greater than 90% of the capital project. Chapter 362 of 2022 allowed for the State share for a county library capital project to be adjusted to greater than the formula grant amount under certain circumstances.

For further information on Public Libraries, see *Volume VI – Maryland Local Government*.

Maryland Public Television

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

Structure and Services

The commission consists of 11 members appointed by the Governor, 2 of whom must first be nominated by the State Board of Education. The State Superintendent of Schools serves as an *ex officio* member. Commissioners serve five-year terms and may be reappointed. The commission appoints a president who serves as chief executive officer of the commission and Maryland Public Television.

The commission is responsible for and controls the preparation, content, and programming of all its programs for the general public. The commission is the federal licensee for all broadcasting stations operated by Maryland Public Television, which consists of six broadcast transmitters spanning the entire State. Maryland Public Television is a member station of the Public Broadcasting Service and broadcasts educational and entertainment programming available nationwide, in addition to its own local programming.

The commission has two primary responsibilities: to prepare programs for the general public; and, with the approval of the State Board of Education, to prepare educational material for public schools and adult education classes. In 2010, the commission discontinued K-12 broadcasts.

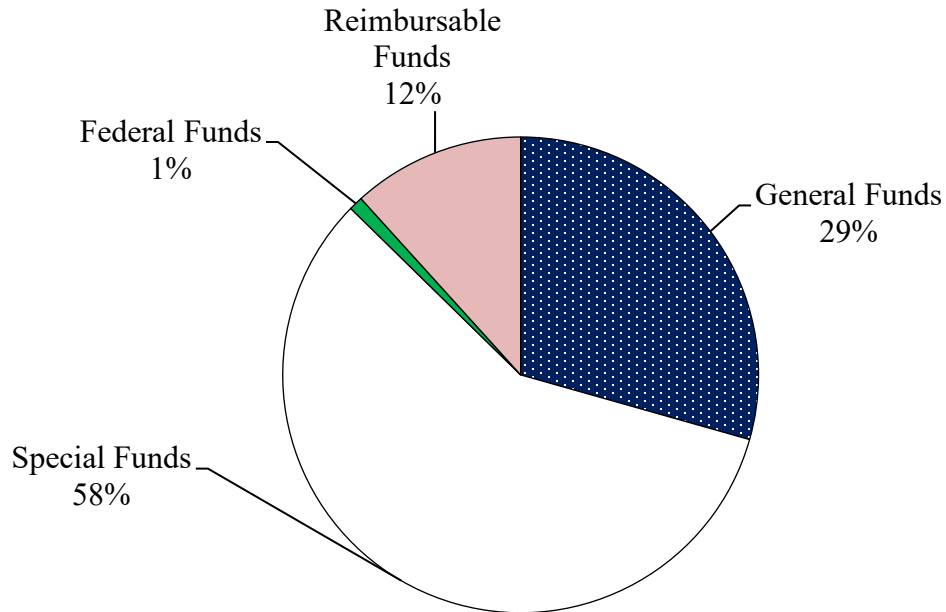
Instead, the commission focuses its educational efforts on thinkport.org, an online resource for teachers, parents, and child care providers. Maryland Public Television delivers approximately 10,000 hours of educational programs to the citizens of Maryland each year. In 2017, Maryland Public Television launched two additional channels, increasing the number of Maryland Public Television channels to four.

Funding

The Maryland Public Broadcasting Commission is supported with a combination of general, special, reimbursable, and federal funds. In fiscal 2021, this amounted to a total funding level of \$31.1 million. State general funds are used primarily to fund overhead expenses such as salaries and contractual services, as well as general operating expenses. Special funds, which consist of viewer support, corporate sponsorships, the sale of programs and transcripts, and grants from the Corporation for Public Broadcasting and the Public Broadcasting System, generally support the production and broadcast of programs, as well as some personnel expenses. Chapter 816 of 2017 mandated that, beginning in fiscal 2019, the Governor must annually increase the general fund appropriation to the commission by the expected percentage growth in total general fund revenues, plus an amount to compensate for decreases in special fund revenues from Corporation for Public Broadcasting grant funding.

As shown in **Exhibit 8.5**, State general funds represented 29% of fiscal 2021 Maryland Public Broadcasting Commission funding, while special funds accounted for 58%, reimbursable funds accounted for 12%, and federal funds accounted for 1%. While only a small portion of funding comes directly from the federal government, the federal government does provide funds indirectly through the Corporation for Public Broadcasting. Reimbursable funds totaled \$3.6 million in fiscal 2021 and consisted primarily of media buys and advertising services for other State agencies through the Maryland State Ad Agency, along with funding from the Maryland State Department of Education for the production of educational content. Reimbursable funds have become an important additional source of revenue in recent fiscal years, as the services provided by the Maryland State Ad Agency, a division of Maryland Public Television, have grown.

Exhibit 8.5
Sources of Funding for Maryland Public Broadcasting Commission
Fiscal 2021



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

Source: *Fiscal 2023 Governor's Budget Books*

Total fiscal 2021 funding for Maryland public television and public libraries is shown in **Exhibit 8.6**.

Exhibit 8.6
Maryland Public Television and Public Library Operating Funding
Fiscal 2021
(\$ in Millions)

	<u>Local</u>	<u>Gifts, Grants, and Fees</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Maryland Public Television	\$0.0	\$18.0	\$9.1	\$0.3	\$27.5
Local Library Systems	233.4	34.6	63.4	2.8	334.2
Regional Libraries	0.0	0.1	8.5	0.2	8.8
State Library Resource Center	0.0	0.0	11.2	0.0	11.2
Maryland State Library Agency – Administrative	0.0	0.0	3.8	1.0	4.8
Total	\$233.4	\$52.7	\$96.0	\$4.3	\$386.4
Percent of Total	60.4%	13.6%	24.8%	1.1%	

Note: Numbers may not sum to total due to rounding. Excludes reimbursable funds.

Source: Maryland Public Library Statistics, *Fiscal 2023 Governor's Budget Books*

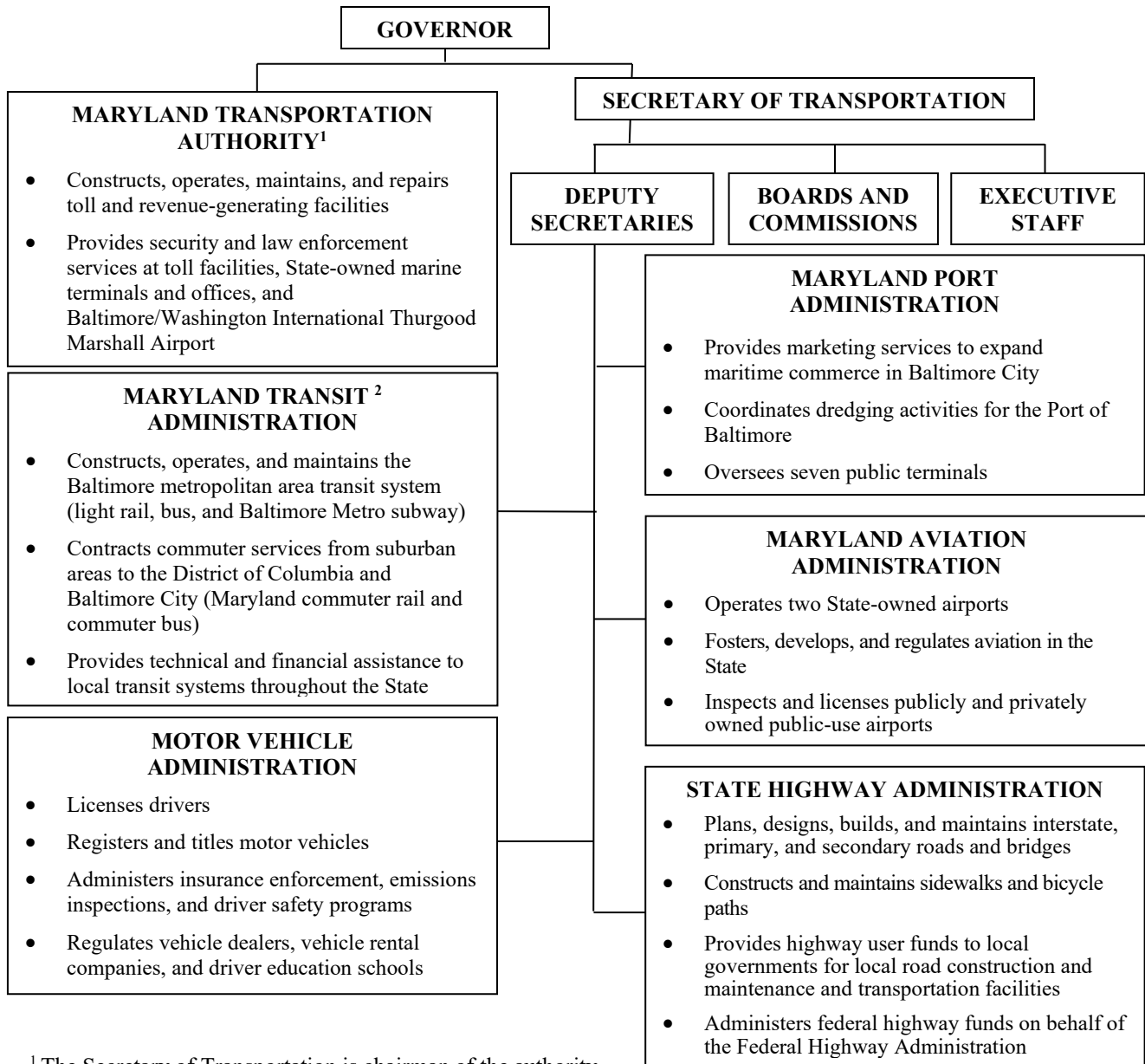
Chapter 9. Transportation

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

Structure and Services

The Maryland Department of Transportation is charged with managing the State's transportation systems. The department is organized into the State Highway Administration, the Motor Vehicle Administration, the Maryland Aviation Administration, the Maryland Port Administration, and the Maryland Transit Administration. Other departmental components include the Office of the Secretary and certain advisory and zoning boards. The department is also responsible for making payments to the Washington Metropolitan Area Transit Authority apportioned to the State by formula or through agreements. Separately, the Maryland Transportation Authority operates revenue-generating transportation facilities in the State. **Exhibit 9.1** outlines the organization of State transportation agencies and **Exhibit 9.2** shows a summary of the department's workload for certain activities from fiscal 2019 through 2023. Over that period, the department's budget has increased from approximately \$5.0 billion to \$5.6 billion, and the department's outstanding debt is expected to decrease from approximately \$3.4 billion to just over \$3.3 billion.

**Exhibit 9.1
State Transportation Agencies**



¹ The Secretary of Transportation is chairman of the authority.

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

Source: Maryland Department of Transportation

Exhibit 9.2
Maryland Department of Transportation
Workload for Certain Activities
Fiscal 2019-2023

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u> ¹	<u>2023</u> ¹
Highway Lane-miles Maintained	17,286	17,303	17,340	17,378	17,415
Port Tonnage – Public Terminals (in Millions) ²	11.0	10.4	11.0	11.2	11.4
BWI Airport Passengers ³	26,990,000	11,205,000	12,548,000	16,211,000	20,668,000
Annual Transit Passenger Trips (in Thousands) ⁴					
Core Bus	63,989	55,439	35,370	48,547	53,794
Commuter Bus	3,623	2,619	519	915	1,351
Mobility Paratransit	2,135	1,693	730	1,276	1,384
Baltimore Metro Subway	7,275	5,864	1,615	3,327	4,609
Light Rail	6,966	4,682	2,453	3,459	4,262
Commuter Rail	9,191	6,677	969	1,437	1,966
MVA Customer Wait Time ⁵	25.0	18.0	13.0	17.0	15.0
VEIP Vehicles Tested	1,714,533	1,087,446	1,394,483	–	–

BWI: Baltimore/Washington International Thurgood Marshall Airport

MVA: Motor Vehicle Administration

VEIP: Vehicle Emissions Inspection Program

¹ Fiscal 2022 and 2023 data are estimates.

² This measure does not include bulk commodities, container tare weight, empty containers, or domestic non-waterborne cargo.

³ Calendar year.

⁴ Does not include Washington Metropolitan Area Transit Authority.

⁵ Average wait time given in minutes.

Source: *Fiscal 2023 Managing for Results*; Motor Vehicle Administration

Roads and Highways

Most State and local transportation resources are dedicated to the State's highway system. The State Highway Administration and the Maryland Transportation Authority are responsible for approximately 5,327 road miles, or over 18,100 lane-miles of road, 2,886 bridges, 4,196 small stream crossing structures, and 115 miles of sound barrier. The State Highway Administration also has responsibility for planning, designing, constructing, and maintaining these roads and bridges to meet safety and performance standards while considering sociological, ecological, and economic concerns.

Although the State Highway Administration is responsible for maintaining just 17% of Maryland's highway miles, this mileage accounts for 65% of the total vehicle miles of travel in Maryland. The State is not responsible for construction or maintenance of the 53,535 lane-miles of county or municipal roads or any road system within Baltimore City, with the exception of roads adjacent to and including toll facilities. Usually, such roads are the responsibility of a local department of public works or a local highway department. The construction and maintenance of local roads is funded through locally generated revenues and highway user revenues distributed to local jurisdictions by the State.

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

The State Highway Administration maintains its headquarters in Baltimore City, where maintenance staff is responsible for establishing statewide maintenance policies and programs and providing technical resources to district staff. The State is divided into seven engineering districts encompassing a number of adjacent counties, with each having a district office that serves as its headquarters (**Exhibit 9.3**). The district offices, with a total of 30 maintenance shops, are responsible for the day-to-day management of highway and bridge construction contracts as well as all maintenance functions, such as pavement repairs, bridge repairs, snow removal, roadside management, and equipment maintenance. The districts also are responsible for traffic engineering operations, Emergency Traffic Patrols, and overseeing design of small capital projects. While the districts share these common duties, the geography and location of each district makes it distinct from the others.

Exhibit 9.3
State Highway Administration
Engineering Districts

<u>District</u>	<u>Counties</u>	<u>Maintenance Shops</u>	<u>District Office</u>
1	Dorchester, Somerset, Wicomico, and Worcester	3	Salisbury
2	Caroline, Cecil, Kent, Queen Anne's, and Talbot	6	Chestertown
3	Montgomery and Prince George's	5	Greenbelt
4	Baltimore and Harford	4	Hunt Valley
5	Anne Arundel, Calvert, Charles, and St. Mary's	5	Annapolis
6	Allegany, Garrett, and Washington	3	La Vale
7	Carroll, Frederick, and Howard	4	Frederick

Source: State Highway Administration

In addition to its district facilities, the administration's Hanover complex includes an in-house sign design and fabrication facility, an auto shop where the administration's vehicle fleet is maintained, and the Statewide Operations Center. The center is a 24-hour 7-day-a-week communication center that is home to the Coordinated Highway Action Response Team and Maryland's Emergency Operations Center, which is activated for emergencies such as snowstorms, hurricanes, and homeland security threats.

A number of the administration's activities are aimed toward beautification and aesthetics, such as the Adopt-A-Highway and wildflowers programs. It also administers ancillary programs, such as retrofitting sidewalks for improved bicycle and pedestrian access, that support the State's Smart Growth goals.

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

Motor Vehicles

Public Services

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

The administration routinely and directly interacts with the public. As a result, efforts have been and continue to be made to address public service demands. As shown in **Exhibit 9.4**, as of 2022, there are 24 branch offices comprised of 19 full-service offices and 5 limited-service offices. The administration also oversees 18 stations under the Vehicle Emissions Inspection Program. There are currently no Motor Vehicle Administration branch offices (full or limited service) or Vehicle Emissions Inspection Program stations in Caroline, Dorchester, Kent, Somerset, or Worcester counties.

The administration also offers services through self-service kiosks located in Motor Vehicle Administration branch offices, MVA on Wheels (in which buses equipped to provide specific services such as license and registration renewal and registration plate return are stationed at locations at scheduled intervals), and its Customer Service Call Center in Cumberland. The administration has an ongoing focus on implementing customer-driven technology to meet increasing demand and reduce office visit wait time. Since June 2020, branches have been using an appointment only system, which has cut down on wait and visit times for customers. In addition to streamlining its licensing, titling, financial, and regulatory information systems, the administration offers customers several services through its website, including registration renewal and the ability to request driver's records and replacement titles. In 2021, the administration fully implemented its Customer Connect system, which provides more access to online transactions, reduces the use of paper forms, and enhances security. Customer Connect includes myMVA, a new online portal that customers can use to schedule appointments, view driver and vehicle services, renew licenses and titles, submit vision tests electronically, and perform other functions.

The administration has also expanded its partnerships with other government agencies to become a 'One Stop Shop' for government services (in addition to its traditional obligation to implement the "motor voter" law for voter registration). Services available through these partnerships include the ability to (1) take the Maryland State Police Mechanics Test at all full-service administration branch offices and (2) obtain at select full-service branches Department of Natural Resources services, Transportation Worker Identification Credentials, and federal Transportation Security Agency Pre-Check status to facilitate airport screenings. EZPass accounts, CharmCards, and boat registrations may also be obtained through myMVA.

Exhibit 9.4
Motor Vehicle Administration
Service Locations

Full-service Locations

Annapolis ²	Baltimore City ^{1,2}	Bel Air ²	Beltsville ^{1,2}
Cumberland/LaVale ²	Easton ²	Elkton ²	Essex ^{1,2}
Frederick ²	Gaithersburg ²	Glen Burnie ²	Hagerstown ²
Largo ²	Loveville ^{1,2}	Oakland ²	Salisbury ²
Waldorf ²	Westminster ^{1,2}	White Oak ^{1,2}	

Limited-service Locations

Baltimore County – Loch Raven/Parkville ^{1,2}	Calvert County – Prince Frederick ¹
Howard County – Columbia ^{1,2}	Montgomery County – Kemp Mill ^{1,2}
Montgomery County – Walnut Hill ^{1,2}	

Vehicle Emissions Inspection Program Station Locations

Annapolis	Baltimore City ³	Clinton	Columbia
Curtis Bay	Derwood	Elkton	Forest Hill
Frederick	Grasonville	Hagerstown	Hyattsville
Owings Mills	Prince Frederick	Silver Spring	Waldorf
Westminster			

¹ No truck driver road tests are given at this location.

² Service locations with self-service kiosks. In addition to the Vehicle Emissions Inspection Program (VEIP) kiosks identified above, there are five additional VEIP kiosks located at the following administration branch offices: Bel Air; Beltsville; Frederick; Gaithersburg; and Waldorf.

³ Baltimore City has two VEIP locations.

Source: Motor Vehicle Administration

Identification Cards and Driver's Licenses

As the State entity responsible for issuing State personal identification cards and driver's licenses, the administration is responsible for implementing the federal REAL ID Act. Under the REAL ID Act, a person may only use a State-issued personal identification card or driver's license for a federal purpose (including passing through airline security or accessing federal buildings) if the card or license meets federal certification standards. The federal standards relate to physical identification card or driver's license security and fraud prevention, the issuance of identification cards and driver's licenses, immigration status, and identity and document verification. Customers who have not provided documents previously to prove identity, Social Security, and residency are required to present them at the time of the next driver's license or identification card renewal. Due

to the COVID-19 pandemic, the U.S. Department of Homeland Security extended the date for full enforcement of the REAL ID Act to May 3, 2023. As of July 2022, the Motor Vehicle Administration reported that almost 87% of eligible Marylanders have received a REAL ID-compliant product – above the national average of approximately 47%.

The Motor Vehicle Administration is implementing new features and processes for driver's licenses and identification cards, summarized below:

- ***“MD ID” Driver’s License and Identification Numbers:*** To enhance security and the protection of personal information, the administration is implementing new “MD ID” driver’s license and ID numbers. The new numbers will begin with “MD,” followed by 13 randomly generated numbers. Customers do not need to take any action – a product with the new number will be issued to each customer at their next scheduled driver’s license or ID renewal.
- ***Maryland Mobile ID:*** In May 2022, the administration introduced Maryland Mobile ID, a digital driver’s license or identification card that customers can add to Apple Wallet as a companion credential to a physical driver’s license or identification card.
- ***Renewal Procedures for Driver’s Licenses:*** The administration has extended the time within which a driver’s license may be renewed, from within 6 months of expiration to within 12 months of expiration and will renew a driver’s license without requiring the customer to appear in person if the photograph for the customer was taken less than 16 years before the renewal. New procedures require eligible customers under the age of 40 to renew their driver’s licenses online, by mail, or at an eService kiosk.

Low- and Zero-emission Vehicles

The Electric Vehicle Infrastructure Council was established in the Maryland Department of Transportation in 2011 as part of a legislative package to promote the purchase and use of electric vehicles. Subsequently, the Clean Cars Act of 2019 (Chapter 213 of 2019) expanded the membership, responsibilities, and reporting requirements of the council to include both zero-emission vehicles and fuel cell electric vehicles. In light of the expanded responsibilities of the council, it was renamed the Maryland Zero Emission Electric Vehicle Infrastructure Council. The membership of the council was expanded further in 2020, and the council’s termination date was extended to June 30, 2026. The council is charged with, among other things (1) making recommendations on incentives for the ownership of zero-emission electric vehicles; (2) developing recommendations for a statewide electric vehicle charging and hydrogen refueling infrastructure plan; and (3) making recommendations on policies that support zero-emission electric vehicle charging and hydrogen refueling from clean energy sources.

During the 2019-2022 legislative term, a number of policies, incentives, requirements, and prohibitions were established to increase the number of zero-emission vehicles in the State. The Climate Solutions Now Act of 2022 (Chapter 38 of 2022) established several of these policies,

including (1) prohibiting, beginning in fiscal 2025 and except under specified conditions, a county board of education from purchasing a school bus that is not a zero-emission vehicle or using certain school buses that are not zero-emission vehicles; (2) establishing the Electric School Bus Pilot Program, which allows an electric utility to partner with a local school system in an arrangement that lowers the costs to the school system of acquiring and operating an electric school bus fleet while providing additional electric storage capacity to the utility; and (3) requiring that all passenger cars and other light-duty vehicles in the State vehicle fleet, by 2031 and 2036, respectively, be zero-emission vehicles, subject to certain exceptions. Additional legislation prohibited the Maryland Transit Administration from, beginning in fiscal 2023, entering into a contract to purchase buses for the administration's State vehicle bus fleet that are not zero-emission buses, subject to certain exceptions, and required the administration to provide training on the operation, maintenance, and repair of zero-emission buses for its operations training workforce and maintenance workforce. Additionally, several tax credits, rebate programs, and grant programs were also established to further incentivize the use and purchase of low- and zero-emission vehicles.

Mass Transit

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

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

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

There are four categories of local transportation systems:

- ***fixed-route***, in which the transit system vehicles run on regular, predesignated, prescheduled routes, with no deviation;

- *demand response*, in which vehicles providing transit do not follow a fixed route but travel throughout the community transporting passengers according to their specific requests;
- *deviated fixed-route*, in which a bus or van passes along fixed stops and keeps to a timetable but can also deviate its course between two stops to go to a specific location for a prescheduled request; and
- *voucher system*, in which an individual is provided a voucher for a private taxi.

The deviated fixed-route, demand response, and voucher local transit systems tend to be limited to the elderly or the disabled. Local transit systems by type of service are listed in **Exhibit 9.5**.

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

Before the COVID-19 pandemic, Maryland experienced a decline in transit ridership that was consistent with national trends. A number of factors contributed to this decline, including (1) declines in the price of gasoline, making vehicular travel more attractive; (2) increases in the median household income after many years of stagnant growth (transit ridership historically is inversely proportional to income growth); (3) growth in transportation network companies (such as Uber and Lyft) that provide convenient, low-cost local travel options; (4) increases in vehicle ownership due to an improving economy (that modern vehicles are more fuel efficient is a contributing factor as well); and (5) other less prevalent factors (such as an increase in telework options, an increase in bicycle ridership partially facilitated by the emphasis in Maryland on the construction of bicycle lanes, and an aging population). However, while there was a decrease in transit ridership overall, mobility/paratransit ridership and the use of taxi access services increased over time.

All forms of transit ridership decreased in 2020 due to the effects of the COVID-19 pandemic. With regard to the Maryland Transit Administration, the Maryland Area Regional Commuter rail service and commuter bus services experienced the deepest and longest sustained reduction in ridership during the pandemic when measured from fiscal 2020 through 2021. Total boardings for all modes of Maryland Transit Administration service decreased 17.3% in fiscal 2020 to 77.8 million, and ridership fell another 45.7% in fiscal 2021. With regard to the Washington Metropolitan Area Transit Authority, fiscal 2020 ridership decreased by 71.8 million trips when compared to the prior fiscal year, with ridership declining another 34.7% in fiscal 2021 – an amount equivalent to nearly 80 million trips. In both instances, it is anticipated that the effects of the pandemic would impact travel for the entirety of fiscal 2022, with some recovery for Maryland Transit Administration services in fiscal 2023.

Exhibit 9.5
Major Local Transit Systems
Fiscal 2022

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

TCC: Tri-County Council for Lower Eastern Shore serves Wicomico County, Worcester County, and Somerset County

Service Types:

DF: Deviated Fixed Route

DR: Demand Response

FR: Fixed Route

Taxi: Voucher Program for the Elderly or Disabled

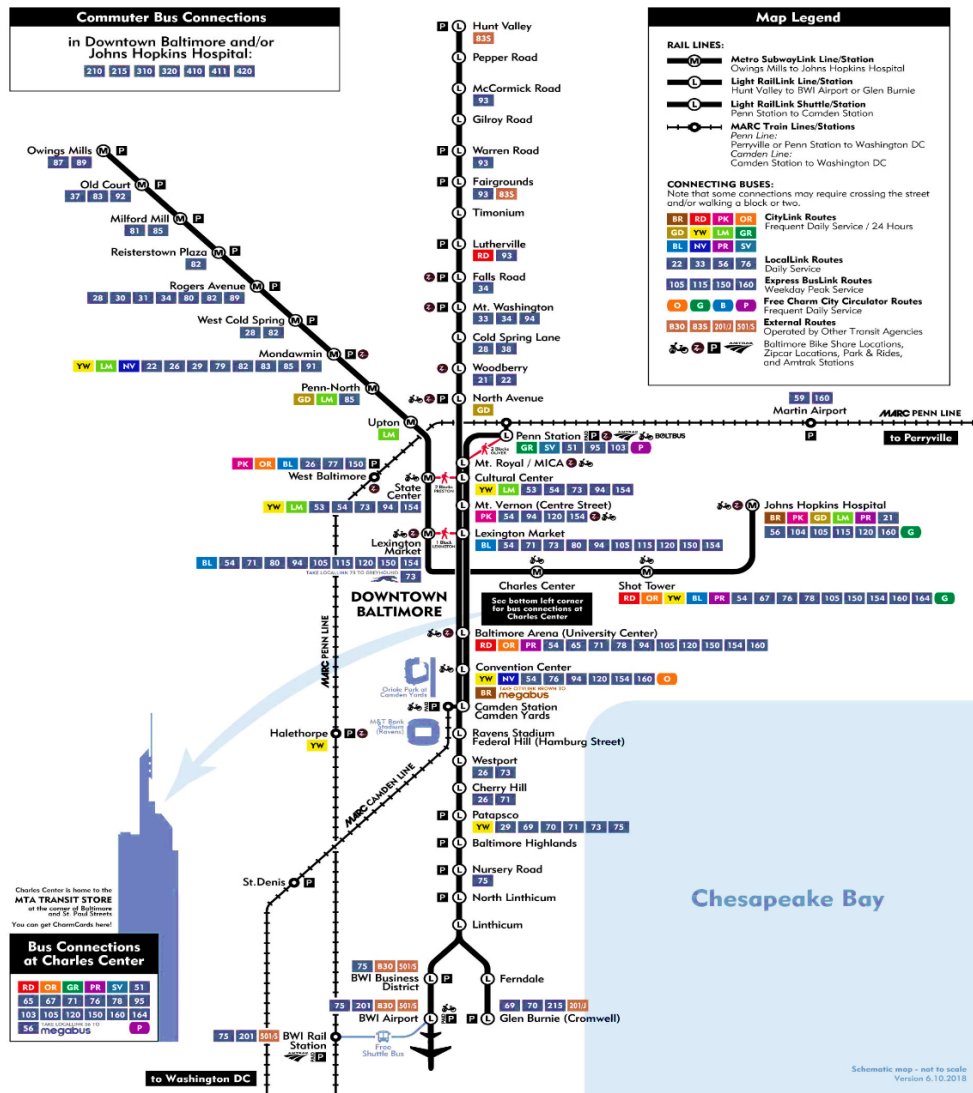
Source: Maryland Transit Administration

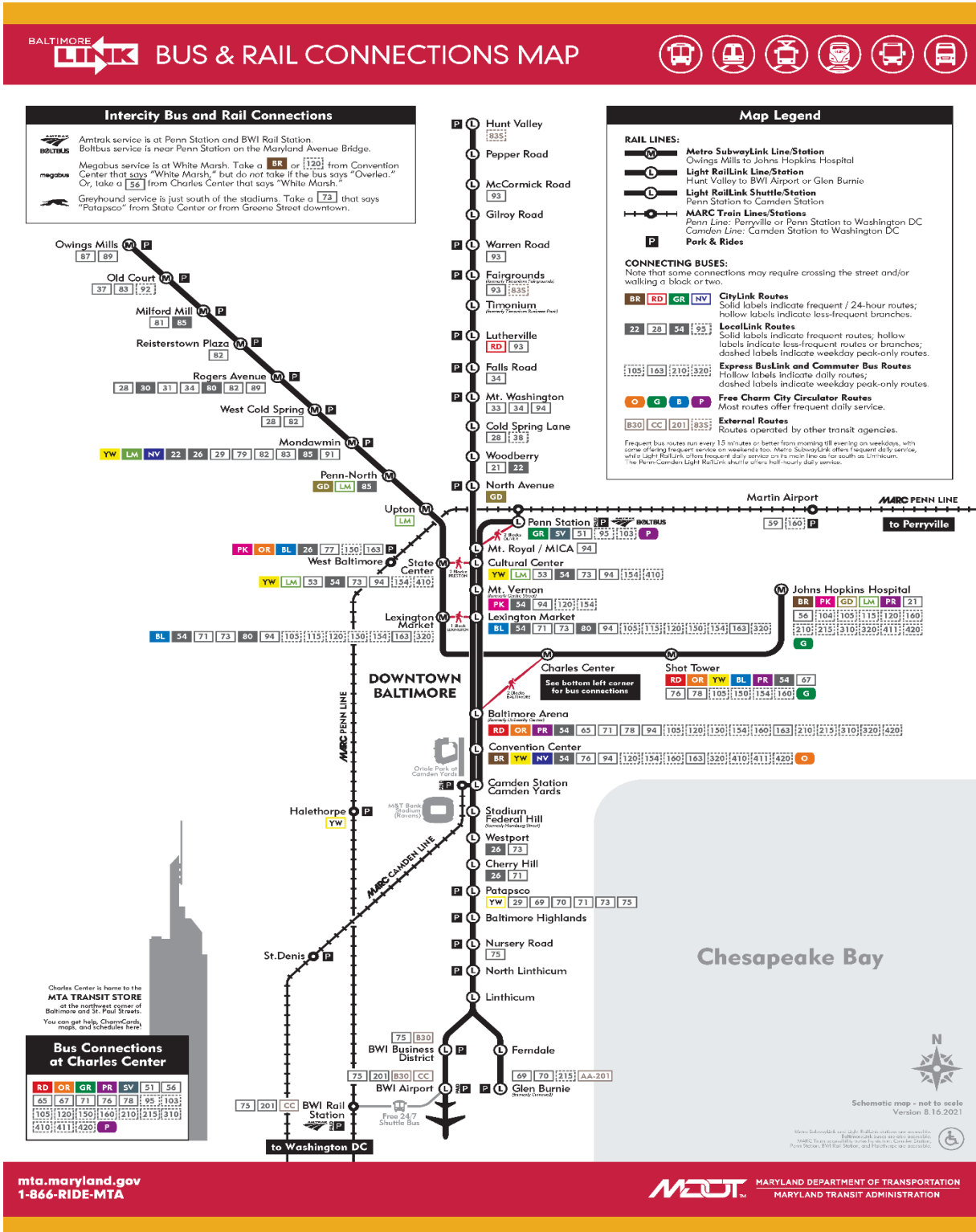
Maryland Transit Administration

The Baltimore area system consists of bus and rail elements providing intracity transportation and linking the city to points in suburban counties. Capital programs are budgeted separately from operating costs and are supported with State transportation revenues and federal sources.

Exhibit 9.6 shows the bus and rail connections for the Baltimore area system.

Exhibit 9.6 Bus and Rail Connections for the Baltimore Area System





Source: Maryland Department of Transportation

Baltimore Metro Subway: The Baltimore Metro Subway operates a 14-station, 15-mile line from Owings Mills to The Johns Hopkins Hospital, seven days a week. The subway opened in 1983 and was last extended in 1996 to connect the Charles Center Station in downtown Baltimore to the Shot Tower/Market Place area in downtown Baltimore's east side and The Johns Hopkins Hospital, one of the State's largest employers. Ridership in fiscal 2023 is expected to be approximately 4.6 million.

Bus Service: The Maryland Transit Administration operates 67 core bus routes (some 24 hours a day), seven days a week with Sunday and holiday schedules, throughout Baltimore City and Baltimore, Anne Arundel, and Howard counties. In fiscal 2023, the Maryland Transit Administration estimates there will be 53.8 million passenger trips on the State's bus system.

Mobility/Paratransit Service: The administration's mobility/paratransit service provides a specialized door-to-door service for people with disabilities who are not able to ride fixed-route public transportation including lift-equipped buses. Mobility/paratransit service is provided within three-quarters of a mile of any fixed-route service in Baltimore City and Anne Arundel and Baltimore counties and within three-quarters of a mile of an administration-operated light rail or Metro subway station. In fiscal 2023, the administration estimates that 1.4 million passenger trips will be provided.

In July 2004, the administration implemented a premium taxi access service as a separate program from its federally mandated mobility/paratransit service for individuals who are certified to use mobility/paratransit but can board, ride, and exit vehicles without the assistance of the driver. This program provides on-demand transportation service within the administration's fixed-route service area. The administration estimates that 787,000 passenger trips will be provided by taxi access in fiscal 2023.

Central Corridor Light Rail Line: The system began limited operation in May 1992. The current configuration of the 30-station, 30-mile system from Hunt Valley (Baltimore County) to Cromwell Station/Dorsey Road (Anne Arundel County) was completed in 1998. An additional line, running from Penn Station to Baltimore/Washington International Thurgood Marshall Airport, opened in 1997. The administration expects 4.3 million passengers to ride the light rail in fiscal 2023.

Commuter Bus: In addition to its standard operation of local bus services, the administration runs a commuter bus program to accommodate expanding growth patterns and changing travel demands. The State subsidizes commuter bus service from Southern Maryland, Kent Island, Columbia, Frederick, Hagerstown, and the Annapolis area to the District of Columbia. Additional commuter buses connect Baltimore City with Anne Arundel, Harford, Howard, and Queen Anne's counties. There will be an estimated 1.4 million commuter bus passenger trips statewide in fiscal 2023.

Commuter Rail Service: State-funded Maryland Area Regional Commuter rail service consists of three lines covering 202 route miles, which operate in the Baltimore-Washington metropolitan area: the Penn Line from Perryville (Cecil County) through Penn Station (Baltimore City) into Union Station (District of Columbia); the Camden line from Camden Station

(Baltimore City) into Union Station; and the Brunswick line from Martinsburg, West Virginia through Point of Rocks (Frederick County) and Rockville (Montgomery County) into Union Station. A 13.5-mile spur to the Brunswick line has stops in Frederick and Monocacy. Commuter rail service is provided along rail lines owned by Amtrak and CSX with the service provided by a third-party contractor. In December 2013, the Maryland Area Regional Commuter began weekend service between Baltimore and Washington. In fiscal 2023, ridership is expected to be approximately 2.0 million. A map of the Maryland Area Regional Commuter system and commuter bus service is presented in Exhibit 9.7.

**Exhibit 9.7
Commuter Rail and Bus Routes in Maryland**



Source: Maryland Department of Transportation

Planned and Potential Transit Lines: Currently, the State has one major transit line, the Purple Line, that is in the construction process. Other transit projects are in study or planning stages. Planned and potential transit lines are summarized below.

- **Purple Line** – A light rail transit line between New Carrollton (Prince George’s County) and Bethesda (Montgomery County) Metrorail stations, the Purple Line is being constructed as a public-private partnership using a design, build, finance, operate, and maintain methodology with a six-year construction period followed by a 30-year operations and maintenance period. The projected cost of the Purple Line was expected to be \$2.4 billion from a combination of federal and State funds and concessionaire financing, with revenue service expected to begin in March 2022. However, following several legal challenges and other setbacks, the revised project costs is \$9.3 billion with a fall 2026 opening date.
- **Maryland Area Regional Commuter Enhancements** – The administration is required to establish individual investment programs to advance the Maryland Area Regional Commuter Cornerstone Plan and other Maryland Area Regional Commuter improvements by providing incremental enhancements for (1) the Brunswick, Camden, and Penn lines; (2) extending the Brunswick Line to better serve Western Maryland; (3) new regional service between Perryville, Maryland and Newark, Delaware; and (4) new regional run-through rail service to Alexandria, Virginia.
- **Southern Maryland Rapid Transit Project** – The General Assembly passed legislation in 2022 requiring the Governor, contingent on the receipt of federal funds, to include in the annual State budget an appropriation from the Transportation Trust Fund from fiscal 2023 through 2027 to provide matching funds needed to conduct an environmental impact study for the Southern Maryland Rapid Transit Project, a proposed high-capacity, fixed route rapid transit service operating in a dedicated, grade-separated transitway in the Maryland Route 5/U.S. Route 301 corridor.

Washington Metropolitan Area Transit Authority

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

As shown in **Exhibit 9.8**, the Metrorail system includes 118 miles of track in Maryland, Virginia, and the District of Columbia, including approximately 12 miles of track added for Silver Line Phase I, which opened for service in 2014. The opening of Phase II of the Silver Line, expected in 2022, will increase the system length to approximately 129 miles.

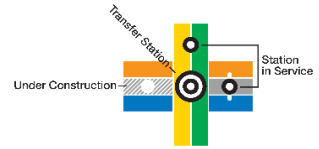
Exhibit 9.8 Washington Metropolitan Area Transit Authority Metrorail Transit System



wmata.com
Information: 202-637-7000 | TTY: 202-962-2033
Metro Transit Police: 202-962-2121 | Text: MYMTPD (896873)

- Legend**
- **RD** Red Line • Glenmont / Shady Grove
 - **OR** Orange Line • New Carrollton / Vienna
 - **BL** Blue Line • Franconia-Springfield / Largo Town Center
 - **GR** Green Line • Branch Ave / Greenbelt
 - **YL** Yellow Line • Huntington / Greenbelt
 - **SV** Silver Line • Wiehle-Reston East / Largo Town Center

- Station Features**
- Bus to Airport
 - Parking
 - Hospital
 - Airport
- Connecting Rail Systems**
- VRE
 - MARC



Metro is accessible.

Map is not to scale

- No Smoking
- No Eating or Drinking
- No Animals (except service animals)
- No Audio (without earphones)
- No Littering or Spitting
- No Dangerous or Flammable Items

Source: Washington Metropolitan Area Transit Authority

Maryland's overall participation in the Washington metropolitan transit system consists of the provision of annual funding to the authority for the capital and operating costs of Metrorail, Metrobus, and MetroAccess systems. Funds for operating the Metrorail system are based on the number of stations, number of passengers, and population in each jurisdiction. Funds for Metrobus operation are based on the number of bus miles and bus hours of operation for each jurisdiction, as well as population and ridership. MetroAccess funding is determined by the share of trips taken by residents of each jurisdiction. The cost of each mode of service is partially offset by fare and other revenues generated by the service. In fiscal 2021, Maryland's share of authority operating costs was \$425.3 million, and capital expenditures were \$338.9 million.

Funding for Maryland's portion of authority costs is the sole responsibility of the State, with operating grants subject to a requirement that a portion of the grant be withheld if the Washington Metropolitan Area Transit Authority's operating expenditures increase by more than 3% compared to the previous fiscal year, excluding certain factors. These State funds support the operating deficit, including payment of a maximum fare subsidy established by the authority. The State also pays 100% of the capital equipment costs and 100% of the debt service allocated to Maryland for "Metro Matters" revenue bonds issued to finance capital improvements to the Metrorail system. During the 2018 session, legislation was enacted to ensure the availability of capital funding needed to bring the authority's rail system into a state of good repair. The additional \$167 million annually, in perpetuity, combined with shares from Virginia and the District of Columbia, adds up to an additional \$500 million annually for the authority's capital needs.

In addition, the State pays the operating service deficit for eligible bus service in Montgomery and Prince George's counties. Eligible local bus service is service that replaces comparable authority bus service or is otherwise eligible per a 1989 agreement. For fiscal 2022, the State provided the authority with \$40.2 million to subsidize local bus service in Montgomery and Prince George's counties.

Port of Baltimore

The Helen Delich Bentley Port of Baltimore (Port of Baltimore) is a vast industrial complex that encompasses 45 miles of shoreline and more than 3,000 waterfront acres. It includes 7 public terminals owned by the State, as well as 35 private terminals and marine facilities. In 2006, at a celebration of the port's three hundredth anniversary, the port was renamed in honor of Helen D. Bentley in recognition of the former congresswoman's lifelong dedication to maritime issues.

In 2021, the Port of Baltimore handled approximately 43.3 million tons of foreign cargo, ranking it eleventh among all U.S. port districts. The value of that cargo was \$61.3 billion, ranking the Port of Baltimore ninth among all U.S. port districts. 69% of all foreign cargo moving through the Port of Baltimore consists of bulk cargo such as coal, ores, sugar, fertilizers, salt, and petroleum. These types of bulk cargo are handled almost exclusively at the private terminals. The public terminals owned by the Maryland Port Administration handle the majority of general cargo, such as containers, automobiles, roll on/roll off heavy equipment, and forest products.

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

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

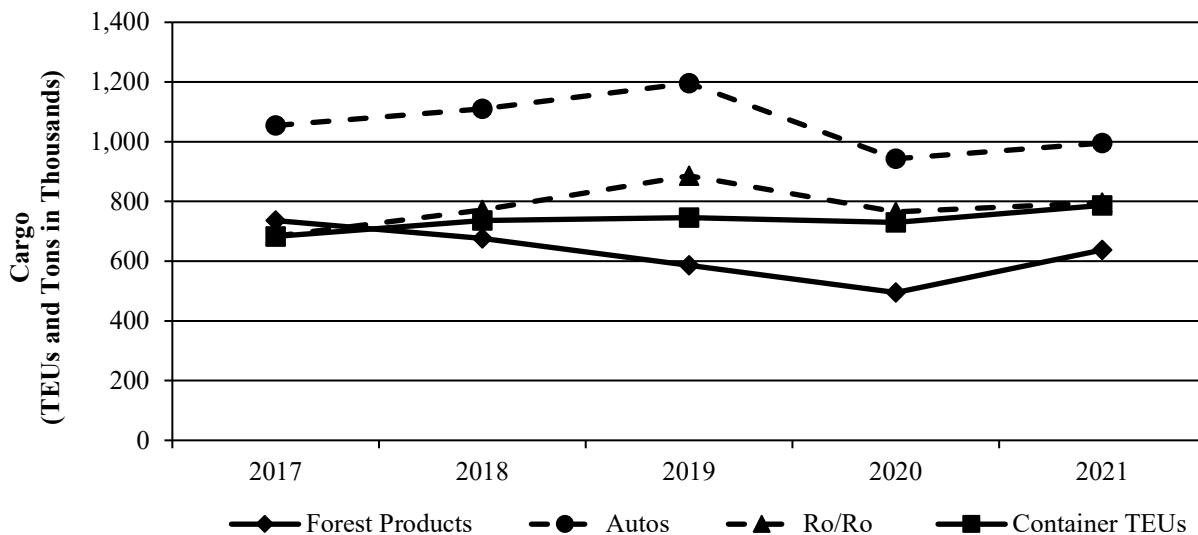
The Maryland Port Administration owns seven cargo terminals, the Cruise Maryland Terminal, and the Intermodal Container Transfer Facility, an on-dock railyard adjacent to Seagirt Marine Terminal for the efficient transfer of containers between rail and ship or truck. The cargo terminals owned by the Maryland Port Administration are described below.

- ***Dundalk Marine Terminal:*** Often considered the workhorse of the public terminals, the Dundalk Marine Terminal is the largest and most versatile general cargo facility at the Port of Baltimore. In fiscal 2022, approximately 20% of the general cargo handled at the public terminals went through Dundalk Marine Terminal. This 570-acre terminal handles autos, break bulk, roll on/roll off heavy equipment, and a few containers. Currently, 150 acres of the terminal are committed to a 20-year agreement with Wallenius Wilhelmsen, the largest roll on/roll off carrier in the world, to serve as the East Coast hub for the carrier.
- ***Seagirt Marine Terminal:*** This terminal, which includes a portion of the Point Breeze site acquired in 2017, is a 284-acre container terminal leased to Ports America Chesapeake as part of a public-private partnership executed in January 2010. In return for constructing and financing a 50-foot-deep berth, funding four super Post-Panamax cranes, and providing annual payments to the Maryland Port Administration, Ports America Chesapeake was granted the right to operate and maintain the terminal, and retain revenues at the terminal for a period of 50 years. To expand capacity to service ultra-large ships, a second 50-foot deep berth was completed in April 2021 and four Neo-Panamax cranes were added to the terminal in September 2021.
- ***Masonville Terminal:*** The Masonville Terminal is a 124-acre auto terminal leased by Mercedes Benz USA.
- ***Fairfield Terminal:*** This terminal is a 60-acre automobile terminal leased to Auto Warehouse Corp.

- **South Locust Point Marine Terminal:** A 79-acre terminal, the South Locust Point Marine Terminal primarily handles forest products, used autos, and is home to the port’s international cruise terminal.
- **North Locust Point:** A 90-acre terminal, North Locust Point handles wood pulp, lumber, latex, steel, paper, and containers.
- **Hawkins Point Marine Terminal:** A 20-acre bulk terminal leased to Alcoa Eastalco Works, this terminal handles aluminum ore, cement, and liquid fertilizer.

The amount of general cargo tonnage at the Maryland Port Administration’s terminals has generally stayed consistent since fiscal 2018, averaging 11.0 million tons yearly through fiscal 2021. The impact of the COVID-19 pandemic contributed to a brief decline in fiscal 2020 to 10.4 million tons. This figure does not include changes in the number of loaded 20-foot equivalent unit cargo containers processed at public terminals during this period. **Exhibit 9.9** provides data on individual streams of general cargo handled at State-owned terminals. The Port of Baltimore consistently ranks among the top three ports in the nation in terms of the amount of roll on/roll off, imported forest products, automobiles, sugar, iron ore, and gypsum handled.

Exhibit 9.9
General Cargo Tonnage at Public Terminals
Fiscal 2017-2021



Ro/Ro: roll on/roll off

TEU: 20-foot equivalent unit

Source: Fiscal 2023 *Managing for Results*

The Port of Baltimore handles cruises year-round offered by Carnival Cruise Lines and Royal Caribbean International. Following the opening of a new cruise terminal in 2006, the number of cruises and passengers utilizing the new terminal increased annually, totaling approximately 400,000 passengers on over 90 cruises before the COVID-19 pandemic. The Center for Disease Control's no sail order led to no cruises in fiscal 2021; however, operations are expected to return to pre-pandemic levels in fiscal 2023.

Dredging

On an average annual basis, the system of navigational channels serving the Port of Baltimore requires maintenance and new work dredging nearly 5 million cubic yards of material. The dredging demand for the Port of Baltimore includes periodic new work to complete channels and berth improvements that enable the port to grow in a competitive marketplace.

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

The options for placement of dredged material are sufficient to meet the capacity demand needed in the near future. In fiscal 2021, the Maryland Port Administration placed an estimated 2.7 million cubic yards of dredged material in placement sites managed by the agency, leaving an estimated 30.3 million cubic yards of placement capacity at Poplar Island for material dredged from waters outside the Baltimore Harbor and an estimated 8.0 million cubic yards of placement capacity for Harbor material. Plans to identify and develop new dredged material management options are still underway. This is necessary due to the long lead time to bring dredged material management options capable of receiving public support and environmental clearances online. Cost remains a critical factor, as about 40% of the administration's six-year capital budget is typically spent on dredging and the identification, construction, and maintenance of placement options. In fiscal 2021, the administration was responsible for constructing, monitoring, and operating the following dredged material placement sites:

- Hart-Miller Island Dredged Material Placement Site (statutorily closed in 2009);
- Paul S. Sarbanes Ecosystem Restoration Project at Poplar Island;
- Cox Creek Dredged Material Placement Site; and
- Masonville Dredged Material Placement Site.

Planning for a new dredge material placement site near what remains of Barren and James islands in Dorchester County – the Mid-Chesapeake Bay Island Ecosystem Restoration Project – is currently underway. If no other placement options are available, an ocean site exists as a contingency option. Before this contingency placement option is used, the U.S. Army Corps of Engineers would need to complete an environmental assessment and provide public notice to Maryland and Virginia.

Aviation

The Maryland Aviation Administration is responsible for maintaining and operating the Baltimore/Washington International Thurgood Marshall Airport and Martin State Airport and for fostering, developing, and regulating aviation within the State. The Maryland Aviation Administration also administers noise assistance activities such as voluntary land acquisition, homeowners' assistance, and school soundproofing programs; inspects and licenses public and privately owned public use airports; and registers private use airports. In total, there are 148 airports in Maryland, including 35 public use and 95 private use airports, and 18 private-owned/public-use airports.

Baltimore/Washington International Thurgood Marshall Airport

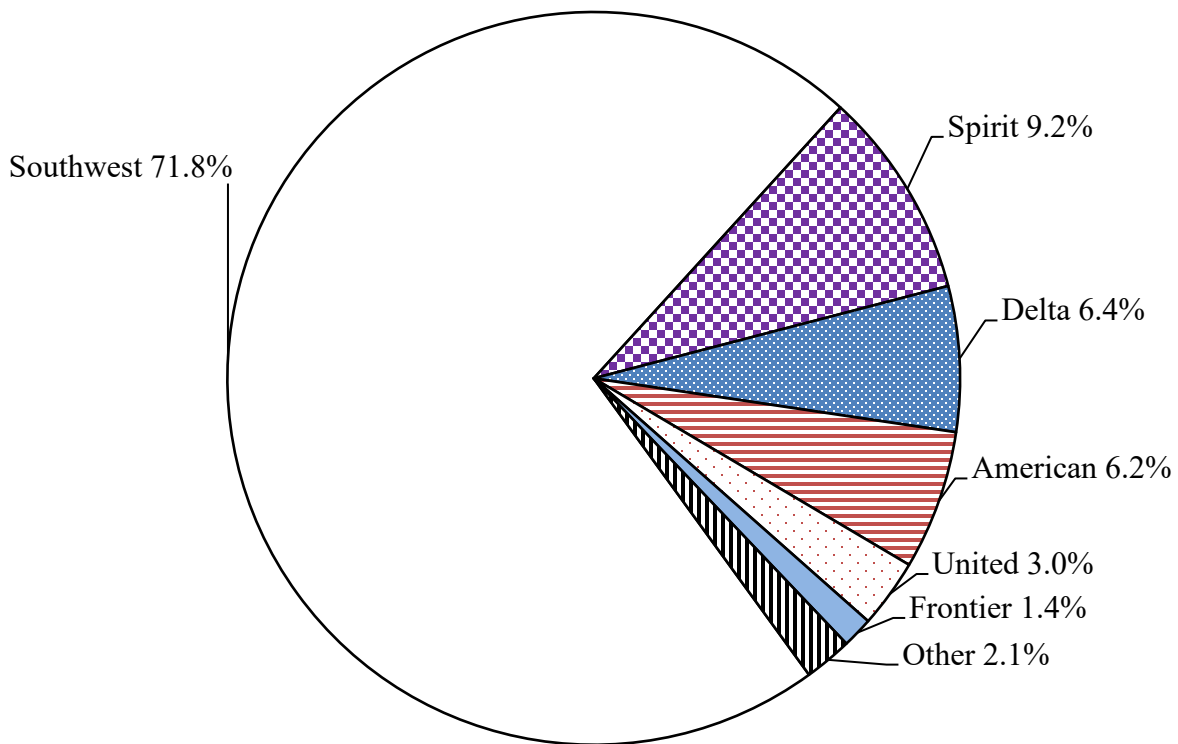
Friendship International Airport was purchased by the State from Baltimore City in 1972 for \$36 million. Upon acquisition, the State renamed the facility Baltimore/Washington International Airport and began a program to modernize and expand the facilities to accommodate modern aircraft and provide for maximum passenger convenience and safety. This program resulted in a rebuilding of the old terminal facility and expansion of existing runways. During the 1990s, the airport was further improved to include a new international pier, an expanded Pier C, a new parking garage, and the extension of one of the runways. In 2001, the Maryland Aviation Administration embarked on a five-year, \$1.4 billion expansion program, which included construction of a new passenger terminal, a consolidated rental car facility, skywalks connecting the terminal to parking garages, and additional parking; utility upgrades; acquisition of a fleet of shuttle buses; and improvements to the roadways surrounding the airport. In fiscal 2015, a \$113 million project began to expand the international concourse by six gates. The airport was renamed to recognize the achievements and legacy of Supreme Court Justice Thurgood Marshall in 2005.

Twelve domestic and two international mainline passenger airlines operated regularly scheduled flights at Baltimore/Washington International Thurgood Marshall Airport in calendar 2021, serving 18.9 million passengers. Although this is still well below the pre-pandemic average of over 26 million passengers annually, it does reflect a rebound from the low of 11.2 million passengers traveling during the height of the pandemic in calendar 2020. As shown in **Exhibit 9.10**, Southwest Airlines alone carried nearly 71.8% of all passengers.

The proximity of Dulles Airport and the Ronald Reagan Washington National Airport forces Baltimore/Washington International Thurgood Marshall Airport to compete for passengers in the Washington, DC metro area. **Exhibit 9.11** shows the percentage of regional market share

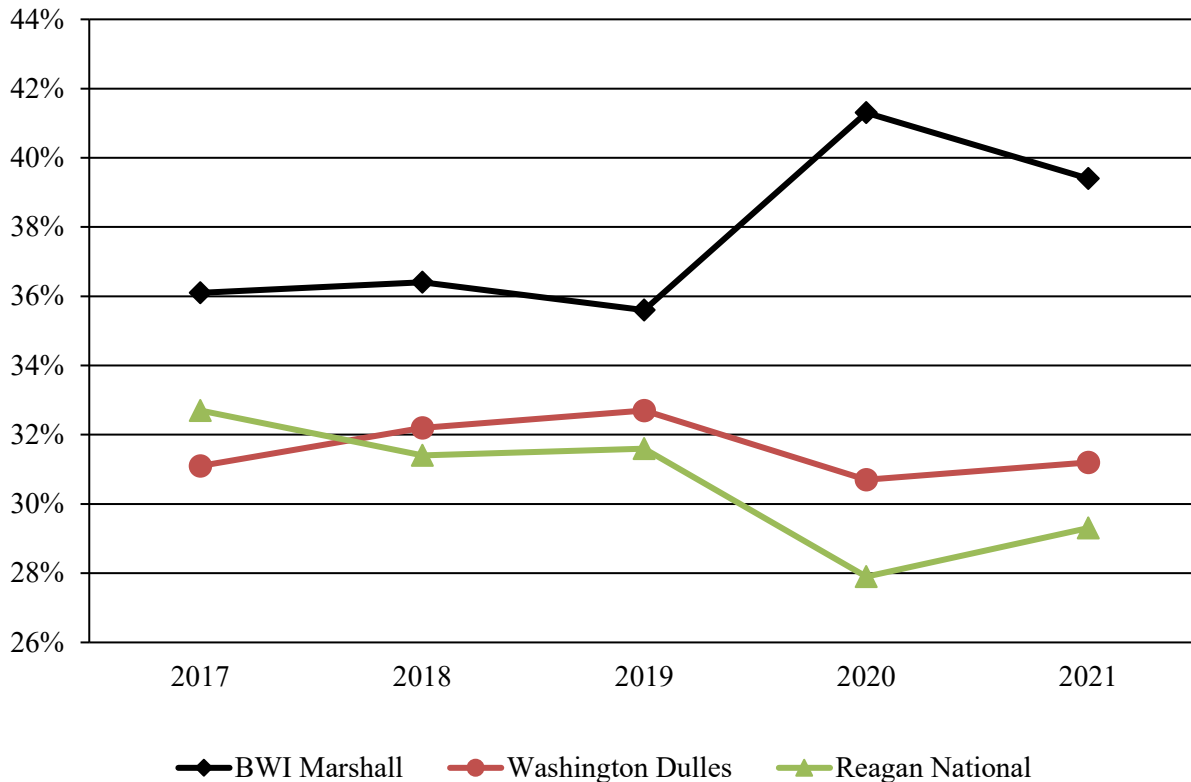
that each of these airports captures. For calendar 2017 through 2021, Baltimore/Washington International Thurgood Marshall Airport had the largest market share of the three Washington, DC area airports. Baltimore/Washington International Thurgood Marshall Airport charges airlines lower fees than the other two airports which is a major factor in its market share success.

Exhibit 9.10
Market Share by Carrier
Baltimore/Washington International Thurgood Marshall Airport
Calendar 2021



Source: Maryland Aviation Administration

Exhibit 9.11
Market Share – BWI Marshall, Dulles, and Reagan National Airports
Calendar 2017-2021



BWI Marshall: Baltimore/Washington International Thurgood Marshall Airport
 Reagan National: Ronald Reagan Washington National Airport

Source: Maryland Aviation Administration

Martin State Airport

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

Additionally, Martin State Airport is the home base for the Maryland Air National Guard, the Aviation Division of the Maryland State Police, the Baltimore City Police Helicopter Unit, the Baltimore County Police Aviation Unit, and many of Maryland's leading corporations' aircraft. Flight activity for fiscal 2021 at Martin State Airport resulted in over 86,000 aircraft operations and 1.3 million gallons in fuel sales.

Local Airports

Aside from the 2 airports owned by the State of Maryland, local governments own and operate 14 airports that are open to the public. Anne Arundel, Carroll, Dorchester, Garrett, Queen Anne's, St. Mary's, Talbot, Washington, and Wicomico counties all own and operate airports. The municipalities of Frederick and Ocean City also own and operate airports, and the City of Crisfield and Somerset County cooperate in the ownership and operation of an airport.

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

An additional 18 airports open to the public are wholly owned by private entities. These private-owned/public-use airports are located in several different counties. Of the 33 non-State owned public-use airports, 16 are listed within the Federal Aviation Administration's National Plan of Integrated Airports System. These airports are eligible to receive federal funds for airport improvements.

Regional Air Service

Of Maryland's 148 airports – including the Greater Cumberland Regional Airport located in Mineral County, West Virginia – 3 are certified by the Federal Aviation Administration to have scheduled passenger flights as commercial service airports (Baltimore/Washington International Thurgood Marshall, Hagerstown Regional, and Salisbury Regional). Hagerstown Regional operates daily flights to Pittsburgh and Baltimore/Washington International Thurgood Marshall airports. Hagerstown Regional is also serviced by once a week scheduled air service by Allegiant Airlines to Orlando, Florida. Salisbury Regional operates four round-trip flights to Philadelphia, Pennsylvania and two round trip flights to Charlotte, North Carolina.

Maryland Transportation Authority

The Maryland Transportation Authority operates and maintains Maryland's toll facilities: four toll bridges (the Chesapeake Bay Bridge; the Thomas J. Hatem Memorial Bridge; the Governor Harry W. Nice Memorial/Senator Thomas "Mac" Middleton Bridge; and the Francis Scott Key Bridge); two tunnels (the Harbor Tunnel and Fort McHenry Tunnel); and two turnpikes (John F. Kennedy Memorial Highway/Interstate 95 from the northern Baltimore line to the Delaware State line and the Intercounty Connector). In addition, the authority operates the

Interstate 95 Express Toll Lanes, a series of managed toll lanes in the north and southbound directions of Interstate 95 intended to reduce congestion along Interstate 95, and owns the Chesapeake House and Maryland House, two travel plazas along Interstate 95). The authority may issue revenue bonds to finance the cost of projects associated with toll facilities, vehicle parking facilities in priority funding areas, and any other revenue-producing transportation facility.

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

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

Per statute, the authority's current debt cap is \$3 billion.

Maryland Transportation Authority Police

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

Funding

Transportation Trust Fund

The Transportation Trust Fund is the State’s principal transportation funding mechanism. The trust fund is credited with taxes, fees, charges, bond proceeds, federal grants, and other receipts of the Maryland Department of Transportation. All expenditures of the Maryland Department of Transportation are made from the Transportation Trust Fund. Unexpended funds remaining in the Transportation Trust Fund at the close of each fiscal year are retained in the fund. In the past, in exceptional circumstances, balances in the trust fund have been diverted through legislation to general fund purposes. Chapter 422 of 2013 proposed an amendment to the Maryland Constitution (which was ratified November 4, 2014) prohibiting the transfer or use of funds in the Transportation Trust Fund for nontransportation-related purposes except upon declaration by executive order by the Governor that a fiscal emergency exists and passage of legislation by at least three-fifths of all the members elected to each of the two Houses of the General Assembly. For additional information regarding the Transportation Trust Fund, please refer to “Chapter 10. Transportation Revenues” in *Volume III – Maryland’s Revenue Structure*.

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

Motor Vehicle Administration

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

Debt Authority

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

The department also has limited authority to issue nontraditional debt, including certificates of participation, and debt backed by customer facility charges, passenger facility charges, or other revenues. Debt may also be issued by the Maryland Economic Development

Corporation, the Maryland Transportation Authority, or any third party on behalf of the department. Certificates of participation are purchase agreements that are backed by a dedicated revenue source. Once the certificates of participation are repaid, the Maryland Department of Transportation will own the facility being built; until that time; however, other parties have a financial hold on the facility. Outstanding debt for nontraditional debt, exclusive of any draws on the federal Transportation Infrastructure Finance and Innovation Act loan for the Purple Line Light Rail Project, may not exceed \$1.383 billion as of June 30, 2023. The total aggregate outstanding and unpaid principal balance on the Purple Line federal loan may not exceed \$1.761 billion as of June 30, 2023.

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

Highway User Revenues

In addition to the State program, the department serves as a funding conduit for local government transportation programs through the Gasoline and Motor Vehicle Revenue Account, commonly known as the highway user fund. The highway user fund is credited with a portion of fuel taxes, vehicle registration fees and specified percentages of vehicle titling taxes (66.0%), short-term vehicle rental taxes (80.0%), and corporate income taxes (14.6% of net receipts).

Prior to fiscal 2020, the account was split between the department, Baltimore City, the counties, and the municipalities. Chapters 330 and 331 of 2018 converted this transportation aid going to local governments from a share of the revenues in the Gasoline and Motor Vehicle Revenue Account to mandated capital grants at levels expressed as a percentage of funding in that account. This change allows the department to retain all of the revenue, thereby increasing its debt issuing capacity, while still providing transportation aid funding to local governments.

Prior to the 2007-2009 recession, local governments received 30% of highway user revenues and the department retained 70%. To help address the budget crisis caused by the recession, highway user revenues distributed to local governments were reduced. Chapter 397 of 2011 set the distribution of 90.4% going to the department, 7.7% going to Baltimore City, 1.5% going to counties, and 0.4% going to municipalities. Baltimore City has generally received a larger share of highway user revenues than other local jurisdictions because the State does not conduct highway maintenance or construction in Baltimore City (except for portions of Interstate 95) as it does in the counties. Distributions among the counties and municipalities are based upon each county's or municipality's share of road miles and registrations as a percent of the statewide total for counties and municipalities.

Chapters 330 and 331 of 2018 provided for an enhanced local share of highway user revenues for five years beginning in fiscal 2020, after which the distribution was to return to the previous levels established in Chapter 397 of 2011. Under the enhanced levels, Baltimore City receives 8.3%, counties receive 3.2%, and municipalities receive 2.0% each year through

fiscal 2024. Chapter 240 of 2022 established the local share distribution that will begin in fiscal 2024. **Exhibit 9.12** shows the local share distribution of highway user revenues for fiscal 2024 through 2028. **Exhibit 9.13** details highway user revenue distribution amounts by county and for Baltimore City.

Exhibit 9.12
Distribution of Local Share of Highway User Revenues
Fiscal 2024-2028¹

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Baltimore City	9.5%	11.0%	12.2%	12.2%	9.5%
Counties	3.7%	4.3%	4.8%	4.8%	3.7%
Municipalities	2.4%	2.7%	3.0%	3.0%	2.4%

¹ The local share distribution percentages for fiscal 2029 and subsequent fiscal years are the same as the percentages for fiscal 2028.

Source: Chapter 240 of 2022

Exhibit 9.13
Distribution Amounts of Highway User Revenues
Fiscal 2023

County	County Portion	Municipality Portion	Total
Allegany	\$1,123,499	\$1,883,956	\$3,007,455
Anne Arundel	7,040,975	1,702,289	8,743,264
Baltimore	9,626,329	0	9,626,329
Baltimore City	0	169,996,911	169,996,911
Calvert	1,523,359	513,380	2,036,739
Caroline	947,646	751,600	1,699,246
Carroll	2,651,483	2,375,788	5,027,271
Cecil	1,538,907	1,186,039	2,724,946
Charles	2,364,985	680,001	3,044,986
Dorchester	1,026,872	920,974	1,947,846
Frederick	3,299,989	4,803,286	8,103,275
Garrett	1,245,947	621,679	1,867,626
Harford	3,317,154	1,928,455	5,245,609
Howard	3,874,013	0	3,874,013
Kent	533,826	429,241	963,067
Montgomery	8,800,889	6,530,741	15,331,630
Prince George's	7,189,534	8,482,159	15,671,693
Queen Anne's	1,259,296	325,498	1,584,794
St. Mary's	1,890,577	224,352	2,114,929
Somerset	664,387	304,516	968,903
Talbot	764,319	1,162,882	1,927,201
Washington	2,082,995	2,547,189	4,630,184
Wicomico	1,551,509	2,266,303	3,817,812
Worcester	1,222,488	1,322,783	2,545,271
Total	\$65,540,978	\$210,960,022	\$276,501,000

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

Source: *Fiscal 2023 Governor's Budget Books*, Maryland Department of Transportation

Additional information on the distribution of revenues to local jurisdictions is provided in *Volume VI – Maryland Local Government*.

Transportation Authority Fund

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

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

The Maryland Transportation Authority may issue revenue bonds backed by toll revenues. The bonds are not backed by the full faith and credit of the State. Statute allows for a maturity of up to 40 years; however, the authority typically issues bonds with a maturity of 30 or 33 years. The limit on maximum debt outstanding for these bonds was increased to \$3 billion during the 2008 session.

Transportation Expenditures

The State, with local jurisdictions, plays a critical role in developing, maintaining, and regulating the multi-modal transportation network. As shown in **Exhibit 9.14**, the funding of transportation services in Maryland reflects the State's central role. In fiscal 2021, the State contributed approximately 64% of the transportation funds expended, while the federal and local shares accounted for 20% and 16%, respectively.

Exhibit 9.14
Transportation Expenditures and Funding
Fiscal 2021
(\$ in Millions)

<u>Service</u>	<u>County</u>	<u>Municipal</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Roads	\$609.8	\$110.0	\$1,266.6	\$733.1	\$2,719.5
Parking	\$37.5	\$12.2	\$0.0	\$0.0	\$49.7
Motor Vehicles			\$221.6	\$0.1	\$221.7
Aviation	\$20.0	\$0.3	\$247.4	\$30.3	\$298.0
State Airport			\$238.7	\$19.9	\$258.6
County/Municipal Airports	\$20.0	0.3	8.7	10.4	39.3
Port			\$138.6	\$4.4	\$143.0
Transit	\$129.9	\$5.8	\$1,669.1	\$618.7	\$2,423.5
Maryland Transit/Other			\$821.0	\$574.9	\$1,395.9
WMATA			764.2	0	764.2
Local Transit Systems	\$129.9	\$5.8	83.9	43.8	263.4
Administration/Other	\$186.0	\$21.7	\$115.8	\$11.6	\$335.1
Subtotal	\$983.2	\$150.0	\$3,659.1	\$1,398.2	6,190.5
Maryland Transportation Authority			\$765.7	\$0.0	\$765.7
Total	\$983.2	\$150.0	\$4,424.8	\$1,398.2	\$6,956.2

WMATA: Washington Area Metropolitan Transit Authority

Note: Figures include operating and capital. Funding sources include user fees. Numbers may not sum to total due to rounding.

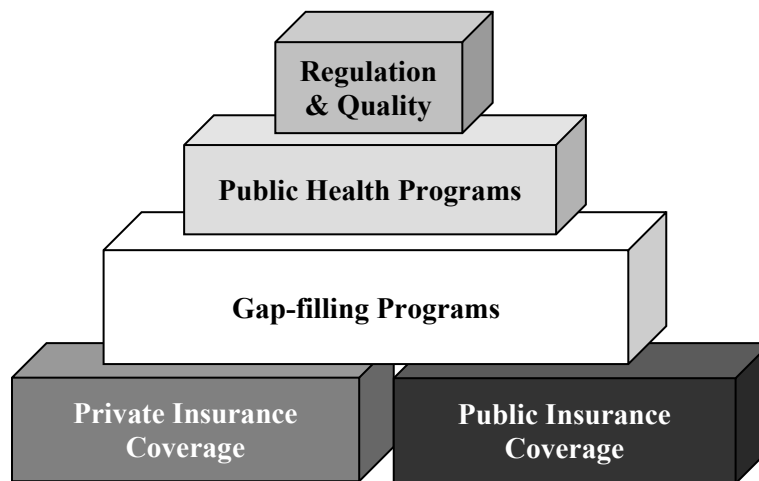
Source: *Fiscal 2023 Governor's Budget Books*; Uniform Financial Reports; Local Government Finances in Maryland; Maryland Department of Transportation; Department of Legislative Services

Chapter 10. Health Services

Overview of Maryland's Health Care System

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

Exhibit 10.1
Major Components of Maryland's Health Care System



Source: Department of Legislative Services

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

State and local governments provide gap-filling programs for individuals who cannot find private insurance coverage but do not qualify for public insurance coverage or have health issues that the State chooses to provide extra assistance for, such as developmental disabilities.

Federal, State, and local governments all take a role in promoting public health through screening and testing, preventive care, and the treatment of chronic conditions. The State sets

policy, monitors and evaluates programs, operates institutions for individuals with developmental disabilities and behavioral health disorders, and supports a variety of community-based programs and services. Local health departments take the lead in the delivery and coordination of public health services. The federal role in public health is primarily as a regulator and source of funding, as well as a provider for certain populations such as veterans.

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

Funding of Maryland's Health Care Services

Funding for health care services in Maryland is provided by federal, State, and local funds. **Exhibit 10.2** provides an overview of Maryland's fiscal 2021 health spending by the source of funds and the target population.

Federal funds account for approximately 76% of all the health funding, with most of the federal funding supporting Medicaid and Medicare. More than half of the federal funds supporting Maryland residents through Medicare and the Veterans Administration do not flow through the State budget and is administered at the federal level. State programs have only limited interaction with the Medicare program (*i.e.*, Medicaid provides Medicare premium assistance for low-income individuals), and similarly, the State Executive and Legislative branches are not involved in policymaking concerning Medicare. However, Medicare is included in this review because, as shown in Exhibit 10.2, it is the second largest public health program in the State following Medicaid.

Exhibit 10.2
Public Health Spending in Maryland
Fiscal 2021
(\$ in Thousands)

	<u>State</u>	<u>Local</u>	<u>Federal¹</u>	<u>Fees</u>	<u>Total</u>
Medicaid/Maryland Children's Health Program ²	\$3,611,657		\$7,089,095	\$75	\$10,700,828
Medicare ³			10,346,864		10,346,864
Behavioral Health ⁴	1,231,658		1,279,887		2,511,545
Developmental Disabilities ⁵	715,533		804,712		1,520,245
Office of Preparedness and Response	1,133,918		531,311		1,665,230
Infectious Disease and Environmental Health	66,601		344,022		410,623
Local Health Departments ⁶	34,967	\$270,890	34,065		339,923
Chronic Hospitals	46,702		837		47,539
Family Health	98,443		113,686	296	212,425
Regulation of Providers/Health System ⁷	18,411		13,256	92,592	124,259
Uncompensated Care Fund and Trauma Physicians Fund	109,825				109,825
Senior Prescription Drug Assistance Program ⁸	10,756				10,756
Maryland Health Benefit Exchange ⁹	29,450		397,506		426,956
Advanced Premium Tax Credits ¹⁰			640,118		640,118
Veterans Administration ¹¹			1,418,634		1,418,634
Other ¹²	129,460	85,361	48,888		263,708
Total	\$7,237,380	\$356,251	\$23,062,882	\$92,964	\$30,749,477

¹ In fiscal 2021, states received significant federal assistance to respond to the COVID-19 public health emergency. This impacted multiple programs as federal stimulus legislation provided an enhanced match on Medicaid spending and distributed emergency response funding to the Office of Preparedness and Response.

² Excludes behavioral health spending. Does not reflect adjustments for reversions/cancellations made in fiscal 2022.

³ Calendar 2019 Kaiser Family Foundation State Health Facts data. No more recent State specific data is available.

⁴ Includes Medicaid funds for mental health and operational costs for State psychiatric hospitals. Does not reflect a \$338.8 million fiscal 2022 deficiency appropriation which supported fiscal 2021 expenses.

⁵ Includes Medicaid funds and operational costs for State residential centers and the Secure Evaluation Therapeutic and Treatment unit to serve individuals with developmental disabilities.

⁶ Targeted State and federal funds for local health departments, reflecting \$30.4 million in federal funds for this purpose budgeted under the Office of Preparedness and Response. Federal assistance for local health departments included \$9.0 million to support fee-for-service clinics during the COVID-19 pandemic. Funds for other grants and contracts with local health departments are included elsewhere.

⁷ Includes the Office of Health Care Quality, health occupations boards, Maryland Health Care Commission, Health Services Cost Review Commission, and Maryland Community Health Resources Commission.

⁸ Payments by nonprofit health care organizations in lieu of the insurance premium tax which fund the Senior Prescription Drug Assistance Program.

⁹ Includes federal passthrough funding for the State Reinsurance Program.

¹⁰ Share of fiscal 2021 federal spending in Maryland.

¹¹ Data from the U.S. Department of Veterans Affairs provided for federal fiscal 2021. Excludes funding for the Charlotte Hall Veterans Home, which is shown in Chapter 11.

¹² Includes Maryland Department of Health administrative activities, the Office of the Chief Medical Examiner, the Laboratories Administration, and other public health offices not included elsewhere.

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

Source: *Fiscal 2023 Governor's Budget Books*; Maryland Department of Health; Kaiser Family Foundation; Centers for Medicare and Medicaid Services; Department of Legislative Services

Impact of the Federal Patient Protection and Affordable Care Act

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

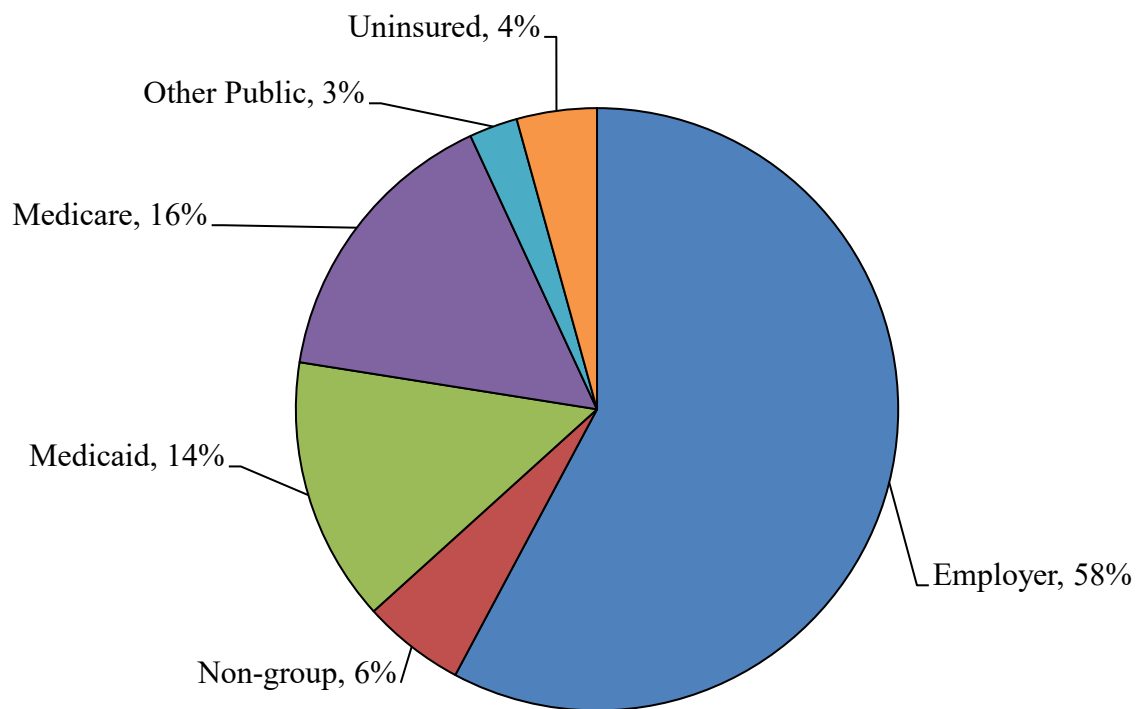
In response to passage of the Patient Protection and Affordable Care Act, Maryland established the Maryland Health Care Reform Coordinating Council and the Governor's Office of Health Care Reform (both now defunct) to oversee and coordinate health care reform in the State. The State also brought the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

Health Insurance Coverage in Maryland

The foundation of Maryland's health care system is insurance coverage, which individuals generally obtain through one of three sources: (1) employment-based coverage; (2) private coverage purchased either directly from a health insurance carrier or through the Maryland Health Benefit Exchange; or (3) public health insurance programs provided by the State or federal

government (including Medicaid, the Maryland Children’s Health Program, Medicare, and military-related coverage). As shown in **Exhibit 10.3**, in calendar 2020, 57.8% of the State’s population had employment-based coverage, 5.5% purchased their coverage directly from a carrier, and 32.4% were covered through public health insurance programs. The remaining 4.3% of Marylanders were uninsured.

Exhibit 10.3
Health Insurance Coverage in Maryland
Calendar 2020



Note: Actual Maryland Medicaid enrollment figures reported by the Maryland Department of Health were significantly higher than shown here, with approximately 23% of Marylanders enrolled in Medicaid in calendar 2020.

Source: Kaiser State Health Facts

Following the full implementation of the federal Patient Protection and Affordable Care Act in 2014, the percentage of uninsured individuals in Maryland has declined from 11.3% in 2010 to 4.3% in 2020. The largest gains in coverage have occurred through the expansion of Medicaid, with 443,008 individuals enrolled under the expansion as of June 2022.

Private Insurance Coverage

As described above, private health insurance is the primary source of coverage for Marylanders, with most individuals covered by a plan offered through their employer. A small proportion of Marylanders purchase their coverage directly from a health insurance carrier or through the Maryland Health Benefit Exchange.

For those commercial health benefit plans that are regulated by the State, the Maryland Insurance Administration serves as the regulator. The administration is funded by the entities it regulates. Funding comes from an annual assessment on insurers based on the market share of the insurer, as well as from various fees charged for services provided by the administration. The fiscal 2022 budget for the Maryland Insurance Administration was \$33.7 million. A more detailed discussion of the regulation of commercial health benefit plans can be found under the Additional Regulatory Activities section of this chapter.

Maryland Health Benefit Exchange

The federal Patient Protection and Affordable Care Act required states to have a health insurance exchange, either state-based or federal, in place as of January 1, 2014. Maryland opted to develop a state-based exchange, known as Maryland Health Connection. The exchanges are intended to provide a marketplace for individuals and small businesses to purchase affordable health coverage by certifying and making available qualified health plans and qualified dental plans to individuals and businesses and serving as a gateway to an expanded Medicaid program. The Maryland Health Benefit Exchange is a public corporation and independent unit of State government with a nine-member Board of Trustees and is responsible for the administration of Maryland Health Connection.

Through Maryland Health Connection, Maryland residents can determine if they qualify for federal advanced premium tax credits or cost-sharing reductions to help pay for health insurance or if they, or members of their family, are eligible for Medicaid or the Maryland Children's Health Program. Small businesses can utilize authorized brokers to find plans that meet the needs of employees and qualify for tax credits. Maryland Health Connection works with health insurance carriers, insurance producers, assisters, and advocates and is supported by a statewide consolidated call center. In-person assistance is available statewide by individuals known as navigators.

In addition to administering the Maryland Health Connection, the Maryland Health Benefit Exchange administers the State Reinsurance Program to stabilize premiums in the individual market and has worked with the Office of the Comptroller and the Maryland Department of Labor to implement processes that make it easier for uninsured Marylanders to apply for health insurance.

The State Reinsurance Program provides reinsurance to carriers that offer individual health benefit plans in the State to mitigate the impact of high-risk individuals on rates in the individual market. The State Reinsurance Program requires federal authorization through a 1332 Waiver. The

current waiver terminates at the end of calendar 2023, and the Maryland Health Benefit Exchange must submit a renewal application by March 31, 2023. The Maryland Health Benefit Exchange also determines annual parameters for the State Reinsurance Program. For calendar 2019 through 2023, carriers that incur total annual claims costs on a per-individual basis between a \$20,000 attachment point (the dollar amount of insurer costs above which an insurer is eligible for reinsurance) and a cap of \$250,000 are reimbursed for 80% of those claims' costs. Payments to insurance carriers are made after the plan year ends and all costs have been recorded and reconciled. The primary funding for the State Reinsurance Program is federal pass-through funds. In addition, a 1% State assessment on specified health insurance carriers' premiums is collected annually to support the program and is used to pay for costs above the available federal pass-through funds.

Under the Maryland Easy Enrollment Health Insurance Program, an uninsured individual can elect on his/her State income tax return to authorize the Office of the Comptroller to share information with the exchange to determine the individual's eligibility for insurance affordability programs for which the individual may opt to enroll or otherwise participate in through a special enrollment period. The Maryland Department of Labor and the exchange have a similar process through the State Unemployment Insurance Program to connect individuals who file a claim for benefits with health insurance plans.

During open enrollment for the 2022 plan year, 182,861 Marylanders enrolled in private health insurance through Maryland Health Connection. As of May 31, 2022, 1,233,369 individuals had enrolled in Medicaid through Maryland Health Connection. Through the Maryland Easy Enrollment Health Insurance Program from February 9, 2022, to June 30, 2022, 21,396 households indicated on their tax returns an interest in obtaining health insurance and 1,465 households enrolled (5% in qualified health plans without tax credits, 24% in qualified health plans with tax credits, and 71% in Medicaid).

Public Insurance Coverage

The State and federal government jointly oversee programs that provide public health insurance coverage. The Centers for Medicare and Medicaid Services, part of the U.S. Department of Health and Human Services, is charged with administering Medicare and Medicaid at the federal level. Medicare provides health insurance for United States citizens who are age 65 or older or have certain qualifying disabilities or conditions. It is provided, funded, and regulated exclusively by the federal government.

At the State level, the Maryland Department of Health administers other public insurance programs, with local health departments, the Maryland Health Benefit Exchange, and State-funded local departments of social services assisting in determining eligibility. Medicaid and the Maryland Children's Health Program are joint federal and State programs, with the federal government setting broad program parameters and the State providing administration. Both the federal and State governments provide funding for these programs. Medicaid and the Maryland Children's Health Program provide benefits for both physical and behavioral health.

Medicare

A federally funded and administered program, Medicare helps cover hospital inpatient and outpatient care, home health care, physician services, and prescription drug coverage. Individuals age 65 and older, certain disabled individuals, and individuals with end-stage renal disease are eligible for the program. The Centers for Medicare and Medicaid Services reported that 64.4 million individuals nationwide received at least some Medicare benefits as of March 2022, including nearly 1.1 million in Maryland. According to the Kaiser Family Foundation, Medicare spending on Maryland residents was \$10.3 billion in calendar 2019, reflecting a 3.3% average annual growth rate from calendar 2013 to 2019.

Medicare coverage is divided into four parts. Part A, which is hospital insurance, is provided to most individuals once the individual turns 65 without cost to the individual because either the individual or the spouse of the individual paid into Medicare while working. Other individuals may buy into Part A with a monthly premium. Individuals who are eligible to buy into Part A are either age 65 or older but did not pay enough money into Medicare to get free coverage or are disabled but have returned to work.

Part B is the medical insurance component of Medicare. Under Part B, an individual receives coverage for medically necessary services, such as preventive care, doctors' services, and outpatient hospital care. Whether to enroll in Part B is up to the individual. Most individuals are required to pay a monthly premium for the coverage.

Part C is called Medicare Advantage and offers an alternative way of receiving Medicare Part A and Part B coverage. Under the program, Part A and Part B services are provided through Medicare-approved private insurance companies. The private insurance companies include health maintenance organizations, preferred provider organizations, private fee-for-service companies, and Medicare special needs plans. Participation in Medicare Advantage is optional. Only 18.8% (203,537 individuals) of Maryland Medicare beneficiaries participated in Medicare Advantage benefits as of March 2022.

Part D is the prescription drug coverage portion of Medicare. All Medicare beneficiaries are eligible for Part D, with most Medicare Advantage plans including prescription drug coverage. Premiums, copayments, and a yearly deductible apply to the coverage. Part D gives individuals coverage for both brand name and generic drugs at local participating pharmacies.

Medicaid

Medical Assistance (Title XIX of the Social Security Act), more commonly known as Medicaid, is a joint federal and state program that provides health benefits to indigent and medically indigent individuals. Based on Maryland's federal medical assistance percentage, which varies depending on a state's per capita income relative to the national average, the federal government generally covers 50% of Medicaid costs. At the start of the COVID-19 pandemic, federal stimulus legislation authorized a 6.2 percentage point increase on states' federal medical assistance percentage to provide financial assistance during the national declaration of a

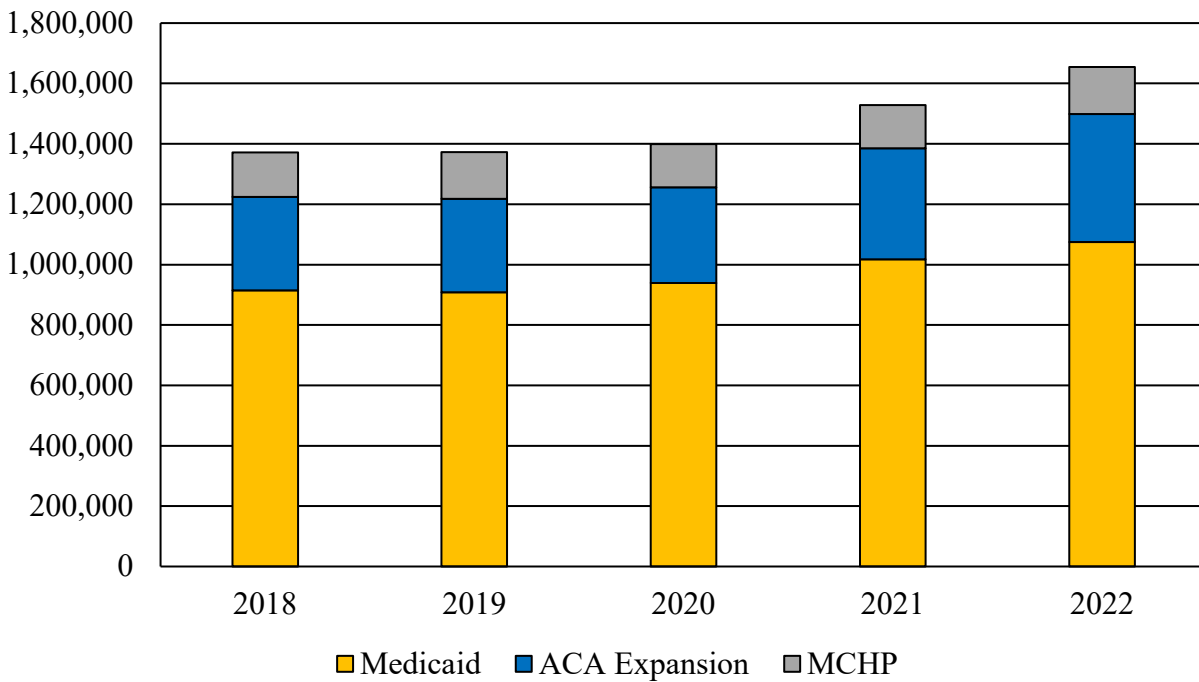
COVID-19 public health emergency, as long as states met certain conditions. The federal share of Medicaid costs is also higher for some populations under the federal Patient Protection and Affordable Care Act. Medicaid eligibility is limited to children, pregnant women, elderly or disabled individuals, low-income parents, and childless adults. To qualify for benefits, applicants must pass certain income and asset tests.

Recipients of Temporary Cash Assistance or federal Supplemental Security Income benefits automatically qualify for Medicaid while other individuals qualify based on their income or due to an inability to pay extraordinary medical bills resulting from a catastrophic illness or extended nursing home or hospital stay. Pregnant women and women with breast or cervical cancer qualify for Medicaid if other requirements are met. In accordance with Chapter 28 of 2022, the Maryland Department of Health is in the process of expanding coverage to noncitizen pregnant women who would be eligible for Medicaid but for their immigration status. Children receiving foster care services or subsidized adoption services are automatically covered. Individuals in other categories such as aliens, refugees, and asylees are eligible for Medicaid under certain circumstances. Medically needy individuals may be required to “spend down” assets to meet the income requirements for Medicaid.

Under the federal Patient Protection and Affordable Care Act, effective January 1, 2014, Medicaid eligibility expanded to children ages 6 through 18 and adults younger than age 65 with family or household incomes up to 133% of the federal poverty level and former foster care adolescents up to age 26. As the federal definition of adjusted gross income was also modified, the income threshold for eligibility is effectively 138% of the federal poverty level. The federal matching rate for this population declined periodically from 100% in calendar 2016 to 90% in calendar 2020 and beyond.

Exhibit 10.4 displays Medicaid enrollment for fiscal 2018 through 2022. Beginning in March 2020, state Medicaid programs were required to pause eligibility redetermination and disenrollment as a condition of receiving enhanced federal matching funds during the nationally declared public health emergency. On July 15, 2022, the Secretary of the U.S. Department of Health and Human Services further extended the COVID-19 public health emergency so that it expires in mid-October 2022. Following the end of the public health emergency, enrollment is expected to decline as the Maryland Department of Health resumes terminating coverage for individuals who are found to be ineligible for Medicaid.

Exhibit 10.4
Medicaid and Maryland Children’s Health Program
Average Monthly Enrollment
Fiscal 2018-2022



ACA: Federal Patient Protection and Affordable Care Act
MCHP: Maryland Children’s Health Program

Source: Maryland Department of Health; Department of Legislative Services

Medicaid funds a broad range of services. The federal government mandates that the State provide nursing facility services; hospital inpatient and outpatient services; x-ray and laboratory services; early and periodic screening, diagnosis, and treatment services for children; family planning services; transportation services; physician care; federally qualified health center and rural health clinic services; and some nurse practitioner services.

The federal government allows optional services that Maryland provides, including vision care; podiatric care; pharmacy; medical supplies and equipment; intermediate-care facilities for the developmentally disabled; and institutional care for people older than age 65 with mental diseases. Comprehensive dental coverage is only mandated by the federal government for children, but Maryland previously covered some adult dental care, covering pregnant women, certain former foster care adolescents, and adults enrolled in the Rare and Expensive Case Management Program. A pilot program that began June 1, 2019, further extended limited dental coverage to individuals

ages 21 to 64 who were dually eligible for Medicaid and Medicare. Chapters 302 and 303 of 2022 require Maryland to cover certain dental services for all adult Medicaid beneficiaries starting January 1, 2023. Maryland also provides behavioral health services to Medicaid enrollees, including mental health and certain substance abuse services.

Most Medicaid recipients in Maryland are required to participate in HealthChoice, the statewide mandatory managed care program, with the remainder continuing to receive their care on a fee-for-service basis. Groups excluded from HealthChoice participation include institutionalized individuals and people who are dually eligible for Medicaid and Medicare. Under HealthChoice, participating managed care organizations are paid a capitated monthly fee for each Medicaid patient they enroll and are then responsible for meeting all of the individual's medical needs with the exception of services carved out of the managed care program. Carve-outs such as behavioral health and medical day care are paid for on a fee-for-service basis.

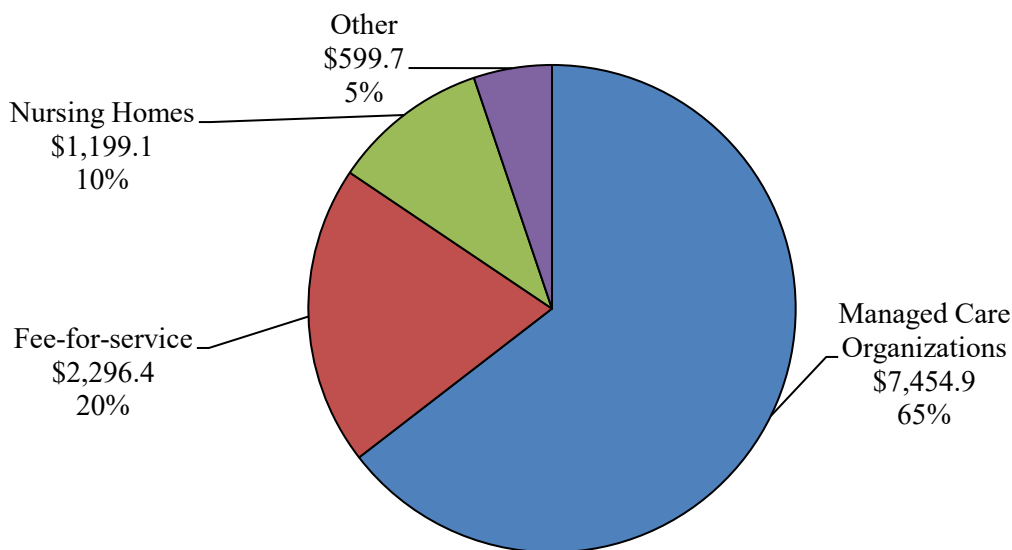
Maryland Health Connection has primary responsibility for income-based Medicaid eligibility determination, while local departments of social services have primary responsibility for nonincome-based Medicaid populations' eligibility determination. The program's remaining administrative functions are handled by the Maryland Department of Health's Medical Care Programs Administration. In fiscal 2021, Medicaid spent approximately \$10.3 billion, excluding administrative costs and behavioral health services, to provide coverage for an average of 1,384,959 people per month in Maryland. Estimated fiscal 2023 Medicaid expenditures total \$11.5 billion. **Exhibit 10.5** shows estimated expenditures by service type for Medicaid and the Maryland Children's Health Program for fiscal 2022.

Maryland Children's Health Program

The Maryland Children's Health Program is Maryland's medical assistance program for low-income children. The program extends health coverage to children up to the age of 19 with family incomes at or below 322% of the federal poverty level and pregnant women with incomes at or below approximately 265% of the poverty level but above Medicaid income limits. The program, like Medicaid, is jointly operated by the federal and State governments, with the State providing administration for the program. Program participants are primarily enrolled into the State's Medicaid managed care program, HealthChoice, and receive the same benefits as Medicaid enrollees.

The State typically receives a 65% federal match for services provided through the Maryland Children's Health Program. During the national COVID-19 public health emergency, state Medicaid programs received a 4.34 percentage point increase in the federal matching rate for children's health programs if states complied with a maintenance of effort requirement and other conditions. Families participating in the program with incomes above 200% of the federal poverty level are required to pay a premium of approximately 2% of their income. However, the Maryland Department of Health suspended monthly premium payments for the duration of the national public health emergency. Program expenditures in fiscal 2021 were \$291.2 million and covered an average of 143,387 children per month. In fiscal 2023, the program is expected to cost approximately \$295.7 million.

Exhibit 10.5
Medicaid and Maryland Children's Health Program
Reimbursements by Type of Service
Fiscal 2022 Estimated
(\$ in Millions)



Note: Total reimbursement is estimated to be \$11.6 billion in fiscal 2022. Excludes behavioral health services.

Source: Maryland Department of Health; Department of Legislative Services

Gap-filling Programs

Gap-filling programs address issues that are not fully addressed by insurance coverage and assist certain special needs populations. Gap-filling programs are provided through a variety of administrations within the Maryland Department of Health, as well as local health departments. The department assumes complete responsibility for services provided through State mental health facilities, State residential treatment centers for the developmentally disabled, and chronic disease centers. For individuals not receiving services in State facilities, the State typically contracts with community-based organizations to provide services.

The main areas addressed by gap-filling programs are prescription drug assistance, behavioral health, services for individuals with developmental disabilities, chronic hospital care,

kidney disease treatment, diagnostic and treatment services for breast and cervical cancer, and family planning.

Prescription Drug Assistance

Senior Prescription Drug Assistance Program

The Senior Prescription Drug Assistance Program, which is overseen by the Maryland Department of Health Medical Care Programs Administration, offers a State subsidy to provide premium assistance under Medicare Part D. Previously, the program also provided subsidies toward out-of-pocket costs under Part D and Medicare Advantage Prescription Drug Coverage, but the department has not offered a coverage gap subsidy since calendar 2019.

Medicare beneficiaries with incomes at or below 300% of the federal poverty level are eligible for premium assistance. Once enrolled in the program, the individual still pays a premium and copayments or coinsurance to participate. CareFirst is required by statute to subsidize the program as part of its role as the State's nonprofit health service plan. In fiscal 2021, the program served an average of 27,238 individuals each month. The program is expected to spend approximately \$12 million in fiscal 2023.

Maryland AIDS Drug Assistance Program

The Maryland AIDS Drug Assistance Program is a statewide program funded primarily through the federal Ryan White Comprehensive AIDS Resources Emergency Act that pays for medications for eligible clients with no insurance and helps clients with insurance by paying for eligible copayment and deductible costs to ensure that individuals with HIV/AIDS have access to the medication they need to stay healthy. The Maryland AIDS Drug Assistance Program-Plus pays premiums for health insurance plans with prescription coverage (or prescription plans) for eligible clients.

The Maryland Department of Health's Prevention and Health Promotion Administration administers the program, which, in fiscal 2021, served 7,058 clients. Fiscal 2021 actual spending totaled \$92.6 million, including \$51.2 million in rebate spending. Under federal law, states receive rebates on medications purchased at a price higher than a federally set rate. These rebates can then be used by State AIDS drug assistance programs to provide health care and support services to people living with HIV/AIDS, implement prevention programs, and fund other HIV/AIDS-related activities.

Behavioral Health

The Maryland Department of Health's Behavioral Health Administration is responsible for the treatment and rehabilitation of the mentally ill; individuals with drug, alcohol, and problem gambling disorders; and those with co-occurring mental illness, substance use, or gambling disorders.

Mental Health Services

Individuals with psychiatric illness can access care through the State's public mental health system, which includes five State-run psychiatric hospitals (including one maximum-security unit that handles only court-involved individuals), two Regional Institutes for Children and Adolescents, and three assisted living programs. The State also provides mental health services to individuals who are ineligible for Medicaid.

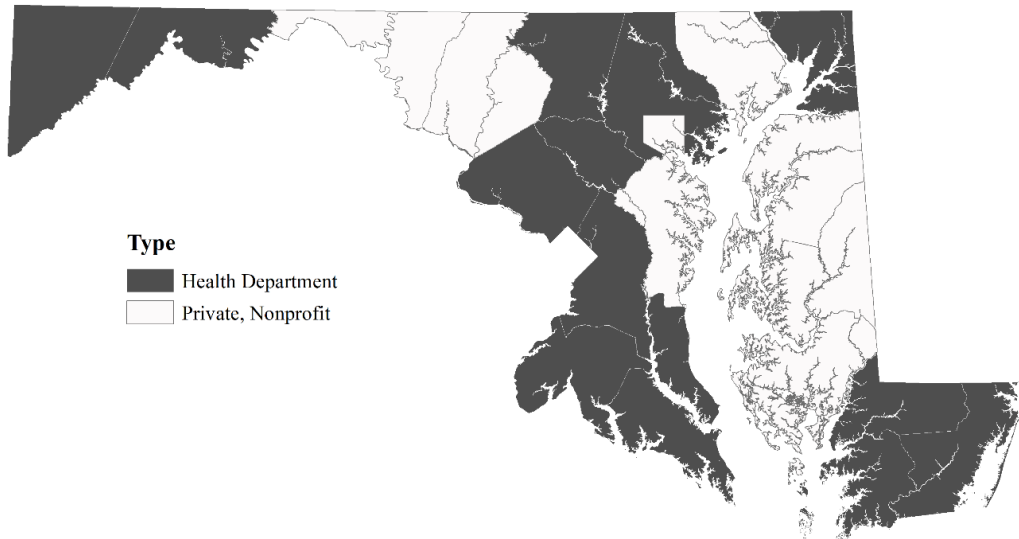
State law establishes advisory boards at both the State and local levels. The Behavioral Health Advisory Council is charged with promoting and advocating for planning, policy, workforce development, and services to ensure a coordinated, quality system of care that is outcome-guided and that integrates prevention, recovery, evidence-based practices, and cost-effective strategies that enhance behavioral health services across the State. The council also promotes and advocates for a culturally competent and comprehensive approach to publicly funded prevention, early intervention, recovery resiliency, and health for individuals who have behavioral health disorders and their family members.

Mental health advisory committees in each county and Baltimore City serve in an advisory capacity to local governments and core service agencies. Voting members vary by jurisdiction but generally include representatives of local government, mental health professionals, State officials, recipients of mental health benefits, parents of children or adults with mental disorders, and members of the general public.

Core service agencies, which are agents of local government, are responsible for planning, coordinating, and monitoring publicly funded mental health services. Some core service agencies act as direct service providers. **Exhibit 10.6** displays each of the 20 core service agencies by type. Core service agencies receive administrative and service funding in the form of grants and contracts from the Behavioral Health Administration. A number of jurisdictions have established or will be establishing a local behavioral health authority to administratively merge their core service agency with their local addiction authority to integrate the planning, coordinating, and monitoring of mental health and substance use disorder services. As of July 2022, 16 jurisdictions have established local behavioral health authorities.

The Behavioral Health Administration is responsible for planning and developing a comprehensive system of services for the mentally ill; supervising State-run psychiatric facilities; reviewing and approving local plans and budgets for mental health programs; providing consultation to State agencies concerning mental health services; establishing personnel standards; and developing, directing, and assisting in the formulation of educational and staff development programs for mental health professionals. The State works closely with the local core service agencies to coordinate and deliver mental health services in the counties.

Exhibit 10.6 Core Services Agencies in Maryland by Type



Notes: Mid-shore location includes Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties.

Source: Maryland Association of Core Services Agencies

Mental health care is provided through a system of community-based programs and public and private psychiatric hospitals with the goal of service delivery in the least restrictive setting. The mental health services for Medicaid recipients that are funded through the fee-for-service system are specialty mental health services (*i.e.*, clients meet certain diagnostic criteria). Medicaid recipients with mental health issues that do not meet these diagnostic criteria are served through the managed care organizations. In addition to serving Medicaid-eligible recipients with Medicaid-eligible services, the administration offers those same recipients certain Medicaid-ineligible services (*e.g.*, supported employment and housing). Services are also provided to certain Medicaid-ineligible populations.

Specifically, the safety net serves uninsured and underinsured individuals who:

- are under the age of 19;
- are pregnant;
- are veterans;

- have received services within the public mental health system in the past two years or who are homeless;
- receive Social Security Disability Insurance due to psychiatric impairment and are eligible for Medicare but who need services beyond those covered by Medicare;
- are on court-ordered conditional releases from a State-run psychiatric hospital;
- have been discharged from a Maryland psychiatric hospital in the past three months;
- have been incarcerated within the last three months;
- use intravenous drugs; or
- have an HIV/AIDS diagnosis.

In the past, public psychiatric care in Maryland was provided almost exclusively in State mental hospitals. The trend over the last few decades has been to expand community services and downsize institutions. Instead of State psychiatric hospitals being the point of entry for inpatient psychiatric care, private psychiatric hospitals and psychiatric wards of acute-general hospitals have become the point of entry for most inpatient psychiatric care.

The State operates seven psychiatric hospital centers. In fiscal 2023, the State psychiatric hospital centers will treat an estimated 2,150 inpatient clients and have an average daily inpatient population of 1,156 at an expense of \$368.7 million. Descriptions of the facilities are provided in **Exhibit 10.7**.

In the past several years, the mix of admissions to facilities has changed, with forensic cases (patients with court involvement) accounting for a higher percentage of admissions. In 2019, nearly all of the patients admitted to State psychiatric hospital centers were forensic patients. The State has struggled to provide timely access to mental health treatment for forensic patients in State psychiatric hospital centers. State legislation enacted during the 2018 session established a mandate for admission within 10 days for defendants determined to be incompetent to stand trial or not criminally responsible. While the Maryland Department of Health was initially successful in meeting the mandated deadlines with an average placement time of 7.8 days, the average placement time has risen significantly to 17 days for fiscal 2021. State psychiatric hospitals are now grouped with other Maryland Department of Health hospital facilities and budgeted under the department's Administrations Hospital System.

Exhibit 10.7
Overview of State Psychiatric Hospital Centers
Fiscal 2023 Estimates

<u>Facility and Location</u>	<u>Type of Population</u>	<u>Average Daily Inpatient Population</u>
Eastern Shore (Cambridge)	Adult Domiciliary Care	77
Springfield (Sykesville)	Adult	240
Spring Grove (Catonsville)	Adult Domiciliary Care	377
Finan (Cumberland)	Adult Domiciliary Care	88
C. T. Perkins (Jessup)	Adult Forensic	284
RICA Baltimore (Catonsville)	Severely emotionally disturbed children and adolescents	42
RICA Gildner (Rockville)	Severely emotionally disturbed children and adolescents	48

RICA: Residential Institution for Children and Adolescents

Source: Department of Budget and Management

The Behavioral Health Administration's role in the community-based system is to oversee expenditures in the fee-for-service public mental health system, monitor the delivery of services, develop long-range plans and policies, and administer grants and contracts for the delivery of services that are excluded from the fee-for-service system, primarily through core service agencies. An administrative services organization is retained to assist with oversight of the fee-for-service mental health system. Responsibilities of the administrative services organization include processing claims, screening provider networks, verifying eligibility of recipients, authorizing services, performing utilization reviews, and establishing and maintaining a management information database. The fiscal 2023 State budget contained approximately \$2.55 billion to provide services to clients in the public mental health system, including services for Medicaid recipients. Federal funds comprised \$1.43 billion of the fiscal 2023 budget.

Substance Use Disorder Treatment Services

The Behavioral Health Administration oversees the provision and funding of substance use disorder treatment and prevention services. Services are provided through grants and contracts with private, nonprofit agencies or local health departments. Services include detoxification, inpatient/residential, outpatient, maintenance programs, and prevention.

Treatment services are provided to the uninsured and underinsured as well as to Medicaid-eligible individuals for services not eligible for Medicaid reimbursement. Each county must have a local drug and alcohol abuse council. The council must develop a local plan that includes the plans, strategies, and priorities of the county in meeting identified needs of both the general public and criminal justice system for alcohol and drug abuse evaluation, prevention, and treatment services.

The expansion of eligibility for adults under the federal Patient Protection and Affordable Care Act has greatly increased the federal fund financing available for substance use disorder treatment. In fiscal 2021, more than 111,000 individuals received substance use disorder treatment through the Medicaid program. Medicaid-eligible individuals receive a full range of benefits that are largely reimbursed with federal funds. Expenditures through the Medicaid program for substance use disorder services are budgeted for \$625.6 million in fiscal 2023, nearly a quarter of the total Behavioral Health Administration budget.

Actions to Address the Opioid Crisis

In recent years, rates of opioid use and overdose deaths have continued at an alarming rate, both in Maryland and nationwide. Several policy initiatives have been implemented at the federal level and by Maryland to address the opioid crisis.

State legislation enacted during recent legislative sessions has addressed prevention, treatment (including medication assisted treatment), overdose response, and prescribing guidelines. Established by executive order in 2017, the Opioid Operational Command Center facilitates collaboration between State and local public health, human services, education, and public safety entities to combat the heroin and opioid crisis. Among other duties, the center was established to develop operational strategies to continue implementing the recommendations of the Governor's Heroin and Opioid Emergency Task Force; collect, analyze, and facilitate the sharing of data relevant to the epidemic from State and local sources; develop a memorandum of understanding among State and local agencies that provides for the sharing and collection of health and public safety information and data relating to the heroin and opioid epidemic; assist and support local agencies in the creation of opioid intervention teams; and coordinate training and the allocation of resources for State and local agencies addressing the threat to the public health, security, and economic well-being of the State.

For fiscal 2022, the Opioid Operational Command Center awarded nearly \$10 million in grants to assist in combating the opioid crisis, including approximately \$5.5 million in competitive grants and approximately \$4 million in block grants across the State. The center also coordinates

and provides funding to 24 local Opioid Intervention Teams to meet community-specific heroin and opioid prevention, enforcement, and treatment needs.

Since the beginning of the opioid epidemic, multiple lawsuits have been filed against opioid manufacturers and distributors. In 2019, legislation was enacted to establish the Opioid Restitution Fund, a special fund to retain any revenues received by the State relating to specified opioid judgments or settlements, which may be used only for opioid-related programs and services. In fiscal 2022, the Opioid Restitution Fund received approximately \$12 million from the \$573 million global settlement agreement with McKinsey & Company for its role in marketing opioids, including OxyContin. On July 21, 2021, a \$26 billion global settlement was announced by opioid manufacturer Johnson & Johnson and related distributors. Through Maryland's participation in the global settlement, Maryland is expected to receive approximately \$500 million, which includes funding that will be passed through to local governments.

Behavioral Health Crisis Hotlines

In October 2020, the National Suicide Designation Act of 2020 was enacted to designate 9-8-8 as the universal telephone number for the purpose of the national suicide prevention and mental health crisis hotline system. In accordance with this federal action, Maryland must designate 9-8-8 as the State's behavioral health crisis hotline by July 16, 2022. Chapters 145 and 146 of 2022 establish a 9-8-8 Trust Fund to be used for costs associated with designating and maintaining the 9-8-8 line, as well as behavioral health crisis response services, including crisis call centers, mobile crisis team services, crisis stabilization centers, and other acute behavioral health care services. The chapters mandated \$5.5 million be appropriated to the fund in fiscal 2024.

2-1-1 Press 1 has been the State's primary behavioral health crisis hotline. Available 24 hours/7 days a week, the hotline has been available to assist callers by (1) conducting specified health screenings; (2) conducting risk assessments for callers experiencing an overdose or potentially committing suicide or homicide; (3) connecting callers to an emergency response system; (4) referring callers for ongoing care; and (5) following up with callers to determine if the callers' needs were met. Beginning in 2022, Maryland must transition from primarily using and promoting 2-1-1 Press 1 to 9-8-8 for crisis intervention services.

Although 2-1-1 Press 1 will transition to 9-8-8 for crisis intervention services, 2-1-1 will continue to serve as a one-stop connector for health and human services programs addressing housing, food, employment, utilities, tax services, legal assistance, and domestic violence issues. 2-1-1 will also serve as a resource for the aging, children, families, disabled, immigrant, and veteran populations.

Services for Individuals with Developmental Disabilities

The Developmental Disabilities Administration provides services to individuals with chronic disabilities attributable to mental or physical impairments manifested before age 22. A developmental disability is a condition attributable to a mental or physical impairment that results in substantial functional limitations in major life activities and which is likely to continue

indefinitely. Examples include autism, blindness, cerebral palsy, deafness, epilepsy, and multiple sclerosis. The Maryland Department of Health's Developmental Disabilities Administration is responsible for planning, developing, and directing a statewide system of services for the developmentally disabled and their families.

Approximately 98% of individuals served through the Developmental Disabilities Administration receive community-based services in one of three waiver programs under Medicaid. Through the Community Pathways, Community Supports, and Family Supports waiver programs, the Developmental Disabilities Administration receives a 50% federal match to provide approved services to enrolled individuals. An estimated 25,815 clients are expected to receive community services in fiscal 2023 at a cost of approximately \$1.68 billion, including an estimated \$804.4 million in federal funds.

Community-based services funded by the administration include residential placements; day programs where disabled individuals learn and maintain daily living skills such as eating, dressing, and cooking; individual and family support services that provide specialized equipment; supported employment; and targeted case management. As of February 2022, the waiting list across the three waiver programs totaled 3,728 individuals. Clients on the community services waiting list may receive targeted case management before being enrolled in a waiver program.

Direct services to individuals with developmental disabilities are provided in two State residential centers and one specialized unit for developmentally disabled individuals who are also court-involved. The Developmental Disabilities Administration also funds a coordinated service delivery system that supports the integration of these individuals into the community with services delivered by private providers. As part of an agency restructuring that centralized facilities management and development, the Maryland Department of Health's Operations Administration began overseeing and budgeting State facilities serving developmentally disabled individuals in fiscal 2022. As of May 1, 2022, in fiscal 2022, the State residential centers are operated with an estimated total average residential population of 87 clients at a cost of approximately \$35.5 million, primarily State funds.

Individuals who are also court-involved are primarily served in the Secure Evaluation and Therapeutic Treatment unit located on the grounds of the Potomac Center. This unit was relocated from the Springfield hospital in Sykesville on January 22, 2020. After a plan is developed, an individual may reside at another State facility or in a community placement appropriate to that individual's needs. A brief overview of each facility is presented in **Exhibit 10.8**.

Exhibit 10.8
Developmental Disabilities Facility Overview
Number of People Living at the Centers
Average Daily Population as of May 1, 2022

<u>Facility and Location</u>	<u>Type of Population Served</u>	<u>Average Daily Population</u>
Potomac (Hagerstown)	Adults with severe or profound developmental disabilities	40
Holly (Salisbury)	Adults with severe or profound developmental disabilities	47
Secure Evaluation and Therapeutic Treatment Unit (Hagerstown)	Developmentally disabled individuals who are court-involved	21

Source: Maryland Department of Health; Department of Legislative Services

Chronic Hospitals

The State runs two chronic care and rehabilitative hospitals, Western Maryland Center and Deer's Head Center, that provide specialized services for those in need of complex medical management, comprehensive rehabilitation, long-term care, or dialysis. Among other medical services, both centers provide:

- chronic care and treatment to patients requiring rehabilitation at a level greater than that available at a nursing home; and
- long-term care for patients no longer in need of hospital-level care but unable to function in traditional nursing homes.

The Deer's Head Center also provides inpatient and outpatient renal dialysis services.

In recent years, the combined average daily population for the hospitals has decreased slightly. In fiscal 2021, the combined average daily population was 97. The fiscal 2021 budget for the two hospitals totaled approximately \$50.5 million. Long-term care provided in chronic hospitals is predominantly State financed, while renal dialysis services are primarily financed with patient fees. The dependence on State dollars for services delivered in chronic hospitals is largely a reflection of the lack of any direct federal reimbursement for the individuals served. The State does, however, receive very limited federal Medicaid disproportionate share payments as

compensation for services provided to low-income individuals in State chronic hospitals. The department's November 2021 Facility Master Plan establishes a plan to transition services at these facilities away from State-provision and ownership and to community providers.

Charlotte Hall Veterans Home

The Charlotte Hall Veterans Home in St. Mary's County provides domiciliary living and comprehensive care to veterans residing in Maryland who are either unable to care for themselves because of a disability or advancing age or have need of skilled nursing. The Charlotte Hall Veterans Home is funded within the Maryland Department of Veterans Affairs and is operated through a contract with a private vendor. Additional information on Charlotte Hall Veterans Home may be found in "Chapter 11. Human Services" of this handbook.

Kidney Disease Program

In addition to the programs discussed above, the State is the payor of last resort for approximately 1,780 patients annually through the Kidney Disease Program that funds hospital services, renal transplantation, chronic maintenance dialysis, physician services, medications, and laboratory services. Effective October 16, 2019, administration of the Kidney Disease Program transferred from the Medical Care Programs Administration to the Prevention and Health Promotion Administration. The Kidney Disease Program is funded solely through State funds totaling \$9.7 million in fiscal 2023.

Breast and Cervical Cancer Diagnosis and Treatment Program

The Breast and Cervical Cancer Diagnosis and Treatment Program funds services for uninsured, low-income (below 250% of the federal poverty level) women ages 19 and older. The program is administered by the Prevention and Health Promotion Administration and covers services such as biopsies, mastectomies, radiation therapy, breast reconstruction, and other costs related to diagnosis and treatment. In fiscal 2021, the program served approximately 1,085 individuals at a cost of \$17.9 million.

Family Planning Programs

The Maryland Family Planning and Reproductive Health Program, administered by the Prevention and Health Promotion Administration, provides preconception health, teen pregnancy prevention, reproductive health, colposcopy, birth control, sexually transmitted disease screening and treatment, and related education and counseling services to approximately 64,000 Marylanders annually at clinics located throughout the State. The program is partly funded by the federal Title X Family Planning Grant.

The Maryland Medicaid program provides family planning, prenatal, and gynecological services to women with incomes up to 138% of the federal poverty level. Medicaid also provides a Family Planning Program, which is a limited benefit program that covers only family planning

services. The waiver program is open to men and women of all ages (1) with incomes at or below 264% of the federal poverty level; (2) who are United States citizens or qualifying aliens residing in Maryland; and (3) who are not already enrolled in Medicaid or Medicare. Enrollment in the program has declined significantly since the expansion of Medicaid eligibility under the federal Patient Protection and Affordable Care Act.

Public Health

Federal Role

Covering areas including infectious disease prevention and surveillance, chronic disease prevention, environmental health, and emergency preparedness, the Centers for Disease Control and Prevention is the primary federal agency for public health activities. The Agency for Toxic Substances and Disease Registry, also known as the National Center for Environmental Health, is a nonregulatory, environmental public health agency within the Centers for Disease Control and Prevention that aims to protect people's health from environmental hazards.

The National Institutes of Health serves as the primary federal agency for medical research, works toward the prevention, treatment, cures, and causes of diseases and disorders, and supports medical research through the funding of its own laboratories and through grants provided to outside researchers. The Food and Drug Administration regulates and oversees drugs, vaccines, biological products, medical devices, food and dietary supplements, cosmetics, products that emit radiation, and tobacco products. All three federal agencies are components of the U.S. Department of Health and Human Services, which manages and administers programs supporting public health efforts overall, among other activities. Each agency's mission includes disseminating information on a wide range of public health topics.

State Role

The Maryland Department of Health oversees public health at the State level through various administrations within the department. Under the Catastrophic Health Emergency Disease Surveillance and Response Program, the Secretary of Health has emergency public health powers, which were implemented during the COVID-19 catastrophic health emergency declared by the Governor on March 5, 2020. The Secretary is authorized to use the powers to monitor diseases; investigate exposure to deadly agents; and treat, prevent, or reduce the effects of exposure to deadly agents. The powers include authority to:

- require health facilities to develop and implement contingency plans that would assist in the detection and treatment of individuals exposed to a deadly agent;
- require health care providers to report information on individuals that have certain symptoms to maintain an effective disease surveillance system;

- order individuals exposed to a deadly agent to seek evaluation and treatment;
- order individuals to undergo isolation or quarantine;
- order local law enforcement officers to assist in the enforcement of evaluation and treatment or isolation and quarantine orders; and
- coordinate with health occupations boards to certify, license, and credential licensed or out-of-state health care practitioners that may be needed to respond to an emergency.

Health Systems and Infrastructure Administration

The Health Systems and Infrastructure Administration contains offices, including the Office of Population Health Improvement, that maintain and improve the health of Marylanders by assuring access to primary care services and school health programs, assuring the quality of health services, and supporting local health systems' alignment to improve population health. Administration offices define and measure Maryland's health status, access, and quality indicators for use in planning and determining public health policy. The agency improves access to quality health services in Maryland by developing partnerships with agencies, coalitions, and councils; funding and supporting local health departments through the Core Funding Program; collaborating with the Maryland State Department of Education to ensure the physical and psychological health of school-aged children through adequate school health services and a healthy school environment; seeking public health accreditation of State and local health departments; identifying areas where there are insufficient numbers of providers (primary care, dental, and mental health) to care for the general, rural, Medical Assistance, and low-income populations in Maryland; working to recruit and retain health professionals through loan repayment programs and access to J1 Visa waivers; and creating and promoting relevant State and national health policies.

Prevention and Health Promotion Administration

The Prevention and Health Promotion Administration provides public health leadership through community-based public health efforts in partnership with local health departments, providers, community-based organizations, and public- and private-sector agencies. The administration is organized into five bureaus:

- the Office of Infectious Disease Prevention and Health Services;
- the Office of Infectious Disease Epidemiology and Outbreak Response;
- the Maternal and Child Health Bureau;
- the Environmental Health Bureau; and

- the Cancer and Chronic Disease Bureau.

Across these five bureaus, the administration focuses, in part, on the prevention and control of infectious diseases, investigation of disease outbreaks, protection from food-related and environmental health hazards, and helping impacted persons live longer, healthier lives. Additionally, the administration works to ensure the availability of quality primary, prevention, and specialty care health services with special attention to at-risk and vulnerable populations. Finally, the administration aims to prevent and control chronic diseases, engage in disease surveillance and control, prevent injuries, provide health information, and promote healthy behaviors.

Administered by the Maternal and Child Health Bureau, the Special Supplemental Nutrition Program for Women, Infants, and Children, commonly referred to as the WIC Program, is one of the largest and most widely known public health programs. In fiscal 2021, the program spent \$79.6 million, supported entirely with federal funding. The WIC Program serves low-income (below 185% of the federal poverty level) pregnant, postpartum, and breastfeeding women; infants younger than age one; and children up to age five with a nutritional risk such as anemia or poor diet. Beneficiaries receive a nutrition assessment, supplemental foods, and referrals to other health and social service programs for which they may qualify. An average of 121,092 women, infants, and children received WIC food benefits each month in fiscal 2021.

Cigarette Restitution Fund

The Cigarette Restitution Fund was created in 1999 for payments received by the State from the Master Settlement Agreement with cigarette manufacturers. Chapters 172 and 173 of 1999, which established the Cigarette Restitution Fund, specified certain health- and tobacco-related priorities, including reduction in the use of tobacco products by youth; tobacco control campaigns in schools; smoking cessation programs; enforcement of tobacco sales restrictions; primary health care in rural areas; programs concerning cancer, heart disease, lung disease, and tobacco control; substance use treatment and prevention; and crop conversion. The fund also supports Medicaid, and each year at least 30% of the amount appropriated from the fund must be allocated to Medicaid. Chapters 41 and 42 of 2021 further expanded the use of the Cigarette Restitution Fund by requiring that certain payments, specifically those received by Maryland as a result of litigation related to enforcement of the qualifying statute for the Master Settlement Agreement, be used for settlement payments to Historically Black Colleges and Universities.

Annually, no less than half of the funds appropriated from the Cigarette Restitution Fund must be used for the priorities outlined in statute. To support this goal and address the causes and effects of tobacco use, the General Assembly created the Tobacco Use Prevention and Cessation Program and the Cancer Prevention, Education, Screening, and Treatment Program within the Prevention and Health Promotion Administration.

The Tobacco Use Prevention and Cessation Program is a statutory program incorporating best practice recommendations of the federal Centers for Disease Control and Prevention. The

program provides comprehensive smoking cessation assistance, tobacco use prevention services, and countermarketing initiatives directed at Maryland youth and young adults. The program is mandated to conduct biennial, county-level youth and adult tobacco surveys and is funded through the Cigarette Restitution Fund. Fiscal 2021 expenditures for the program were about \$6.3 million.

The Cancer Prevention, Education, Screening, and Treatment Program is charged with developing initiatives to reduce morbidity and mortality rates due to cancer in Maryland through implementation of local public health and statewide academic health center initiatives. The mission of the program is to enhance cancer surveillance, implement community-based programs to prevent and/or detect cancer early, enhance cancer research, and translate cancer research into community-based clinical care. Fiscal 2021 expenditures for the program were about \$25.3 million.

Laboratories Administration

The mission of the Laboratories Administration is to promote, protect, and preserve the health of the people of Maryland from the consequences of emerging infectious diseases, environmental factors, and unsafe consumer products through the following measures:

- adopting scientific technology to improve the quality and reliability of laboratory practice in the areas of public health and environmental protection;
- expanding newborn hereditary disorder screening;
- maintaining laboratory emergency preparedness efforts; and
- promoting the quality and reliability of laboratory data in support of public health and environmental programs.

The Maryland Department of Health operates a central Public Health Laboratory, located at the Baltimore Science and Technology Park at Johns Hopkins, and regional laboratories in Salisbury and Cumberland. The fiscal 2021 budget for the administration was \$50.7 million. Federal funds covered approximately \$6.6 million, or 12.9% of the costs of the administration, including \$1.9 million in federal assistance to respond to the COVID-19 pandemic.

Maryland Community Health Resources Commission

The Maryland Community Health Resources Commission was established in 2005 to strengthen the safety net for uninsured and underinsured Marylanders (*i.e.*, community health resource centers, which range from federally qualified health centers to smaller community-based clinics). Commission responsibilities include identifying and seeking federal and State funding for the expansion of community health resource centers; developing outreach programs to educate and inform individuals of the availability of community health resource centers; and assisting

uninsured individuals under 200% of the federal poverty level to access health care services through community health resource centers.

Prior to fiscal 2023, the commission was funded with a portion of the premium tax exemption subsidy provided by CareFirst, at \$8 million annually. For fiscal 2023 and 2024 only, Chapter 150 of 2021 authorized funding to be distributed from the Maryland Health Benefit Exchange's Reinsurance Fund. Funding beyond fiscal 2024 for the commission's operating grants is currently uncertain; however, the commission gained responsibility for distributing Health Equity Resource Communities Grants through fiscal 2025 and the Maryland Consortium on Coordinated Community Supports under Chapters 741 and 742 of 2021 and Chapter 713 of 2022, respectively.

Office of the Chief Medical Examiner

The Office of the Chief Medical Examiner provides postmortem examining services and is required by statute to investigate all violent or suspicious deaths, including all deaths unattended by a physician. The mission of the office is to provide competent, professional, thorough, and objective death investigations in cases mandated in Maryland statute that assist State's Attorneys, courts, law enforcement agencies, and families. The office also seeks to strengthen partnerships between federal, State, and local governments through training and education of health, legal, and law enforcement professionals; supports research programs directed at increasing knowledge of pathology of disease; and protects and promotes the health of the public by assisting in the development of programs to prevent injury and death. Fiscal 2021 expenditures for the office were \$15.7 million.

Office of Preparedness and Response

The Office of Preparedness and Response oversees programs focused on enhancing public health preparedness activities for the State and local jurisdictions. The key aspects of the work conducted under the leadership of the office are interagency collaboration and preparedness for public health emergencies. Although annual budgets for the office have typically ranged from \$15 million to \$20 million, fiscal 2021 expenditures for the office were \$1.7 billion, reflecting significant amounts of federal assistance in responding to the COVID-19 public health emergency.

Prescription Drug Affordability Board

The Prescription Drug Affordability Board was established to protect State residents and other stakeholders from the high costs of prescription drug products. The board must conduct a study on the entire pharmaceutical distribution and payment system and policy options being used in other states and countries, collect publicly available information and data, and enter into memoranda of understanding with other states to collect data to identify prescription drug products that may cause affordability issues. The board may conduct a cost review of each identified drug product. If the board determines that it is in the best interest of Maryland to implement a process for setting upper payment limits on prescription drug products, the board must draft a plan of action to implement the process and submit the plan to the Legislative Policy Committee for approval. If

the Legislative Policy Committee does not approve the plan within 45 days, the board must submit the plan to the Governor and the Attorney General for their approval. The board may not set upper payment limits before getting approval of the plan. The board is funded by an annual fee on prescription drug manufacturers, pharmacy benefits managers, health insurance carriers, and wholesale distributors that sell or offer-for-sale prescription drug products to persons in the State. Beginning in fiscal 2023, the board is included in the State budget as an independent unit outside of the Maryland Department of Health.

Local Role

Local health departments in each county and Baltimore City function as the local health agency with primary responsibility for policy development, assessment, and assurance of public health in each jurisdiction. Services provided by local health departments reach both individuals and the community as a whole.

Each county is required by State law to establish a local board of health. The local board of health is charged with setting and implementing health policy on the local level. A local health officer, who is nominated by each county and appointed by the Secretary of Health, serves as the executive director of the board, appoints the staff of the local health department, and enforces policies adopted by the Secretary and the local jurisdiction.

Staff at the local health departments may be considered State or county employees, at the option of home rule subdivisions. In non-home rule subdivisions, the employees are in the State merit system and paid through the State's Central Payroll Bureau, although they are generally excluded from counts of State employees. Health department employees in Baltimore City and Baltimore, Montgomery, and Prince George's counties are generally employees of the local jurisdiction, although local health officers in some of those jurisdictions are State employees.

The local health departments in each jurisdiction can implement various programs that are approved by the Secretary of Health. The Maryland Department of Health encourages the local jurisdictions to establish programs in the areas of maternity care, infant and child care, family planning, cancer control, and AIDS education and research.

Core local health services are broadly divided into the six service areas described below, as well as certain administrative expenses:

- **Communicable Disease Control** – includes programs to prevent and control the spread of HIV as well as other sexually transmitted diseases, tuberculosis-control programs, and childhood vaccination programs;
- **Environmental Health** – works in conjunction with the Maryland Department of the Environment to increase awareness of environmental hazards, examples of which include carbon monoxide, ozone, and indoor molds;

- **Family Planning** – provides planning and reproductive health services, including pregnancy prevention and female reproductive health screening;
- **Maternal and Child Health** – provides case management for medically vulnerable children, administers pre-school vaccination programs, and provides school-based programming in conjunction with the Maryland State Department of Education, as well as abstinence education and lead poisoning prevention and control;
- **Wellness Promotion** – promotes healthy lifestyles and physical activity; and
- **Adult and Geriatric Health** – coordinates programs to reduce death and disability due to chronic disease.

State, local, and federal dollars support the operations of local health departments. State and federal dollars are provided to the local health departments through the Targeted Local Health Program and individual grant agreements between local health departments and various administrations at the Maryland Department of Health. Local health officers are considered State employees – with the exception of the health officer of Baltimore City, who is a city employee. The salaries of the health officers are funded with a mixture of State grant funding and local dollars. The officers must be nominated by the local governing body and appointed by the Secretary of Health. **Exhibit 10.9** provides a county-by-county summary of local health department funding.

Section 2-302 of the Health-General Article mandates an annual formula for the Targeted Local Health Program. Due to budget constraints, legislation enacted in 2010 and 2017 lowered the base funding level for the program and resumed statutory growth factors in the following fiscal years. Chapter 805 of 2021 rebases the funding formula at a minimum of \$70.0 million in fiscal 2025 and \$80.0 million in fiscal 2026. The fiscal 2023 budget for core public health services totals \$74.9 million, exceeding the mandated funding level to bring local health department funding above the \$71.5 million level experienced before the Great Recession. A local match is required to secure the State and federal funds, ranging from 21% to 75% in fiscal 2021. Overall, most local health departments spend more than their required matching amount each year.

Local health departments also obtain revenue from charges for services. The Maryland Department of Health sets the fees for various clinic services, and the local health departments apply the charges on a sliding scale, based on income and family size. Revenues generated from collection of the fees are available to the local health departments for the provision of services. Due to the COVID-19 pandemic, many fee-for-service clinics operated by local health departments faced revenue shortfalls as patient volume was reduced. The Maryland Department of Health distributed \$5.0 million in fiscal 2020, \$9.0 million in fiscal 2021, and \$9.4 million in fiscal 2022 to assist local health departments backfill the lost revenue from these clinics.

Local expenditures on health services are not limited to funding the operations of local health departments. Public health spending by each of the jurisdictions also includes an

indeterminate amount of federal grants which may include funds for substance use treatment, child and maternal health programs, school-based health services, health services for older Marylanders, and mental health programs.

Exhibit 10.9
Funding for Local Health Departments
Fiscal 2021

<u>County</u>	<u>Targeted Local Health Grants</u>	<u>Other Grant Agreements with MDH¹</u>	<u>Local Funding</u>	<u>Total Funding</u>
Allegany	\$1,940,041	\$16,076,441	\$1,345,794	\$19,362,276
Anne Arundel	4,829,301	28,503,567	42,833,010	76,165,878
Baltimore City	8,746,841	52,830,475	89,918,813	151,496,129
Baltimore	5,769,560	41,755,756	18,809,732	66,335,048
Calvert	870,148	19,857,558	2,544,301	23,272,007
Caroline	996,620	4,998,058	475,679	6,470,357
Carroll	2,289,303	25,602,284	3,601,730	31,493,317
Cecil	1,593,443	10,797,540	3,968,654	16,359,637
Charles	1,995,355	26,334,881	3,156,643	31,486,879
Dorchester	961,725	8,877,930	732,741	10,572,396
Frederick	2,668,845	14,694,764	7,939,591	25,303,200
Garrett	973,219	6,252,404	3,288,765	10,514,388
Harford	3,017,473	16,541,208	3,711,255	23,269,936
Howard	2,305,303	37,587,519	11,078,222	50,971,044
Kent	847,396	5,968,455	529,646	7,345,497
Montgomery	4,222,528	36,228,276	20,771,633	61,222,437
Prince George's	6,819,285	51,142,719	36,530,660	94,492,664
Queen Anne's	830,511	9,085,025	2,437,604	12,353,140
St. Mary's	1,344,211	18,987,692	2,633,729	22,965,632
Somerset	879,678	7,028,185	664,978	8,572,841
Talbot	672,769	6,181,485	2,508,300	9,362,554
Washington	2,484,059	26,845,541	2,339,270	31,668,870
Wicomico	1,842,600	26,584,317	3,440,795	31,867,712
Worcester	1,143,712	13,151,984	5,628,761	19,924,457
Total	\$60,043,926	\$511,914,064	\$270,890,306	\$842,848,296

MDH: Maryland Department of Health

¹Includes \$8,988,425 in COVID-19 federal assistance distributed to local health departments to support fee-for-service clinics.

Note: Data for "Other Grant Agreements" and local spending are based on unaudited figures provided by local health departments through the county uniform financial reports and State budget information on actual fiscal 2021 spending. "Other Grant Agreements" includes both State and federal funds.

Source: Department of Budget and Management; Maryland Department of Health; Local Health Departments; Uniform Financial Reports; Department of Legislative Services

Regulation and Quality Assurance

Primary oversight of the State's health care system is undertaken by the Maryland Department of Health, principally the Office of Health Care Quality, various health occupations boards, and four commissions. The department not only oversees the public health sector, but also private-sector hospitals, health care providers, health maintenance organizations, and others. Local health departments also take a role in regulation through environmental testing linked to county permits and the permitting and inspection of food service facilities and other licensed food operations.

The Office of Health Care Quality is charged with the licensing and oversight of most health care facilities, as well as the regulation of health maintenance organizations for quality purposes. The Commission on Kidney Disease certifies dialysis and transplant centers. Three other commissions, located within the department, also take part in the regulation of the health care system. The Maryland Health Care Commission is charged with developing a State plan of health care needs for the State and issuing certificates of need for health care facilities and services. The Health Services Cost Review Commission sets hospital rates for all health care payors in the State and manages the All-Payer Model Contract. The Natalie M. LaPrade Maryland Medical Cannabis Commission oversees all licensing, registration, inspection, and testing measures pertaining to Maryland's medical cannabis program.

The Maryland Department of Health's health care financing office regulates the managed care organizations that participate in various medical assistance programs, while the Prevention and Health Promotion Administration inspects and oversees other industries and activities, such as the food industry and swimming pools, which affect the health of the State's residents.

Regulation of some private health insurance sold in the State is performed by the Maryland Insurance Administration, the Maryland Health Care Commission, and the Maryland Health Benefit Exchange.

Regulation of Health Care Facilities

The Maryland Department of Health's Office of Health Care Quality inspects hospitals, nursing homes, and other community-based health care providers to determine their compliance with federal and State standards for safety and sanitation. The office also conducts certification reviews for facilities participating in the Medicare and Medicaid programs. In total, the office regulates more than 19,000 providers across 44 industries in Maryland. Fiscal 2021 actual expenditures for the office were \$29.5 million. Additional information on the facilities regulated by the office can be found in "Chapter 9. Health" in *Volume VII – Business Regulation in Maryland*.

The Maryland Commission on Kidney Disease is responsible for certifying dialysis and transplant centers, receiving and resolving complaints regarding health care providers working in such centers, and setting standards for the practice of chronic dialysis and transplantation that

reflect new and emergent developments in the practice of chronic dialysis and kidney transplantation through regulations and legislation. Fiscal 2021 actual expenditures for the commission were \$160,577.

Regulation of Health Care Professionals

Twenty health occupations boards share responsibility for regulating various health care professions in Maryland. The boards are responsible for the examination, licensure, certification, or registration; regulation; and discipline of nearly 384,000 health care professionals. Additionally, the boards set standards of practice and continuing education requirements. The boards charged with regulating the health care professionals, with the exception of the State Board of Long-Term Care Administrators (formerly known as the State Board of Examiners for Nursing Home Administrators), the State Board for the Certification of Residential Child Care Program Professionals, and the State Board of Environmental Health Specialists are funded through fees that are recognized in the budget as State special funds. Additional information on the health occupations boards can be found in “Chapter 9. Health” in *Volume VII – Business Regulation in Maryland*.

Additional Regulatory Activities

Three independent commissions in the department have responsibilities for health care systems regulation – the Maryland Health Care Commission, the Health Services Cost Review Commission, and the Natalie M. LaPrade Medical Cannabis Commission.

Maryland Health Care Commission

The Maryland Health Care Commission is responsible for (1) overseeing the Medical Care Data Base, a database of health insurance claims for covered services received by privately insured Maryland residents; (2) monitoring the fiscal impact of State-mandated health insurance benefits; (3) developing quality and performance measures for health maintenance organizations, hospitals, ambulatory care facilities, and nursing homes; (4) overseeing electronic claims clearinghouses; (5) directing and administering State health planning functions to produce the State Health Plan; (6) conducting the certificate of need program; and (7) enhancing the adoption of health information technology (such as electronic health records) in the State.

At least every five years, the commission adopts a State Health Plan, which sets the methodologies, standards, and criteria for certificate of need review. The certificate of need process was established to ensure that new health care facilities and services were only added to the State as needed. The commission must issue a certificate of need before any health care facility can be built, relocated, or modified in the State. All projects requesting certificate of need approval are evaluated for consistency with review standards and need projections in the State Health Plan and are evaluated against five additional criteria: need; viability; impact; the cost and effectiveness of alternatives to the proposed project; and the applicant’s track record in complying with conditions and terms placed on project approvals previously issued to the applicant.

The commission also administers the Maryland Trauma Physician Services Fund jointly with the Health Services Cost Review Commission. The fund provides payments to offset the costs of uncompensated and undercompensated medical care provided by trauma physicians to patients at Maryland's designated trauma centers, stipends to trauma centers for on call and standby expenses, and grants for certain trauma equipment. The fund is financed through a \$5.00 surcharge on motor vehicle registrations and renewals. The surcharge generated about \$12.5 million in fiscal 2021.

In fiscal 2021, the commission's total budget, including funding provided from the Maryland Trauma Physician Services Fund, was \$32.3 million. Commission administrative expenses are funded with user fees assessed on hospitals, nursing homes, insurance companies, and various health care practitioners.

Health Services Cost Review Commission

The commission, an independent State agency with seven commissioners appointed by the Governor, was established in 1971 with the goals of containing hospital cost growth, improving access to life-saving care, maintaining equity in hospital payments, and providing financial stability and predictability for payors and hospitals. The commission has been responsible for setting hospital rates for all payers, including Medicare, Medicaid, and commercial insurers, since 1977 as authorized by a federal Medicare waiver. The commission has rate-setting authority over approximately 55 facilities, including 45 acute care hospitals. The commission's rate regulatory authority applies to inpatient services (as defined by Medicare) and outpatient and emergency services at a hospital (on the campus). The commission does not regulate physician fees.

In 2014, the federal waiver granting the State authority to set hospital rates was replaced with a five-year Maryland All-Payer Model Contract. Under the All-Payer Model, the State agreed to constrain the growth in per capita hospital expenditures and improve patient health outcomes through the adoption of a number of new policies including annual global budgets for each hospital. Over the first four years of the model, Maryland met all of the financial and quality performance targets in the agreement. Most notably, the State saved Medicare more than \$900 million by holding the growth in per capita Medicare hospital expenditures below the national growth rate for the same period. The State also dramatically reduced the frequency of preventable complications and hospital readmissions.

In July 2018, the State and the federal government agreed to replace the All-Payer Model with a more expansive Total Cost of Care Model, which requires the State to constrain the growth in total (not just hospital) per capita health care spending. The State is expected to achieve savings targets by progressively transforming care delivery across the health care system with the objective of improving patient health and the quality of care. The new agreement allows the State to implement incentives to encourage hospitals and other health care providers to work collaboratively and share the savings from their collective success.

The commission is supported entirely by user fees assessed on hospitals. The fiscal 2021 actual expenditures for the commission's administrative expenses were \$23.5 million. Additional

information on the commission and the regulation of hospitals in Maryland can be found in “Chapter 9. Health” in *Volume VII – Business Regulation in Maryland*.

Natalie M. LaPrade Medical Cannabis Commission

Established in 2013, the 13-member Natalie M. LaPrade Medical Cannabis Commission is responsible for the implementation of programs to make medical cannabis available to qualifying patients in a safe and effective manner. The commission oversees licensing, registration, inspection, and testing related to the State’s medical cannabis program and provides relevant program information to patients, physicians, growers, dispensers, processors, testing laboratories, and caregivers.

A certified provider, which includes physicians, physician assistants, dentists, podiatrists, nurse practitioners, and nurse midwives, may provide qualifying patients and their caregivers with medical cannabis via written certification. A certifying provider must be licensed and in good standing in the State. To issue a certification to a patient with a qualified medical condition the provider must have a bona fide provider-patient relationship with the patient, the patient’s condition must be severe, other treatments must have proven ineffective, and the symptoms must reasonably be expected to be relieved by the use of medical cannabis. As of June 2022, the commission has registered approximately 1,000 certifying providers, 156,000 qualifying patients, and 7,000 caregivers.

The commission is supported by special funds, including licensure fees, identification card fees, and fines. In fiscal 2021, commission revenues were \$11.8 million: \$7.2 million in licensure fees; \$3.4 million in patient identification card fees; and \$1.2 million in other fines/fees. Chapter 26 of 2022, contingent on approval of a referendum regarding adult-use cannabis, expresses intent that the Alcohol and Tobacco Commission become the successor to the commission concerning the regulation of medical cannabis. Additional information on the commission and the licensing of medical cannabis growers, processors, and dispensaries can be found in “Chapter 9. Health” in *Volume VII – Business Regulation in Maryland*.

Regulation of Health Insurance

The State also plays a role in the regulation of some private health insurance. Regulation of the business of insurance falls almost exclusively to states. However, the federal Employee Retirement Income Security Act preempts states’ ability to require private employers to offer insurance coverage and exempts the coverage offered by self-insured entities from state insurance regulation. Self-insured entities assume risk and pay all claims for services directly, usually through a third-party administrator, rather than purchasing a fully insured health benefit plan from an insurer.

Insured health benefit plans are regulated by the Maryland Insurance Administration and subject to Maryland law, while other (self-insured) employment-based plans are not regulated by the Maryland Insurance Administration and are generally not subject to Maryland law. In calendar 2021, approximately 2.73 million Maryland residents younger than age 65 (53.9%) were

insured through commercial health benefit plans – either an insured health benefit plan (*i.e.*, individual and group insured health benefit plans) or other employment-based health benefit plans (*i.e.*, self-insured health benefit plans and the Federal Employees Health Benefit Plan). Yet, as State regulation applies only to *insured* plans, only 17.7% of the State’s nonelderly population were covered by a plan subject to State regulation. Of the total number of covered lives enrolled in commercial health insurance in the State in 2021, 33% were in plans subject to State regulation, while 67% were in plans not subject to such regulation.

Exhibit 10.10 shows the types of health benefit plans offered in the State and how they have changed between calendar 2017 and 2021.

Exhibit 10.10
Health Benefits and Maryland Covered Lives by Type of Health Benefit Plan
As a Percentage of the Population Younger than Age 65
Calendar 2017 and 2021

	Percentage of Population Younger Than Age 65 <u>2017</u>	Percentage of Population Younger Than Age 65 <u>2021</u>	Percentage Change <u>2017 to 2021</u>
Overall Commercial Health Insurance Market	57.3%	53.9%	-5.9%
Group – Insured	14.7%	13.2%	-10.2%
Group – Self-insured	29.0%	27.4%	-5.5%
Federal Employees Health Benefit Plan	8.7%	8.7%	0.0%
Individual	5.0%	4.5%	-10.0%

Note: Information is based on self-reported data from health insurers and third-party administrators and may not match with coverage information in Exhibit 10.1.

Source: Maryland Insurance Administration

In addition to comprehensive health insurance policies, the Maryland Insurance Administration regulates Medicare supplement policies, long-term care policies, and other types of ancillary health insurance coverage. The administration regulates health insurers and insurance producers through licensing, solvency, rate and form approval, financial and market conduct examinations, consumer protection enforcement, and fraud investigation. Additional information on the Maryland Insurance Administration is available in “Chapter 13. Economic Development and Business Regulation” of this handbook and “Chapter 8. Insurance” of *Volume VII – Business Regulation in Maryland*.

Chapter 11. Human Services

Maryland's human services delivery system has evolved since the 1930s from a joint State and local effort to a State- and federally funded and State-supervised system. While Baltimore City and the counties may supplement expenditures on human services, the amount of local funding is quite small. Social services accounted for about 1.8% of total county government spending in fiscal 2021.

Although county governments do not play a major role in paying for or furnishing social services, a significant amount of responsibility for planning and coordinating the delivery of services is assigned to the local management boards. These boards, which are State-funded but locally staffed, operate in each county and Baltimore City.

Structure and Service Delivery

At both the State and local levels, the structure of Maryland's human services delivery system varies by the population being served. The State's Department of Human Services, which provides public welfare, child support services, and social services, is Maryland's largest human services agency in both expenditures and personnel. Many of the department's services are coordinated and delivered through offices in the counties and Baltimore City. Other State agencies with an active role in human services delivery are the Maryland Department of Aging; the Department of Disabilities; the Department of Juvenile Services; the Department of Veterans Affairs; the Governor's Office of Crime Prevention, Youth, and Victim Services; and the Office of the Deaf and Hard of Hearing. At the local level, local management boards and area agencies on aging are also involved with coordinating the delivery and direct provision of services to clients.

The State also uses other organizational structures, such as contracts with community organizations, to deliver human services. The State has established a three-digit number, 2-1-1, as the primary information and referral telephone number for health and human services in the State. 2-1-1 Maryland, a 501(c)(3) corporation in the State, oversees a network of call centers that supports the 2-1-1 information and referral service.

This chapter discusses the delivery of human services based on the population served: children and families; youth in the juvenile justice system; the aged; the disabled; and veterans. Local projects and funding provided by various levels of government for human services are also reviewed.

Services to Children and Families

Coordination of Services for Children and Families

Coordination of services for children, youth, and families in Maryland is provided by the Children's Cabinet. In 2019, the Children's Cabinet, along with the former Governor's Office for Children, was integrated into the Children and Youth Division of the Governor's Office of Crime Prevention, Youth, and Victim Services. The cabinet, which was established by executive order in 2005, provides ongoing examination of the structure of Maryland's service delivery system and aims to facilitate a comprehensive, trauma-informed, effective, efficient, and integrated service delivery system. The Children's Cabinet must prepare and annually update a three-year plan establishing priorities and strategies for the coordinated delivery of State interagency services for children and families.

The Governor's Office of Crime Prevention, Youth, and Victim Services provides staff to support the Children's Cabinet, and its executive director serves as the cabinet's chair. Membership also includes the Secretary of Budget and Management, Secretary of Disabilities, Secretary of Health, Secretary of Human Services, and Secretary of Juvenile Services, as well as the State Superintendent of Schools. The Children's Cabinet Implementation Team works to operationalize the policies developed by the cabinet. The Children's Cabinet also partners with units of local government and local management boards to plan, monitor, and coordinate services for at-risk children and their families.

Local Management Boards

State law enacted in 1990 required every jurisdiction to establish a local management board. This was complete by the end of fiscal 1998. Local management boards are selected by the chief elected or appointed local official and include parents; advocates; directors of the local child and family service agencies (such as departments of social services, boards of education, health departments, and core service agencies); representatives of other local agencies (the judiciary, police, etc.); and local government officials. Local management boards receive their funding from the State upon agreement to a memorandum of understanding, which must be signed by the chief elected or appointed local official.

Local management boards, which are organized as either public agencies considered to be an instrument of local government or as nonprofit organizations, are charged with ensuring the implementation of a local, interagency service delivery system for children, youth, and families. Specific responsibilities include assessing community needs, setting priorities for the allocation of funds, ensuring collaboration across State and local agencies, and contracting for the provision of certain services. Generally, the boards do not provide direct services; instead, they purchase services from public and private providers (for example, after school programs, home visiting programs, and navigator programs). While not required to contract with traditional service providers (local departments of social services and other State agencies), many local management boards do so.

Local Departments of Social Services

The local departments of social services play a more visible role in the State's human services delivery system than the local management boards as they are the focal points for most beneficiaries of Maryland's human services programs, especially those intended for children and families. Despite the tag "local," local departments of social services are essentially arms of the State's Department of Human Services in each county and Baltimore City.

Each local department has a director appointed with the concurrence of the Secretary of Human Services and the county executive, county council or commissioners, or Mayor of Baltimore City. Except in Montgomery County, local department directors and most of their staff are State employees. Legislation enacted in 1996 transferred the duties of the local department of social services in Montgomery County from the State to the county. While the State continues to fund social service programs in the county through a grant to Montgomery County, all social services staff in the county except the local director and employees in the child support function are county employees.

Local departments in each county and Baltimore City are responsible for the supervision, direction, and delivery of an array of social services. The Family Investment Administration, the Social Services Administration, and the Child Support Administration in the Department of Human Services use the local departments of social services as the primary mechanism for service delivery.

Federal and State funds finance all of the mandated operations of the local departments. While there is no mandatory local contribution, many county governments supplement State funds to support local programs. The allocation of State and federal funds to the local departments is controlled by the Department of Human Services, which also sets policy for most of the programs administered by the local departments.

Local boards of social services (referred to as the Social Services Commission in Baltimore City) provide additional input into the activities of the local departments. The responsibilities of the boards, which are mandated by State law, include advising the local departments, advocating on social services issues, consulting with the director on new services for unmet needs, and assisting in the evaluation of the local director in conjunction with the local government and the Department of Human Services. The local governing body appoints board members to serve three-year terms (or four-year terms in the case of Charles County). Board members serve without compensation and typically hold monthly meetings.

Cash/In-kind Assistance

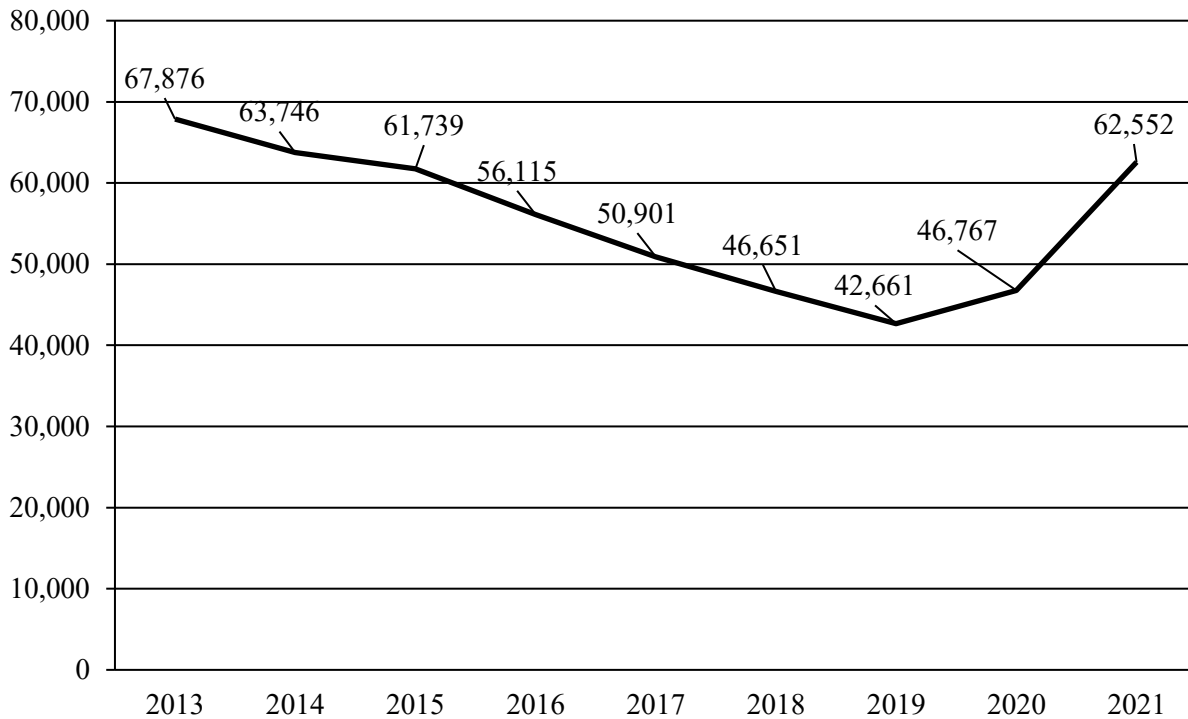
The State provides a wide range of cash and in-kind assistance to families, and in some cases, adults without children.

Temporary Cash Assistance: Temporary Cash Assistance, the State's largest cash assistance program, provides a monthly subsidy to families with dependent children when available resources

do not fully address the family's needs and while preparing program participants for independence through work. Temporary Cash Assistance benefits are accessed through an electronic benefit card, which is similar to an electronic banking card. Healthy adults must participate in a work activity to continue receiving benefits. In addition, federal law limits families to five years of federally funded assistance but provides a hardship exemption for a specified percentage of the caseload. In federal fiscal 2021, under this exemption, 2,324 Maryland families who reached the five-year cumulative time limit were able to continue receiving monthly benefits funded with federal dollars. As provided in State law, if the State exceeds its limit of "hardship" cases, the department, through the exclusive use of State dollars, provides benefits to families in compliance with program requirements. The fiscal 2023 budget assumes an average monthly grant of \$270.64 per individual recipient, which includes temporary monthly benefit enhancement of \$45 per month. **Exhibit 11.1** provides information on the Temporary Cash Assistance caseload in recent years. Following the Great Recession Recovery, the number of Temporary Cash Assistance recipients declined to all time program lows with the number of recipients below 40,000 in January and February 2020. However, the average monthly number of recipients grew at historic rates early in the COVID-19 pandemic peaking in June 2020, though due to the timing of this growth the average monthly recipients continue to increase through 2021, due to adverse economic conditions caused by the COVID-19 pandemic and waivers of certain requirements including recertification requirements during most of the period from April 2020 through December 2021. In fiscal 2021, there were an average of 62,552 monthly recipients of Temporary Cash Assistance in Maryland.

Transitional Support Services Program (Temporary Cash Assistance Cliff Program): For the first three months after leaving the Temporary Cash Assistance Program due to employment or income exceeding eligibility limits, this federally funded program provides a benefit at the same level as a case received prior to exiting the program. The program was implemented in fiscal 2020 and is intended to reduce the impact of the benefit cliff for Temporary Cash Assistance recipients. In fiscal 2021, the average monthly recipient count for this program was 2,130, with an average monthly grant of \$342. A total of \$8.7 million in benefits were provided under the program in fiscal 2021.

Exhibit 11.1
Temporary Cash Assistance Average Monthly Recipients
Fiscal 2013-2021



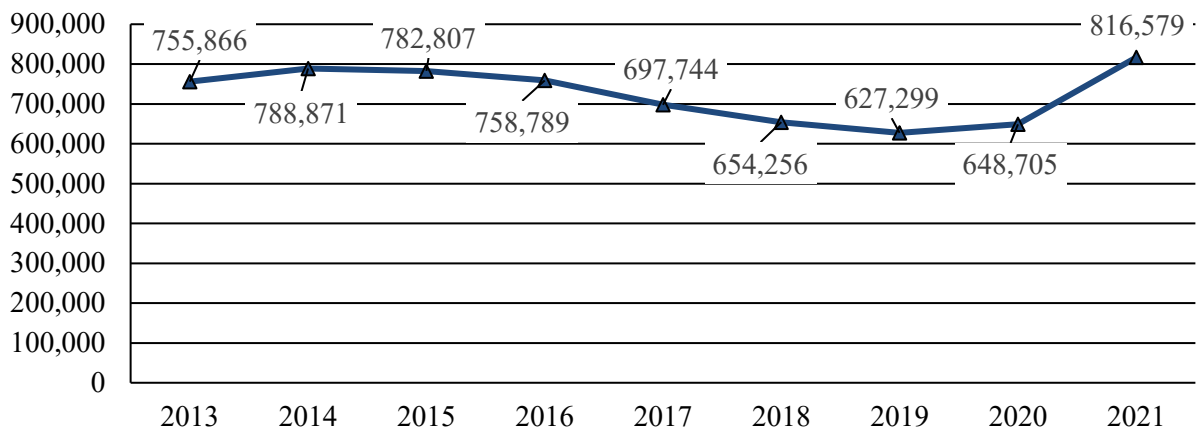
Source: Department of Human Services

Child Support Pass-through Program: As required in Chapters 737 and 738 of 2017 and implemented in fiscal 2020, the child support pass-through distributes a maximum of \$100 of child support collections for the first child and \$200 for two or more children to Temporary Cash Assistance recipients. Previously, all Temporary Cash Assistance-related child support collections were retained with half used to reimburse the State and half to reimburse the federal government. In fiscal 2021, there were 8,071 average monthly recipients for this program, and the average monthly amount received was \$52. A total of \$5.0 million in special funds from child support collections were distributed under the program in fiscal 2021.

Supplemental Nutrition Assistance Program: This program, formerly known nationally as the Food Stamp Program and in Maryland as the Food Supplement Program, provides benefits solely for the purchase of food items to families who meet income and resource requirements. Benefit costs are 100% federally funded, while administrative costs are split equally between the State and federal government. Program rules and regulations are issued by the federal government.

Like Temporary Cash Assistance benefits, Supplemental Nutrition Assistance Program benefits are provided to recipients through an electronic benefit card. After several years of declines, the number of recipients rapidly increased at the onset of the COVID-19 pandemic due to adverse economic impacts and waivers of certain requirements including recertification for most of the period from April 2020 through December 2021. During most of this period, the number of recipients exceeded previous program peaks. The average number of monthly recipients for the program exceeded 816,000 recipients in fiscal 2021. For federal fiscal 2023, the maximum monthly Supplemental Nutrition Assistance Program allotment for individuals will be \$281. In general, actual benefit levels per household vary based on household size, income level, and other circumstances. However, during the COVID-19 pandemic, federal rules have allowed states to provide the maximum benefit for a household size to all Supplemental Nutrition Assistance Program recipients. **Exhibit 11.2** provides information on the average monthly recipients for this program.

Exhibit 11.2
Supplemental Nutrition Assistance Program Average Monthly Recipients
Fiscal 2013-2021



Source: Department of Human Services

In October 2017, the State began providing a supplemental benefit for seniors receiving benefits of less than \$30 per month to ensure receipt of a combined benefit of this amount. Since April 2020 and continuing through the COVID-19 pandemic national public health emergency, all program recipients received the maximum benefit for their household size, effectively pausing the supplemental benefit for seniors during this time as all households received a benefit of more than \$30. The fiscal 2023 budget includes funding to support a minimum combined benefit of \$40 per month under this program, an increase made permanent by Chapter 324 of 2022. The supplemental benefit for seniors is 100% State funded. The fiscal 2023 budget assumes an average monthly caseload of 27,363 senior recipients under the program.

The Summer Supplemental Nutrition Assistance Program for Children, established by Chapters 635 and 636 of 2019, provides additional nutrition benefits for SNAP eligible children during certain months of the year. Local jurisdictions must apply to participate in the program. The program is funded through a combination of State and local matching funds, determined by a cost-share formula. Supplemental benefit amounts per child in the household are \$30 per month during June, July, and August, and \$10 in December. The program has a State-mandated appropriation of \$200,000 annually. Due to the level of funding available for the program, in general, even in participating jurisdictions not all eligible children receive benefits. In fiscal 2022, supplemental benefits were provided in six jurisdictions to a total of 4,290 children. The fiscal 2023 budget includes \$5.0 million for the program to provide benefits to approximately 50,000 children with the State-funded portion of the program. Actual recipients will vary based on the local jurisdictions participating and the funding contributed.

Energy Assistance Programs: Home energy program offices, typically operated by local departments of social services, units of local government, or nonprofit organizations under the direction of the Department of Human Services, provide low-income families with access to two ongoing energy assistance programs. The Maryland Energy Assistance Program, funded through the federal Low-income Home Energy Assistance Program, provides bill payment assistance for heating costs and arrearage retirement assistance for natural gas usage. The federal funding further supports Department of Housing and Community Development weatherization programs, which include furnace repair/replacement and other system upgrades for eligible households.

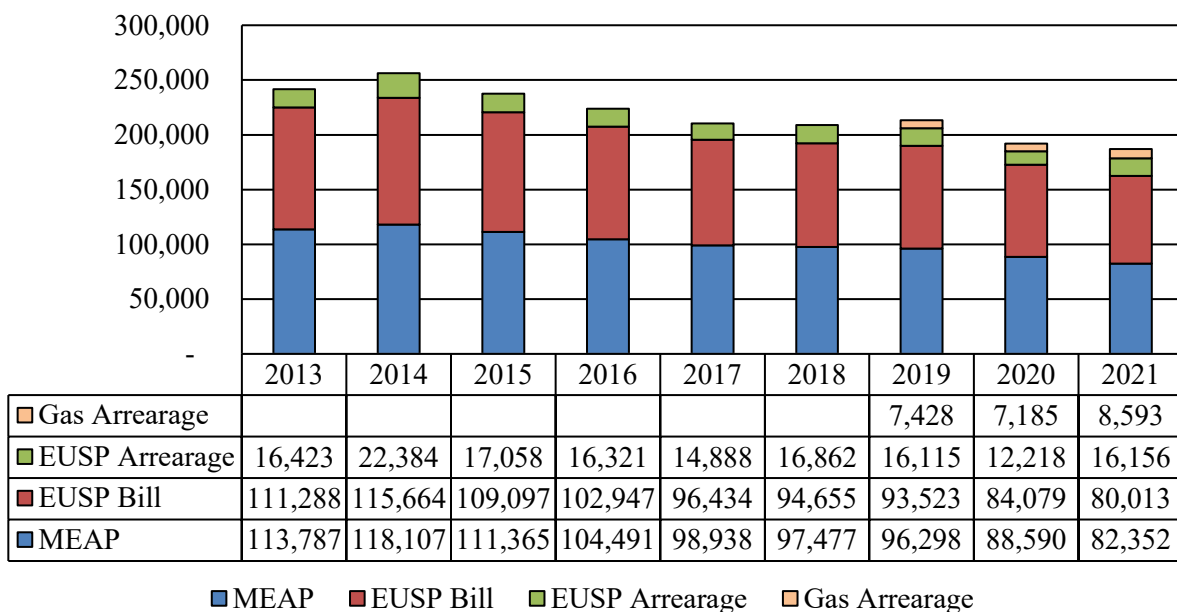
The Electric Universal Service Program provides both bill payment and arrearage retirement assistance for electric usage. The Electric Universal Service Program is funded through two sources. A ratepayer surcharge is required to collect \$37 million from electric customers each year. The Electric Universal Service Program also receives funding through an allocation of the proceeds from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions, which are held in the Strategic Energy Investment Fund. Although the allocation has varied over time, currently, energy assistance receives at least 50% of the Regional Greenhouse Gas Initiative proceeds.

Income eligibility for energy assistance programs is generally set at 175% of the federal poverty level; however, Chapters 638 and 639 of 2021 expanded eligibility for households with an individual age 67 or older to 200% of the federal poverty level. Bill payment assistance benefits may be received annually, while arrearage assistance benefits are limited to once every five years. The Critical Medical Needs Program was established by the department in 2019 to reduce barriers to the energy assistance application process for critical medically vulnerable individuals and their households. Chapters 453 and 454 of 2021 established the Power to the People Pilot Program, which expanded access to the program, created a screening process, and provided training for navigators.

As shown in **Exhibit 11.3**, the number of households receiving assistance has generally declined in recent years due to a variety of factors including limitations on arrearage assistance in some years, warmer winter weather reducing demand, and economic conditions. However, during

fiscal 2020 and 2021, applications for energy assistance and recipients were depressed by a moratorium on utility terminations that was in effect from March to November 2020 as shutoff notices often play a role in applications for assistance. Consistent with this decline, recipients of energy assistance also declined while this moratorium was in effect but increased again following its expiration.

Exhibit 11.3
Energy Assistance Caseload
Fiscal 2013-2021



EUSP: Electric Universal Service Program

MEAP: Maryland Energy Assistance Program

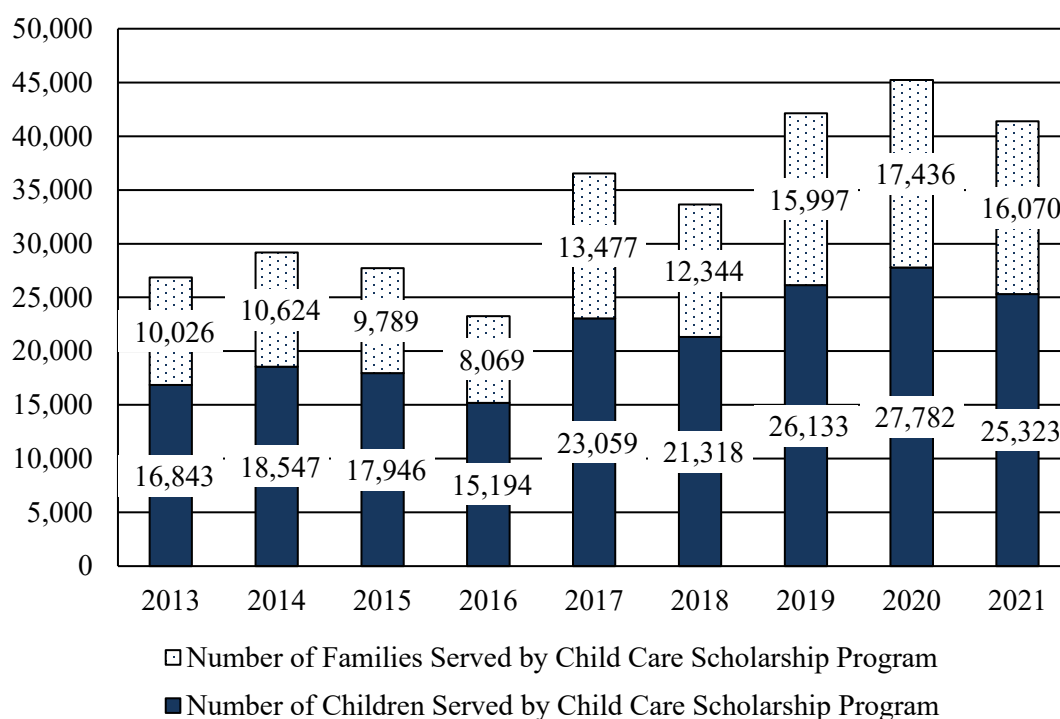
Note: Households may, and frequently do, receive more than one of these benefits in a fiscal year. Does not include supplemental arrearage benefits provided through Chapter 39 of 2021 (RELIEF Act), which were budgeted and distributed through the Public Service Commission based on priority order. Excludes supplemental benefits which are generally provided to a subset of recipients of other programs. In fiscal 2021, these benefits were provided through federal stimulus funding for arrearage assistance.

Source: Department of Human Services

In fiscal 2022, the Department of Human Services implemented the Low Income Household Water Assistance Program, a new federally funded program providing bill payment and arrearage assistance for household water usage. The American Rescue Plan Act allocated \$14.1 million in total federal funding to Maryland for the establishment of this program, available through the end of federal fiscal 2023.

Child Care Scholarship: The State’s Child Care Scholarship program (formerly known as the Child Care Subsidy program) provides financial assistance with child care costs to disadvantaged families to allow parents to work or participate in activities that lead to employment. The program is administered by the Maryland State Department of Education, although the Department of Human Services performs eligibility determination for Temporary Cash Assistance recipients applying for scholarships. **Exhibit 11.4** provides information on the program caseload. More information on early childhood development programs can be found in “Chapter 6. Public Education” of this handbook.

Exhibit 11.4
Unduplicated Count of Child Care Scholarship Recipients
Fiscal 2013-2021



Source: Maryland State Department of Education

Burial Assistance Program: The Burial Assistance Program administered by the Family Investment Administration in the Department of Human Services aids indigent families with burial costs. In fiscal 2021, the Department of Human Services provided 85 grants with an average grant of \$760.13; total expenditures in the program were \$64,611.

Welfare Avoidance Grants: Welfare Avoidance Grants, administered by the Family Investment Administration in the Department of Human Services, provide one-time grants to families to help them avoid welfare. The applicant must meet certain eligibility criteria, which are the same as the Temporary Cash Assistance program to qualify for this grant. In fiscal 2021, the Department of Human Services provided a total of \$35,383 in Welfare Avoidance Grants. However, prior to fiscal 2021, from fiscal 2018 to 2020, an average of \$200,000 in grants were awarded annually.

Emergency Assistance to Families with Children: The Emergency Assistance to Families with Children program, administered by the Family Investment Administration in the Department of Human Services, offers grants to families experiencing a crisis such as eviction. Generally, a utility termination notice, eviction notice, or other documentation of a crisis is necessary to be eligible for the program. In fiscal 2021, the Department of Human Services had on average 200 cases per month in the Emergency Assistance to Families with Children program with an average monthly grant of \$397.52 and total expenditures of \$951,664. In fiscal 2021, caseloads and spending for this program were much lower than historic levels, due in part to moratoriums on evictions and utility terminations that were in effect during a portion of the year and additional assistance available for both emergency types through other sources.

Although administered by the Maryland Department of Health, local departments of social services also participate in determining eligibility for Medicaid for certain populations. More information on this benefit is provided in “Chapter 10. Health Services” of this handbook.

Other Children and Family Services

Family Investment Program: The goal of the Family Investment Program is to assist Temporary Cash Assistance applicants and recipients in becoming self-sufficient. After assessing each family’s specific needs and resources, staff focuses on the services required to move clients into work. Temporary Cash Assistance is provided only as a last resort. Applicants for cash assistance are required to cooperate with child support staff as a condition of eligibility and must undertake job search activities if asked to do so. Once receiving cash assistance, recipients may be required to undertake additional employment-related activities or be sanctioned. In some circumstances (such as, in child only cases or cases with a child younger than age one), a recipient may be considered work exempt. Failure to engage in work activities can result in sanctions.

Work activities may include basic education, postsecondary education, job skill training, job readiness activities, job search, and subsidized or unsubsidized employment. Certain activities, such as education and training, may only count for a limited number of hours toward the work requirements. Chapters 509 and 510 of 2022 altered the work requirements for specific individuals: (1) 30 hours per week for an individual with a child at least six years old; (2) 20 hours per week for a single parent or caretaker relative with a child younger than age six; (3) a combined average of 35 hours per week for a family with two work-eligible parents who do not receive federally funded child care assistance; and (4) a combined average of 55 hours per week for a family with two work-eligible parents who receive federally funded child care assistance, provided that an adult in the family does not have a disability or is not caring for a child with a disability. However,

work requirements were generally suspended during the COVID-19 pandemic until January 2022. In federal fiscal 2021, the Department of Human Services reported 4,933 job placements, a placement rate of 25.8%.

Screening of Temporary Cash Assistance recipients for substance use problems is mandatory, with participation in treatment required of individuals offered appropriate treatment. In fiscal 2021, 12,711 applicants and recipients were screened for substance use, of which 435 applicants screened positive. Of the number of applicants and individuals screened for substance use, 591 were enrolled in treatment at the time of screening. These figures were impacted by alterations in requirements due to the COVID-19 pandemic, which extended the timeframe for recipients to provide documentation of substance use screening during the period March 2020 through January 2022. In addition, during this period face-to-face services were suspended creating challenges for addiction specialists when contacting customers to conduct remote screening.

Supplemental Nutrition Assistance Program Employment and Training Program: This program provides states with funding to support employment and training programs for Supplemental Nutrition Assistance Program recipients. The program is funded through two mechanisms: (1) a federal fund allocation; and (2) a federal match for nonfederal expenditures (in Maryland this match consists primarily of funding from the third-party organizations operating programs and is not included in the State budget). These programs provide participants access to training and support services to assist with preparing for and obtaining employment, in addition to reducing barriers to employment by providing services such as transportation and child care. In fiscal 2021, there were a total of 962 voluntary participants in the program. Participation declined in fiscal 2020 and 2021, as work requirements were suspended due to the COVID-19 pandemic.

Noncustodial Party Employment Programs: The Department of Human Services provides several programs to assist unemployed or underemployed noncustodial parents in obtaining and maintaining employment, so that a pattern of regular child support payments can be established.

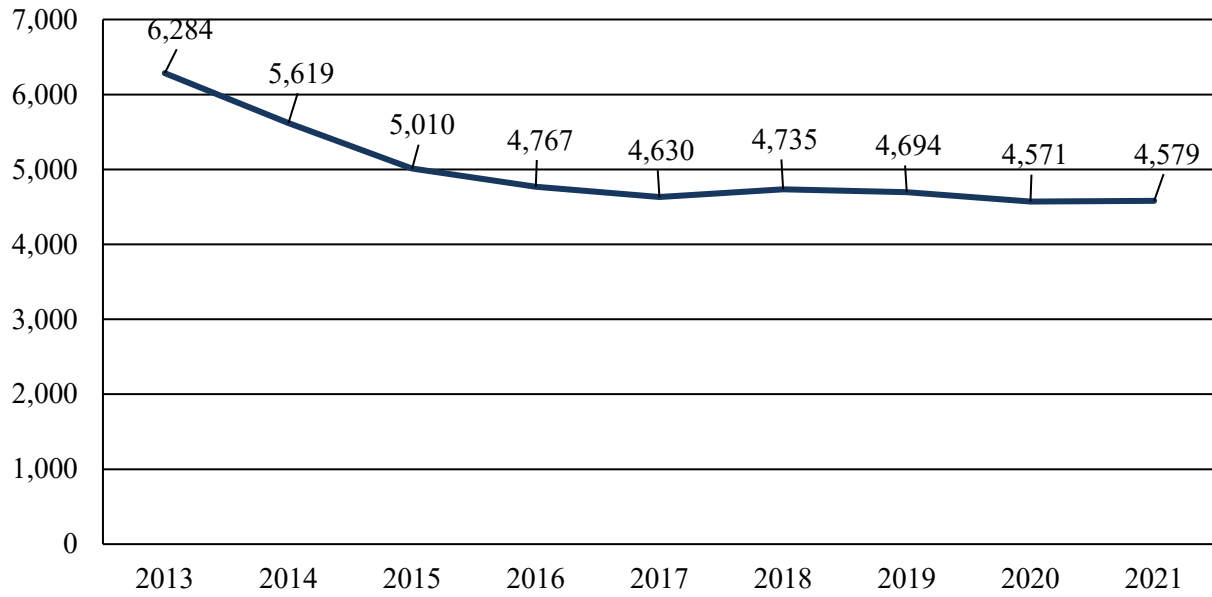
Employment Services Offered by Local Workforce Development Boards: Some local departments of social services contract with local workforce development boards to operate employment training programs for cash assistance recipients. In addition, the Department of Labor distributes federal funds to local workforce development boards to finance employment training that may benefit individuals on public assistance or foster youth. Local workforce development boards are discussed in more detail in “Chapter 14. Labor and Workforce Development” of this handbook.

Child Welfare Services: Child welfare services, administered by the Social Services Administration of the Department of Human Services and provided primarily by the local departments of social services, support the healthy development of families, assist families and children in need, and protect abused and neglected children. Specific social service programs include foster care, family preservation, adoption, child protective services, and family reunification. Additionally, beginning with a federal waiver implemented between July 2015 and

September 2019 and further enhanced since the passage of the federal Family First Prevention Services Act in 2018, local departments of social services have taken steps to implement a range of trauma-informed and evidence-based prevention services targeted toward the families of children deemed at risk of entering the foster care system. The prevention services vary among jurisdictions based on the local determination of needs. Prevention services are primarily targeted to address areas including parenting skills/practices, child mental health/behavioral health, and interventions for substance use disorders.

The Department of Human Services investigates reports of abuse and neglect. For children determined to be at immediate risk, the department will file a child in need of assistance petition, requesting the removal of the child from the child's home and the placement of the child in foster care or with a relative (referred to as Kinship Care). Youth may remain in out-of-home placements until the age of 21 in certain circumstances. Across all child placing agencies, there were a total of 6,553 youth who experienced at least one out-of-home placement in fiscal 2021. About 90%, or 5,898, were placed through the Department of Human Services. **Exhibit 11.5** presents information on the average or median monthly number of children per fiscal year in out-of-home placements placed through the Department of Human Services. The number of children in out-of-home placements declined steadily from fiscal 2010 through 2015; however, it has fluctuated between 4,500 and 4,800 each year since fiscal 2016. Both entries into and exits from foster care were impacted by the COVID-19 pandemic in fiscal 2020 and 2021. Foster care placements through the Department of Human Services declined across all placement types due to dramatic declines in reporting of child maltreatment resulting from widespread closures of in-person school, child care facilities, medical visits, and court proceedings. Foster care caseloads remain below pre-pandemic levels, despite the resumption of in-person activities. Exits from foster care were also impacted, due to closures and reductions in court activity early on in the pandemic which interrupted the movement of children into permanency options.

Exhibit 11.5
Children in Out-of-home Placements
Fiscal 2013-2021

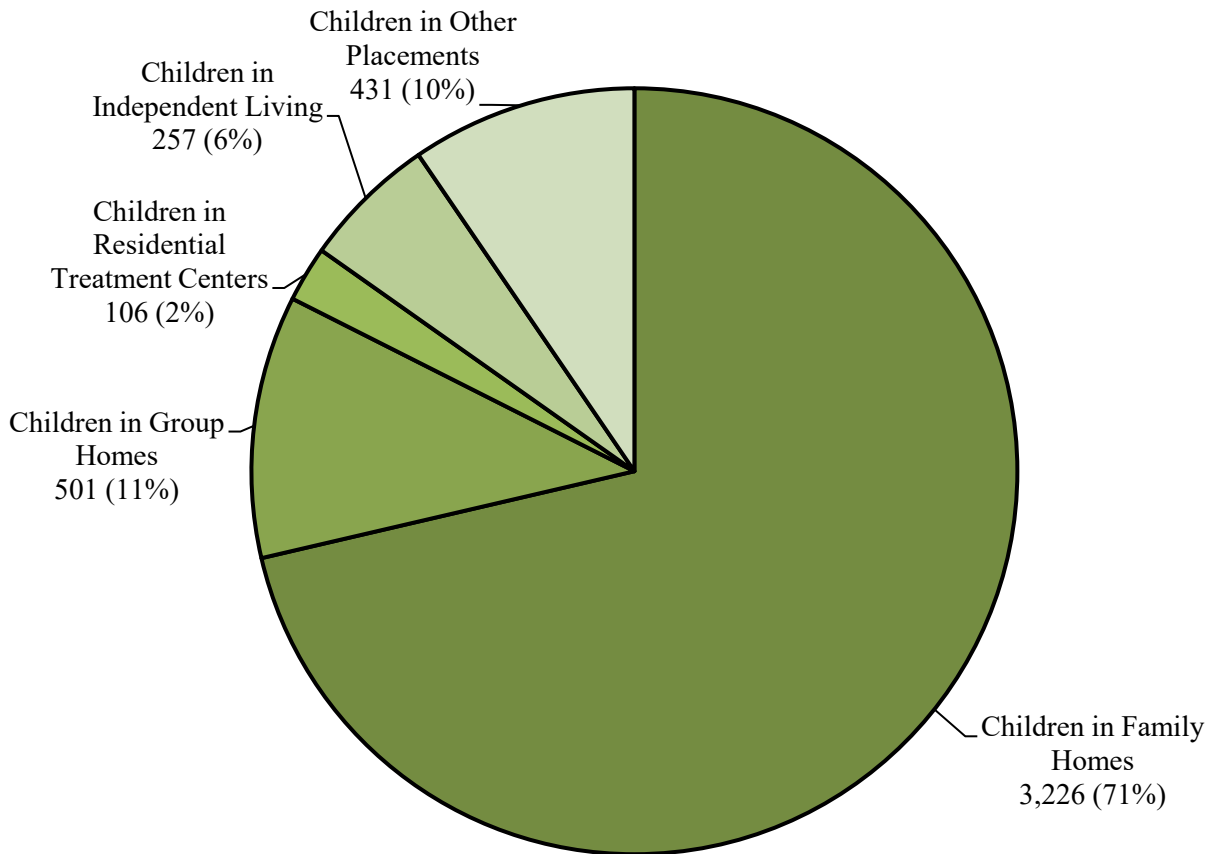


Note: Prior to fiscal 2017, data was reported as a 12-month average. Beginning with fiscal 2017, data is reported as 12-month median. Includes children whose placements are funded outside of the Department of Human Services, such as Residential Treatment Centers.

Source: Department of Human Services

Exhibit 11.6 shows a summary of placement types for children in out-of-home placements through the Department of Human Services as of June 30, 2021. A total of 3,136, or approximately 69% of out-of-home placements were in family homes at the end of fiscal 2021, compared to approximately 31% of placements across several community-based care types.

Exhibit 11.6
Children in Out-of-home Placements through the
Department of Human Services, Placements by Type
June 2021 (12-month Median)*



* Data represents end of month data for June 2021.

Note: Other placement types include independent living, college, own home/apartment, secure detention/correctional facility, and halfway house. Includes children whose placements are funded outside of the Department of Human Services, such as Residential Treatment Centers.

Source: Department of Human Services

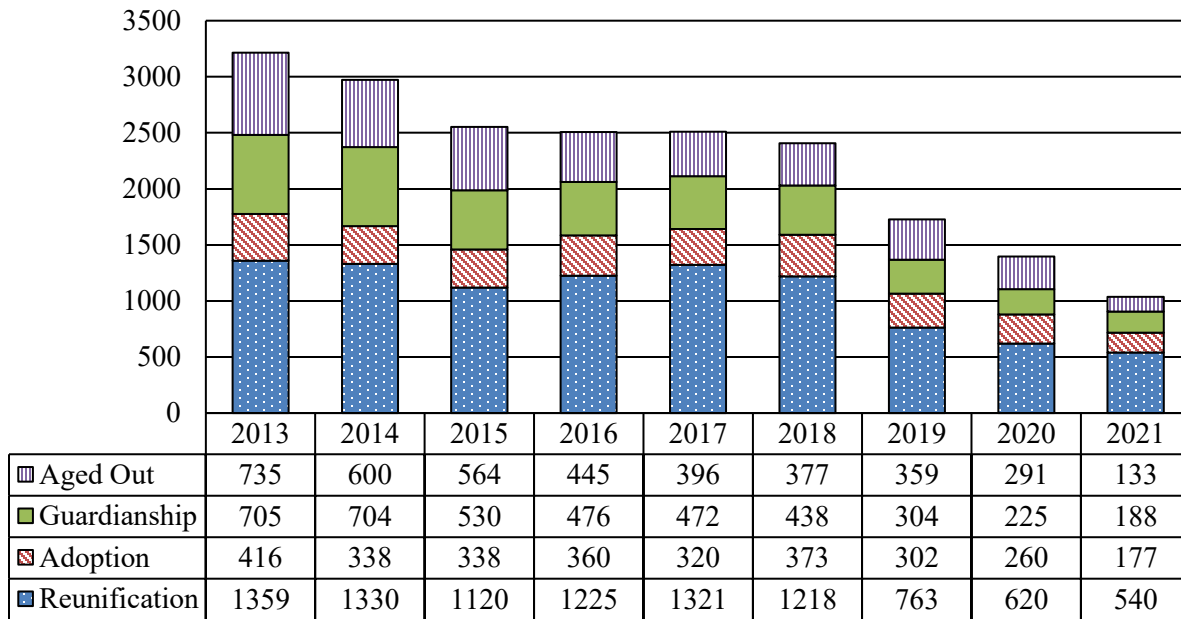
Over the past decade, the Department of Human Services has implemented policies prioritizing the goal of keeping children in their family home whenever possible, rather than removal into foster care. In July 2013, the Department of Human Services launched an alternative response program because of legislation enacted in 2012. Under the alternative response program,

reports of abuse or neglect that are deemed low risk may be treated differently than under a traditional investigation. Certain types of reports are ineligible for the case management approach under alternative response, such as reports of sexual abuse or serious physical or mental injury. The department determines an appropriate set of services to be provided to the family and a formal finding of abuse or neglect may not occur. Cases may be re-referred to a traditional investigation if circumstances warrant. Additionally, the department has focused on implementing prevention services. These services provide supports to families of children at risk for entering the foster care system, such as substance use treatment, family focused therapy, and other mental health treatment, in order to allow for a child to safely remain in their home.

In recent years, growing attention has been placed on youth hospitalized for both medical and psychiatric reasons experiencing hospital stays for longer than what is medically necessary. Hospital overstays for these youth commonly occur due to admission wait times or other delays in referral and placement into residential treatment centers or other specialized residential treatment programming offering a higher level of care. In fiscal 2021, the Department of Human Services reported that among youth in out-of-home placements, there were 142 youth admitted to a medical hospital and 114 youth admitted to an inpatient psychiatric hospital. During that year, the department reported that 83 youth experienced hospital overstays, totaling 1,958 overstay days. Youth hospitalized for psychiatric reasons have generally experienced higher numbers of overstays and lengthier overstay days. Because of these challenges, the Children's Cabinet Overstays Interagency Team was convened with a goal of coordinating strategies among the child placing agencies to close service gaps for youth in out-of-home placements. Additional efforts have been undertaken in fiscal 2022 and 2023 in the Maryland Department of Health's Behavioral Health Administration to increase provider capacity for youth with psychiatric needs.

In cases where family reunification or prevention services are unsuccessful or unwarranted, the Department of Human Services requests termination of parental rights and, if the petition is granted, seeks to place the child in an adoptive home. In fiscal 2021, 177 children exited foster care through adoption. The department may also place a child in a subsidized guardianship, under which parental rights are not terminated, but children are placed in a permanent home through a legal guardian. In fiscal 2021, 188 children exited care through subsidized guardianship. In fiscal 2021, exits from care were impacted by the COVID-19 pandemic, primarily due to closures and reductions in court activities, which temporarily reduced movement of children into certain permanency options. In addition, for portions of the COVID-19 pandemic the program experienced moratoriums on youth aging out of care, both State initiated and from the federal level. **Exhibit 11.7** presents information on children's exits from foster care.

Exhibit 11.7
Exits from Foster Care
Fiscal 2013-2021



Source: Department of Human Services

The Maryland Legal Services Program in the Department of Human Services provides representation for Children in Need of Assistance and Termination of Parental Rights cases primarily through contracts with legal service providers. The Citizen’s Review Board for Children in the Department of Human Services reviews certain child welfare and out-of-home placement cases and makes findings regarding those cases.

Child Support Services: Child support services are typically provided through the local departments of social services. However, in the largest jurisdictions (Anne Arundel, Baltimore, Montgomery, and Prince George’s counties and Baltimore City), child support services are administered through offices that are separate from the local departments of social services and are supervised directly by the executive director of the State Child Support Administration. In addition, some services may be provided by a county or State agency through cooperative reimbursement agreements with the Department of Human Services. Cooperative reimbursement agreement participants, which vary from county to county, include State’s Attorneys, sheriffs, circuit court masters, and clerks of the court. Under cooperative reimbursement agreements, the county or a State agency must provide the State’s share of the program costs (34%) while the Department of Human Services passes on the federal share of costs (66%).

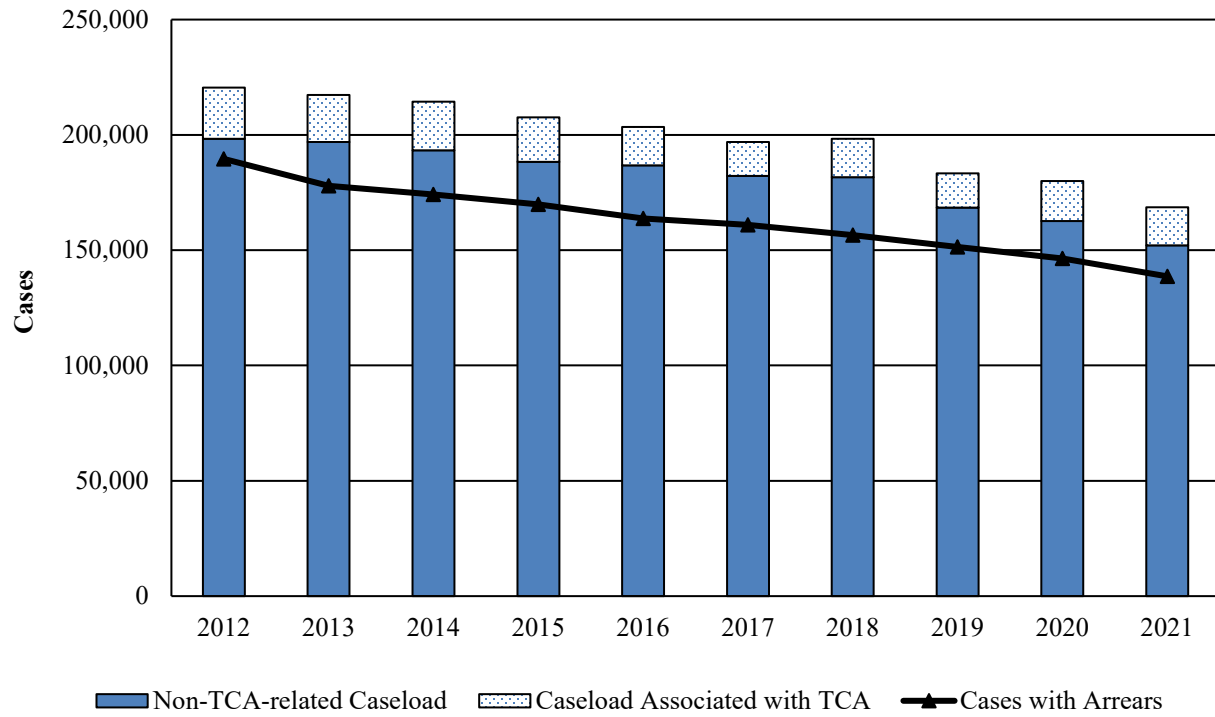
From October 1996 through September 2009, the State operated Baltimore City and Queen Anne’s County child support operations through privatization contracts authorized in legislation as a pilot program. Although the pilot expired September 30, 2009, the Department of Human Services continued to operate both jurisdictions through a private contract initially. Beginning October 1, 2010, Queen Anne’s County child support operations returned to State operation. Baltimore City child support operations remain privatized, and the current contract expires February 28, 2023.

Child support services are offered free of charge to welfare recipients who must comply with child support requirements as a condition of receiving cash assistance. For individuals not receiving Temporary Cash Assistance or Medical Assistance, an application fee of \$15 is charged. Federal law requires that this annual fee be deducted from child support payments in cases of individuals who have never received public assistance after at least \$500 has been collected during the federal fiscal year. However, in response to this federal requirement, State law was enacted requiring this \$15 fee to be collected for cases of individuals who have never received public assistance only after \$3,500 has been collected during the federal fiscal year. In effect, the State absorbs the lost revenue for cases in which between \$500 and \$3,499 are collected in a federal fiscal year due to the difference in State and federal policy.

Techniques used to enforce child support obligations include wage liens and intercepts of tax refunds, unemployment benefits, and lottery winnings. The State may also suspend the drivers’ and professional licenses of delinquent parents. The Department of Human Services may deliver a child support payment to a custodial parent through either direct deposit, mailed checks, or an Electronic Payment Issuance Card.

Exhibit 11.8 provides information on child support caseloads, and **Exhibit 11.9** shows child support collections. In federal fiscal 2020, child support collections noticeably increased due to collections on arrears resulting from the interception of the first round of federal stimulus payments and enhanced unemployment insurance benefits. Payments to individuals from both sources were allowed to be intercepted for collections on overdue child support. Subsequent stimulus payments were not able to be intercepted and overall collections in federal fiscal 2021 returned to more typical levels.

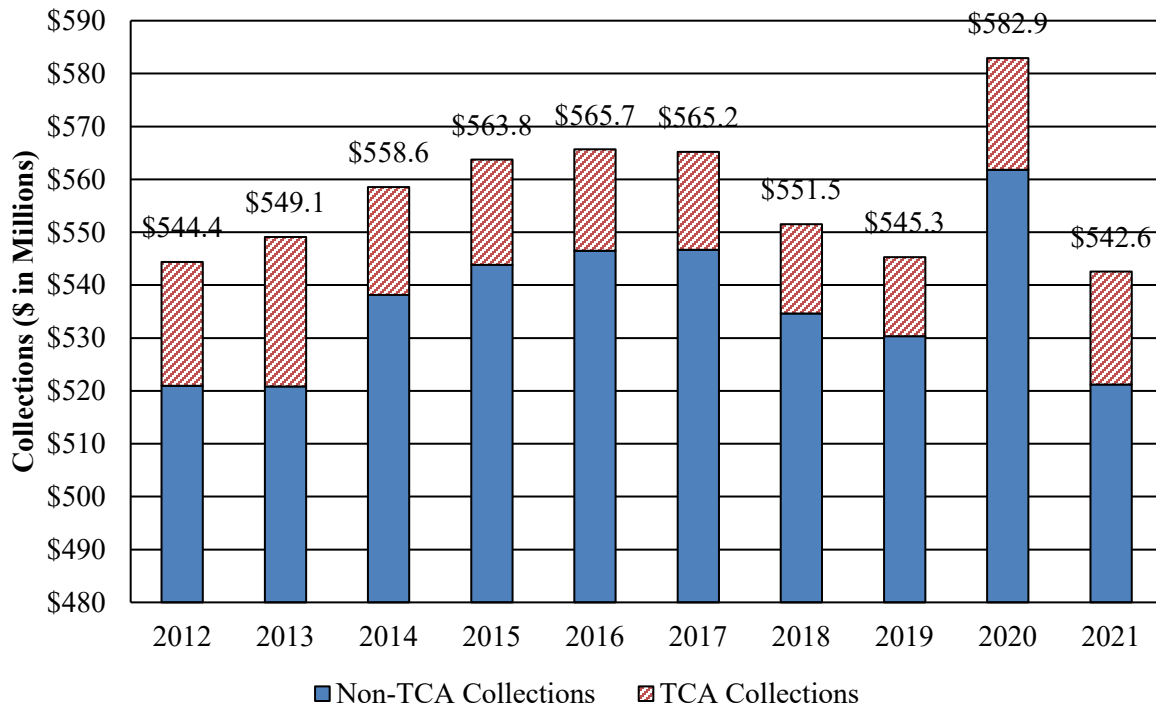
Exhibit 11.8
Child Support Caseload
Federal Fiscal 2012-2021



TCA: Temporary Cash Assistance

Source: Department of Human Services

Exhibit 11.9
Child Support Collections
Federal Fiscal 2012-2021



TCA: Temporary Cash Assistance

Source: Department of Human Services

Office of Grants Management: The Department of Human Services provides funding through contracts and grants to various community organizations, primarily for food services through programs including the Maryland Emergency Food Program and the Meal Delivery for Individuals Experiencing Life Challenging Illnesses program.

Services to Youth in the Juvenile Justice System

The Department of Juvenile Services has primary responsibility for providing treatment and supervision to youths younger than 18 who violate criminal law, or are likely to violate the law, or whose behavior is such that they may endanger themselves or others. As long as the youth enters the system prior to turning 18 years old, the department may provide services until the youth reaches 21 years of age. In order to ensure that services will be as close to youths' families and communities as possible, 2007 legislation required the department to deliver services on a regional

basis. Each region provides community services, including intake, probation, aftercare, and alternatives to detention as well as residential services. In addition, the State supports various community-based programs, such as youth service bureaus, which focus on prevention and diversion. The local government role in dealing with juvenile offenders is limited to police work that brings youths into contact with the juvenile justice system. As of July 1, 2021, the department revised its regional structure, moving from six to eight operating regions that are directly aligned with the judicial circuits of the Maryland Circuit Courts. **Exhibit 11.10** illustrates the department's eight regions.

Exhibit 11.10

Department of Juvenile Services Regions

Region 1	Dorchester, Somerset, Wicomico, and Worcester counties
Region 2	Caroline, Cecil, Kent, Talbot, and Queen Anne's counties
Region 3	Baltimore and Harford counties
Region 4	Allegany, Garrett, and Washington counties
Region 5	Anne Arundel, Carroll, and Howard counties
Region 6	Frederick and Montgomery counties
Region 7	Calvert, Charles, Prince George's, and St. Mary's counties
Region 8	Baltimore City

Source: Department of Juvenile Services

The department operates field offices in every county and Baltimore City to handle intake for youths who break the law or exhibit uncontrollable behavior. Youth enter the juvenile justice system when a complaint is filed with one of the Department of Juvenile Services' field offices by a police officer, parent, teacher, or other citizen. Intake officers operating out of the field offices receive and process the complaints. Potential outcomes of the intake process include formal court proceedings that can lead to probation or commitment to a residential program, voluntary informal supervision, or diversion to a community-based program (in the case of a first-time offender). Warning the youth or dismissing the case due to a lack of information are other possible outcomes. In fiscal 2021, the department handled approximately 7,129 complaints, with formal court proceedings recommended for 2,941 (41%) of the cases.

Juveniles that pose a risk to themselves or others can be held in one of the State's six detention centers while awaiting disposition by the court. In fiscal 2021, an average of 53 juveniles per day were awaiting trial in one of the detention centers. Electronic monitoring and other forms of highly supervised community-based detention are also offered as alternatives to detention centers. In fiscal 2021, an average of 143 juveniles per day were being supervised in this alternative detention capacity while awaiting court disposition. A youth whose behavior does not

require placement in a detention center but who is not ready to return home may be placed in a shelter care program (similar to a group home). An average of five youth per day were awaiting court disposition in a shelter care program in fiscal 2021. Due to the COVID-19 pandemic, efforts were taken for public health reasons to divert youth from institutional and residential placements in congregate settings when possible, resulting in declines in caseloads during fiscal 2021. The closures of in-person schooling also led to a decline in complaints.

If a youth is adjudicated as delinquent or in need of supervision, the Department of Juvenile Services is responsible for providing court-ordered care, which can range from probation to a commitment to a group home or other out-of-home facility. These facilities vary in terms of security and services offered based on the youth's needs. Many youth adjudicated by the court as delinquent are placed on probation and continue to reside at home under the supervision of a case manager. Case managers monitor the juveniles' progress through home and office visits and often refer the youths for additional services including tutoring, psychological counseling, and recreational activities. An average of 1,069 juveniles per day were on probation in fiscal 2021.

Most juveniles who are awaiting placement in a committed program are held in one of the State's detention centers. In fiscal 2021, an average of 22 juveniles per day were held in a detention facility while awaiting placement in a committed program.

Juveniles committed to a residential program receive counseling, health, and educational services as well as other specialized services. Prior to fiscal 2023, the Maryland State Department of Education had full responsibility for providing educational services within State-operated facilities. However, Chapter 147 of 2021 transferred the responsibility of implementing and providing educational programming and services in these facilities to the Juvenile Services Education Board and Program beginning in fiscal 2023. Residential programs also include secure 24-hour residential treatment programs, group homes, and specialized treatment centers focusing on substance abuse. An average of 146 juveniles each day resided in a committed placement in fiscal 2021, most commonly in a group home or a residential treatment center. Most of the youth committed to Department of Juvenile Services' residential placements are housed in private facilities. Although the department does place youth in out-of-state facilities, generally due to lack of more secure in-state options, such placements have been reduced in recent years.

A listing and description of the State-operated residential facilities is provided in **Exhibit 11.11**.

Unlike the adult corrections system, the juvenile justice system does not assign a fixed sentence to children found to have committed a delinquent act. Instead, delinquents are released from residential commitments upon a judge's or master's concurrence with a recommendation from the Department of Juvenile Services that the child is rehabilitated. Aftercare services are provided by Department of Juvenile Services' staff and private contractors to assist youths in returning to the community.

Exhibit 11.11
Department of Juvenile Services State-operated Facilities
Fiscal 2022

<u>Facility Name</u>	<u>Population Served/ Type of Facility</u>	<u>Region</u>	<u>Rated Capacity¹</u>
Alfred D. Noyes Children's Center	Detention	6	29
Cheltenham Youth Detention Center	Detention	7	72
Charles H. Hickey, Jr. School	Detention	3	72
Baltimore City Juvenile Justice Center	Detention	8	120
Lower Eastern Shore Children's Center	Detention	1	24
Western Maryland Children's Center	Detention	4	24
Backbone Mountain Youth Center	Commitment	4	24
Garrett Children's Center	Commitment	4	8
Green Ridge Mountain Quest	Commitment	4	6
Green Ridge Youth Center	Commitment	4	18
Mountain View	Commitment	4	6
Victor Cullen Center	Commitment	4	48

¹ Rated capacity, as noted on the Department of Juvenile Services monthly population reports, does not reflect actual utilization.

Note: The Thomas J. S. Waxter Children's Center, a female-serving detention facility in region 5, was closed in fiscal 2022. A small number of females are detained at the Lower Eastern Shore and Noyes facilities. All other detention facilities serve only males. The J. DeWeese Carter Center, which was the only State-operated residential treatment program for committed female youth, closed on June 30, 2020. Its population was transferred to Mountain View, a new female-only program on the grounds of the Backbone Mountain Youth Center.

Source: Department of Juvenile Services

Additional information on the juvenile justice system can be found in *Volume VIII – Maryland's Criminal and Juvenile Justice Process*.

Services to the Aged

Maryland's growing elderly population is served by a range of programs offered by various State and local entities, including the Maryland Department of Aging, the Department of Human Services, the Maryland Department of Health, and the Maryland Department of Transportation.

To ensure the coordination of public services for the aged, State law establishes an Interagency Committee on Aging Services. The interagency committee is charged with annually developing a plan for providing coordinated services to elderly persons in the State and facilitating the implementation of the plan.

To ensure similar cooperation and coordination of services at the local level, the interagency committee assisted all counties in establishing local interagency committees composed of the directors of the local health department; local department of social services; area agency on aging; and officials from housing, transportation, mental health, employment, and economic development agencies.

Maryland Department of Aging Programs

The Maryland Department of Aging plays the lead role by coordinating, evaluating, and planning the delivery of services and advocates on behalf of the aged at all levels of government. The department also administers programs and activities under the provisions of the federal Older Americans Act. Most of the direct services funded by the department are delivered through local area agencies on aging.

Area agencies on aging serve as the primary point of entry for elderly adults attempting to access public and private programs and services. These area agencies on aging are local government or nonprofit organizations designated by each county and Baltimore City to provide a range of services to the elderly. Services are either delivered directly by the area agencies on aging or purchased from other organizations. Sixteen counties and Baltimore City have their own area agencies on aging, while Dorchester, Somerset, Wicomico, and Worcester counties are served by Maintaining Active Citizens, Inc. (also known as MAC, Inc.) and Caroline, Kent, and Talbot counties are served by Upper Shore Aging, Incorporated. The staffs of area agencies on aging are all county or nonprofit employees.

Area agencies on aging submit service delivery plans to the Maryland Department of Aging for approval. Federal and State funds are allocated by formula to the area agencies on aging. Supplementary funds are provided by county governments and private donors.

Programs operated by the Maryland Department of Aging to assist the elderly include:

- ***Senior Care Program:*** The Senior Care Program furnishes case management and in-home aide services to prevent or delay nursing home placement. In fiscal 2021, 4,350 individuals utilized the program. Services are provided through area agencies on aging, local health departments, and local departments of social services, and are funded through State general funds.
- ***Congregate Housing and Senior Assisted Living Programs:*** These programs provide State-funded support services and subsidies to assist frail seniors who have moved out of their homes to remain in the community and thus avoid nursing home placements. In

fiscal 2021, 721 individuals utilized the Congregate Housing Services Program, and 610 individuals utilized the Senior Assisted Living Program.

- **Senior Nutrition Programs:** Local area agencies on aging offer several programs in partnership with community partners to ensure that older adults achieve and maintain optimal nutritional status. Services include home-delivered meals and group dining; nutrition screening, counseling, and education; and supplemental food and nutrition programs. Programs are funded through a combination of federal and State funds. Prior to the pandemic, more than 2 million congregate and home-delivered meals were provided to older adults annually. However, due to the availability of federal COVID-19 relief funds, Senior Nutrition Programs provided 6.9 million congregate and home-delivered meals to older adults in fiscal 2021. Home-delivered meals are typically provided through independent nonprofit agencies.
- **Public Guardianship Program:** This program serves adults 65 and older who have been determined to be unable to make decisions about their needs and have no other person who is able or willing to act as a guardian. Under this program, the Secretary of Aging or the director of a local area agency on aging is appointed as guardian. In fiscal 2021, public guardianships were provided to 702 individuals through this program.
- **Maryland Access Point:** Administered by the Maryland Department of Aging, this program provides information and referral services about long-term care resources through 20 locations and online. The program is administered in partnership with the Maryland Department of Health, the Department of Human Services, the Department of Disabilities, the Office of the Deaf and Hard of Hearing, local area agencies on aging, local health departments, and Centers for Independent Living.
- **Durable Medical Equipment Re-use Program:** The Maryland Department of Aging provides durable medical equipment to State residents with any type of illness, injury, or disability, regardless of age, at no cost. Equipment is collected by donation and redistributed to individuals as requested. Durable Medical Equipment distributed by the program includes basic items such as canes, crutches, and walkers, and also more complex items including wheelchairs, power scooters, and mechanical lifts.

Maryland Department of Health Medicaid Program

The Maryland Department of Health's Medicaid Program also serves many elderly individuals by covering a variety of health care services, including nursing home care and adult medical day care programs. The Maryland Department of Health also administers a Home and Community-based Options Waiver. Although administered by the Maryland Department of Health, enrollees receive case management through the individual's choice of local area agencies on aging or private providers. The waiver program covers services that allow individuals who might otherwise require long-term care in a nursing facility to remain in a community setting.

The waiver was implemented in conjunction with the Community First Choice Program, established under the federal Patient Protection and Affordable Care Act, which provides community services and supports to enable older adults and people with disabilities to live in their own homes. The Community First Choice Program is available to individuals meeting financial eligibility for Medicaid that require an institutional level of care. At the end of fiscal 2021, there were 9,548 individuals enrolled in the Community First Choice Program. Additional information on the Medicaid program may be found in “Chapter 10. Health Services” of this handbook.

Department of Human Services’ Adult Services Programs

The Department of Human Services’ Social Services Administration also administers adult services programs. These programs primarily operate through local departments of social services, similar to other programs of the department. These programs, which also serve adults with disabilities, promote increased self-sufficiency, prevent abuse and neglect, and reduce the need for institutional care. Services provided by the department include:

- ***In-home Aide Services*** – provides case management and assistance with personal care, chores, and other activities of daily living;
- ***Respite Care Services*** – provides short-term, periodic, and temporary care at planned intervals or on an as needed basis in order to provide relief to families and other caregivers;
- ***Representative Payee Program*** – provides a volunteer to pay bills and make purchases on behalf of an older adult or individual with disabilities (this service is provided in only some jurisdictions);
- ***Adult Protective Services*** – investigates reports of neglect or abuse. In fiscal 2021, the Department of Human Services completed approximately 5,654 investigations of abuse; and
- ***Legal Services Program*** – provides legal representation for indigent adults in adult public guardianship and adult protective services guardianship cases through the Maryland Legal Services Program.

Services to the Disabled

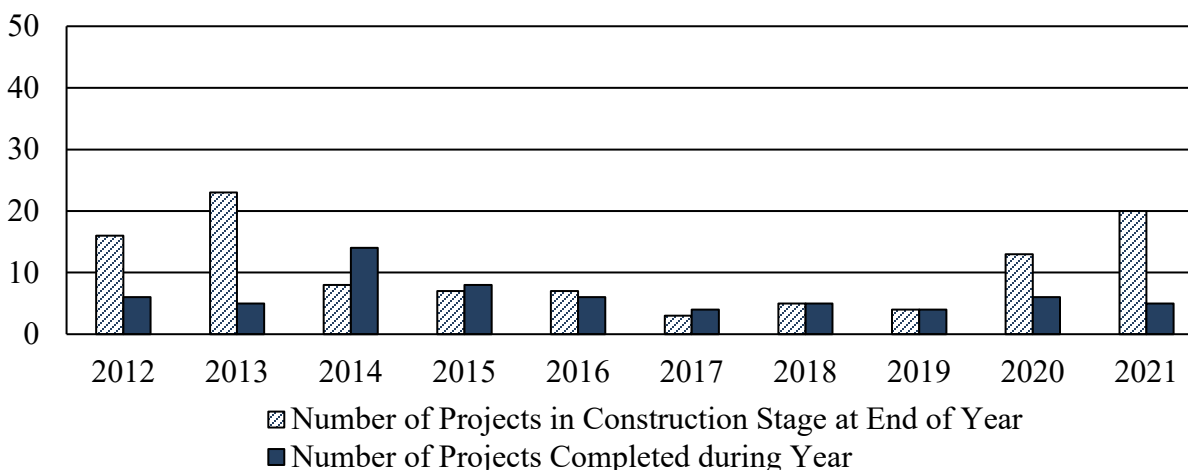
The agencies responsible for most of the service delivery to the State’s disabled population are the Maryland Department of Health and the Department of Human Services. The roles of the Developmental Disabilities Administration and other units of the Maryland Department of Health are discussed in “Chapter 10. Health Services” of this handbook.

Maryland Department of Disabilities Programs and Services

The Maryland Department of Disabilities is responsible for identifying, analyzing, and evaluating all programs and services for disabled citizens in the State. The department collects information, provides support to public and private agencies and units of State government, and acts as an information referral service. The department also operates several programs to assist individuals with disabilities. These programs include:

- **Attendant Care Program** – provides reimbursement to individuals with chronic or severe physical disabilities for attendant services (in fiscal 2021, 165 individuals received services through this program);
- **Telecommunications Access of Maryland Program** – administers Maryland Relay services and programs, including Captioned Telephone service and the Maryland Accessible Telecommunications program);
- **Maryland Technology Assistance Program** – aids individuals with disabilities with assistive technology through the Assistive Technology Loan Program, demonstration and short-term loans, outreach and training, and information (in fiscal 2021, 25 loans were issued to purchase assistive technology through this program); and
- **Access Maryland Program** – provides funding to State agencies and public higher education institutions to bring facilities into compliance with federal accessibility requirements (**Exhibit 11.12** presents information on activity in the program).

Exhibit 11.12
Access Maryland Program
Fiscal 2013-2021



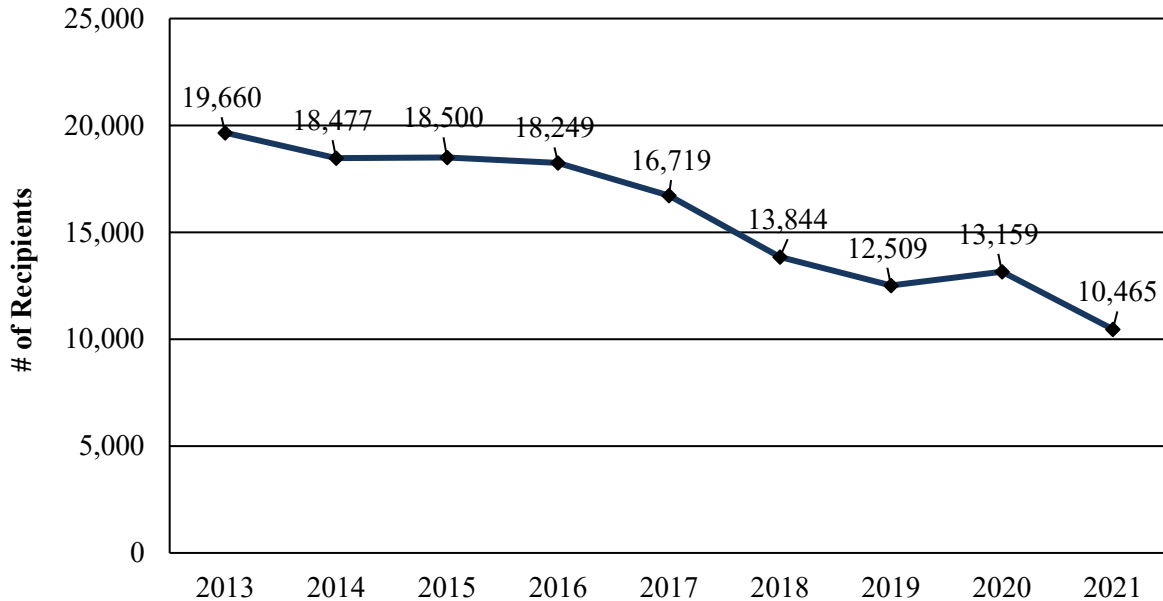
Source: Department of Disabilities

Department of Human Services Programs and Services

The Department of Human Services administers the following programs, some of which also serve the elderly population, and almost all of which are delivered through the local departments of social services:

- ***Adult Services:*** As described in the previous section on services to the aged, the Social Services Administration, through the local departments of social services, investigates cases of abuse and neglect, provides in-home aide services, offers respite care to families and other caregivers, offers a representative payee program, and offers other services to individuals with disabilities and adults.
- ***Certified Adult Residential Environment Program (Project Home):*** Project Home provides a supportive housing program offering an adult foster family model of care for persons with mental illnesses or other disabilities.
- ***Temporary Disability Assistance Program:*** The program, administered by the Family Investment Administration, provides cash assistance to adults without dependents who have a disability that is expected to last more than three months. Recipients are limited to 9 months of benefits in a 36-month period unless they have an application for federal benefits pending. Although primarily State-funded, the State receives retroactive reimbursement from the federal government for those individuals that qualify for federal assistance. Historically, the benefit had been \$185 per month. However, Chapter 408 of 2018 established the program in statute and required the monthly benefit for recipients of the program to increase from that level annually until reaching 100% of the monthly allowable benefit for a one-person household receiving Temporary Cash Assistance in fiscal 2027 and annually thereafter. However, executive action accelerated this phase in, to be fully effective January 2022. Effective in January 2022 for fiscal 2022, the maximum Temporary Disability Assistance Program benefit level was \$328, this benefit level is expected to continue through fiscal 2023. Benefits will be adjusted in the future when Temporary Cash Assistance benefits are increased. During fiscal 2023 only, recipients will also receive an additional \$45 per month. **Exhibit 11.13** presents information on the number of recipients in the program.

Exhibit 11.13
Temporary Disability Assistance Program Average Monthly Recipients
Fiscal 2013-2021

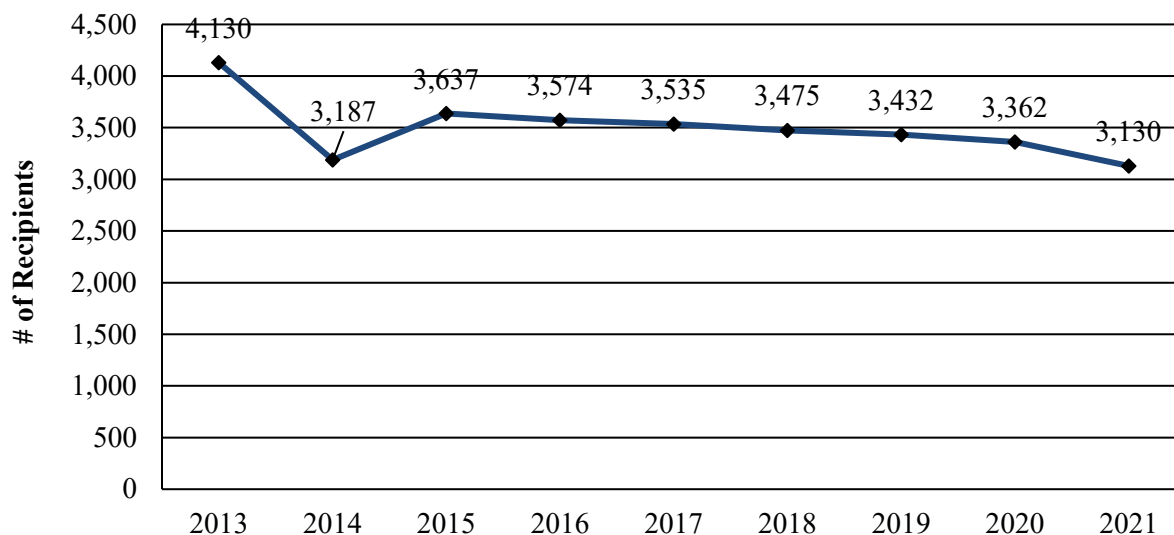


Note: Chapter 39 of 2021 required the re-enrollment of certain recipients who lost benefits after June 2020, provided retroactive benefits for those recipients, and prohibited disenrollment of recipients through June 30, 2021, except in limited circumstances.

Source: Department of Human Services

- Public Assistance to Adults:** The Public Assistance to Adults program, administered by the Family Investment Administration, provides monthly benefits to income eligible disabled adults residing in a licensed assisted living facility, a certified adult residential environment home, or a Maryland Department of Health rehabilitative residence. In fiscal 2021, the average monthly grant for recipients was \$188.67. The fiscal 2023 budget assumes an estimated average monthly grant of \$212.87. **Exhibit 11.14** presents information on caseload trends in the program.

Exhibit 11.14
Public Assistance to Adults Average Monthly Recipients
Fiscal 2013-2021



Source: Department of Human Services

- Legal Representation:** Through contracts administered by the Maryland Legal Services Program, the State offers legal representation for disabled adults in public guardianship cases.

Other Services for Individuals with Disabilities

The Office of the Deaf and Hard of Hearing is responsible for promoting the general welfare of deaf and hard of hearing individuals in the State. The office serves as a coordinating presence for public policies that affect the target constituency, helps to increase public awareness of the needs of the deaf and hard of hearing, and generally acts as the State's clearinghouse for deaf and hard of hearing issues, including employment and emergency services. The office is advised by an 18-member advisory council. Additional information on this office can be found in "Chapter 2. Legislative/Executive Direction and State Administration" of this handbook.

In addition, the Disability Determination Services Program within the Division of Rehabilitation Services of the Maryland State Department of Education adjudicates Social Security Disability Insurance and Supplemental Security Income claims of Maryland residents who apply to the federal government's Social Security Administration. In fiscal 2021, the program adjudicated 46,954 claims for Social Security Disability Insurance benefits.

The Maryland Transit Administration assists disabled individuals with their transportation needs through the MobilityLink Program, which provides door-to-door rides for eligible individuals. In fiscal 2021, MobilityLink ridership was approximately 1.0 million. Additional information on MobilityLink services may be found in “Chapter 9. Transportation” of this handbook.

Services to Veterans

The State, with financial assistance from the federal government, is responsible for delivering assistance to veterans. This assistance is provided through the Department of Veterans Affairs, an independent State agency. The agency assists veterans and their dependents in seeking federal, State, and local benefits; maintains veterans’ monuments and three veterans’ war memorials (the Vietnam Memorial, the Korean War Memorial, and the World War II Memorial); and manages five veterans’ cemeteries. The department interments veterans at no cost to the family, while it charges a nominal fee to inter veterans’ spouses and dependents.

The department also operates the Charlotte Hall Veterans Home in Saint Mary’s County through a contract with a private vendor. Admission is based on eligibility criteria developed by the department. The home provides domiciliary living and comprehensive care to veterans residing in Maryland who are either unable to care for themselves because of a disability or advancing age or have need of skilled nursing in a comprehensive care setting. In fiscal 2021, Charlotte Hall Veteran’s Home had 301 residents, which is approximately 68% of available capacity.

The department’s Services and Benefits Program made 129,576 contacts with Maryland veterans, their dependents, and their survivors in fiscal 2021. Benefit specialists with the department work to assist these individuals in obtaining benefits from the U.S. Department of Veterans Affairs, the U.S. Department of Defense, and the State of Maryland. Assistance was provided for 2,798 claims filed with the U.S. Department of Veterans Affairs in fiscal 2021. A total of six service offices co-located in Motor Vehicle Administration Service Centers throughout the State operate to improve access to services for veterans and their families.

Legislation enacted in 2008 created the Veterans Behavioral Health Initiative in the Maryland Department of Health to encourage service coordination between State and federal agencies and fund certain behavioral health services for veterans of the Afghanistan and Iraq conflicts. In 2009, the program was extended to all Maryland veterans of foreign wars. In addition to service coordination, the program, known as Maryland’s Commitment to Veterans, provides transportation services to and from behavioral health appointments. The top services or referrals commonly provided by the program include financial assistance, behavioral health assistance, and housing services.

Local Projects

Locally funded projects vary from jurisdiction to jurisdiction. Services for the elderly and emergency assistance programs are among the most common examples of locally financed

initiatives. Montgomery County, which operates its own Department of Health and Human Services using county dollars and grants from the State, is responsible for the largest percentage of local spending. A portion of the county's spending is targeted to employee compensation as the Department of Health and Human Services staff are county employees and thus paid based on the county pay scale, which is not taken into consideration in the State grant. The State supports costs equivalent to the amount employees would earn if they were State employees, with the county paying the difference.

Funding

As depicted in **Exhibit 11.15**, the State and the federal governments are responsible for funding most of Maryland's human service programs. Mandatory local contributions for certain human service programs were phased out during the 1960s and 1970s, although local governments may supplement State funds for local programs and operations on a voluntary basis. Local expenditures are required, however, to attain federal matching funds for certain programs for the aged.

While federal support represented more than three-quarters of all human service spending in Maryland in fiscal 2021, most of the federal dollars are earmarked for specific public assistance programs. Federal Supplemental Nutrition Assistance Program funding, which covers 100% of the traditional benefit costs and 50% of the administrative expenses of the program, accounted for approximately \$2.5 billion of the federal human service expenditures in fiscal 2021. This figure is higher than other recent years due to higher than typical benefit amounts and recipients due to the COVID-19 pandemic. In addition, this figure includes the Pandemic Electronic Benefits Program, which provides benefits equivalent to the value of free school meals to children that would have otherwise received free or reduced-price meals at school but could not due to school closures, which is available only during the COVID-19 national public health emergency. Another \$213.5 million in federal Temporary Assistance for Needy Families Block Grant dollars were expended to support components of the Family Investment Program, including administration and cash assistance, as well as other programs and administrative costs, such as Foster Care Maintenance Payments. This figure is lower than would otherwise be expected given the caseload size due to the availability of federal stimulus funding for cash assistance. Other federal dollars are provided through block grants (social services, low-income home energy assistance) and on a matching basis (foster care, child support, and some aging funds). With a few exceptions, State rather than local funds are used to leverage federal matching funds.

Exhibit 11.15
Human Services Funding
Fiscal 2021
(\$ in Thousands)

	<u>State</u>	<u>Local</u>	<u>Federal¹</u>	<u>GO Bonds</u>	<u>Total</u>
Operating Programs					
Aging Programs ²	\$27,385	\$0	\$52,058	\$0	\$79,443
Juvenile Services ³	244,091	0	7,811	0	251,902
Veterans ⁴	15,346	0	22,730	0	38,076
Welfare Grants/Other Public Assistance	128,743	0	135,971	0	264,714
Supplemental Nutrition Assistance Program					2,368,22
Benefits ⁵	—	0	2,368,221	0	1
Foster Care/Adoption Payments	208,083	0	84,432	0	292,515
Child Support	24,607	196	76,758	0	101,561
Local Departments of Social Services ⁶	253,175	7,572	218,241	0	478,988
Home Energy Programs ⁷	47,019	0	106,633	0	153,652
Other Department of Human Services ⁸	105,325	1,175	234,521	0	341,021
Local Management Boards ⁹	20,125	0	0	0	20,125
Children and Youth Services ¹⁰	780	0	0	0	780
Department of Disabilities ¹¹	7,902	0	2,110	0	10,012
Disability Determination Services Program (MSDE)	0	0	26,464	0	26,464
Office of the Deaf and Hard of Hearing	414	0	0	0	414
Various Local Programs Not Included in State					
Budget ¹²	0	503,929	0	0	503,929
Total Operating	\$1,082,995	\$512,872	\$3,335,950	\$0	\$4,391,817
Capital General Obligation and PAYGO Programs					
Aging	\$0	\$0	\$0	\$344	\$344
Juvenile Services	0	0	0	0	0
Disabilities	0	0	0	1,851	1,851
Veterans Affairs	0	0	1,227	0	1,227
Total Capital	\$0	\$0	\$1,227	\$2,195	\$3,422

GO: general obligation

MSDE: Maryland State Department of Education

PAYGO: pay-as-you-go

¹ Includes federal stimulus funds and other supplemental program funding. Total is higher than normal due to federal stimulus legislation.

² Excludes all reimbursable funds. Does not include funding for Aging Services provided by the Maryland Department of Health, the Maryland Department of Transportation, or the Department of Human Services.

³ Excludes all reimbursable funds.

⁴ Excludes capital programs funded through the operating budget. Excludes funding for programs provided directly by the U.S. Department of Veterans Affairs. Medical related benefits of the U.S. Department of Veterans Affairs are shown in “Chapter 10. Health Services” of this handbook.

⁵ Includes Pandemic Electronic Benefit Transfer Program, which totaled \$408.3 million.

⁶ Includes the Local Family Investment, Child Welfare, Adult Services, and overhead of local departments of social services. Excludes Work Opportunities Program, which is included in Chapter 14 of this volume. Excludes Local Child Support, which is shown in the Child Support line.

⁷ Excludes one-time arrearage assistance funding provided through the Public Service Commission through the Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families Act of 2021.

⁸ Includes the Office of the Secretary, the Citizens Review Board for Children, the Commission for Women, Office of Grants Management, the Operations Office, the Office of Technology for Human Services, and central administration of the Social Services and Family Investment Administrations. Excludes Legal Services and Maryland Office for Refugees and Asylees, which are included in Chapters 4 and 14 this volume, respectively.

⁹ Excludes all reimbursable funds and nonbudgeted funds.

¹⁰ Previously the Governor’s Office for Children, now part of the Governor’s Office of Crime Prevention, Youth, and Victim Services.

¹¹ Excludes all reimbursable funds. Does not include funding for programs that are administered by the Maryland Department of Health.

¹² Includes all net county spending reported in Uniform Financial Reports, less the amounts that are captured in specific categories of spending in this exhibit.

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

Source: *Fiscal 2023 Governor’s Budget Books*; Uniform Financial Reports; Department of Legislative Services

Among the largest areas of State spending are juvenile services, foster care and subsidized adoption payments, and local departments of social services. With the exception of juvenile services, much of the State spending in these areas matches federal funding or meets a federal maintenance of effort requirement. Little in the way of federal support is available for juvenile service programs, so these programs rely almost entirely on State general funds to cover operating costs.

As shown in **Exhibit 11.16**, in fiscal 2021, the counties and Baltimore City reported spending approximately \$656 million on human services programs. Of this amount, \$208.5 million represented county contributions to the local department of social services. Another \$123.2 million funded local offices on aging. The remainder funded local child support and various other social services initiatives. Many of these local programs were administered through the local departments of social services. Spending in Montgomery County represents approximately 42.6% of local expenditures, partly due to its unique arrangement with the State for the operation of the local department of social services. A more detailed breakdown of local spending by activity is not provided as financial reporting forms often fail to distinguish local expenditures on aging or social service programs from State or federal expenditures which pass through the local budget. The counties and Baltimore City reported spending \$143.2 million from federal and State grants for social services programs in fiscal 2021. Thus, net county spending totaled \$512.9 million in fiscal 2021.

Exhibit 11.16
County Spending on Human Services Programs
Fiscal 2021

<u>County</u>	<u>Contribution to Local Department</u>	<u>Office on Aging</u>	<u>Other Programs</u>	<u>Total Funding</u>
Allegany	\$131,880	\$0	\$2,453,926	\$2,585,806
Anne Arundel	5,387,946	13,373,406	7,130,860	25,892,212
Baltimore City	-	-	106,730,668	106,730,668
Baltimore	12,492,482	13,879,629	8,309,564	34,681,675
Calvert	76,392	2,161,557	2,081,060	4,319,009
Caroline	-	166,161	124,975	291,136
Carroll	20,000	3,125,717	3,270,318	6,416,035
Cecil	322,698	8,419,100	839,101	9,580,899
Charles	319,000	1,308,640	3,570,975	5,198,615
Dorchester	-	17,000	509,859	526,859
Frederick	498,273	4,297,877	31,928,516	36,724,666
Garrett	-	384,559	-	384,559
Harford	1,921,339	3,481,709	7,726,518	13,129,566
Howard	6,566,698	3,264,425	40,299,936	50,131,059
Kent	57,189	45,149	1,612,549	1,714,887
Montgomery	174,488,544	52,262,757	52,606,996	279,358,297
Prince George's	5,739,209	8,102,286	32,781,624	46,623,119
Queen Anne's	-	2,922,549	5,264,794	8,187,343
St. Mary's	-	3,126,844	1,301,098	4,427,942
Somerset	-	-	1,260,874	1,260,874
Talbot	16,000	486,951	2,844,523	3,347,474
Washington	435,560	831,000	490,080	1,756,640
Wicomico	-	-	9,853,635	9,853,635
Worcester	-	1,611,502	1,292,448	2,903,950
Total	\$208,473,210	\$123,268,818	\$324,284,897	\$656,026,925
Minus Federal Grants				-\$98,703,371
Minus State Grants				-\$44,452,038
Net County Spending				\$512,871,516

Note: Numbers may not sum to total due to rounding. Spending reported by county governments may include State and federal grants provided to the county. The categories of spending are those reported on Uniform Financial Reports and may not match the amounts reported in the State budget. For purposes of this exhibit, the federal and State social service grant revenues reported by the county are assumed to have been expended in the same year they were received.

Source: Uniform Financial Reports; Department of Legislative Services

Chapter 12. Housing and Community Development

Housing and community development needs in Maryland are served by a combination of federal, State and local government agencies and programs. The federal involvement consists primarily of policymaking and financial assistance to the State and to local governments. Maryland's Department of Housing and Community Development is the main State agency in this arena. The department, along with other State units that have specific roles, provide State housing and community development services. Many local governments, chiefly Baltimore City and the counties, implement their own programs and serve as conduits for funding from the federal and State government.

Structure

Federal

The provision of housing for persons of limited income has been a function of the federal government since the Great Depression, with the enactment of the U.S. Housing Act of 1937. During the 1940s and 1950s, large public housing developments, funded by the federal government and administered by local public housing authorities, were built in cities across America. By the 1960s, middle class flight to the suburbs and urban decay led to urban renewal efforts, many of which had the unfortunate consequence of further isolating the poor into enclaves of publicly supported poverty. Redevelopment programs such as Community Development Block Grants (administered by the U.S. Department of Housing and Urban Development) sought to restore life and vitality to aging inner cities. The focus has changed in recent decades to the provision of subsidized rental housing, with emphasis on scattered site development, increasing housing choices for the poor, and leveraging private investment. As part of the trend of privatizing public housing, the U.S. Department of Housing and Urban Development rolled out its Rental Assistance Demonstration Program in 2012 as part of its rental housing preservation strategy. The program allows public housing and moderate rehabilitation properties to convert to long-term rental assistance contracts under the federal Housing Choice Voucher Program, also known as "Section 8."

The federal government has also played a significant role in the homeownership arena, most notably through allowing the deduction of mortgage interest from federal income taxes. Other federally sponsored programs, such as the Federal Housing Administration and Government National Mortgage Association (better known as Ginnie Mae), promote homeownership by making mortgages more accessible or affordable.

State

At the State level, the Department of Housing and Community Development is Maryland's primary agent in this field. The mission of the department is to work with partners to finance

housing opportunities and revitalize places for Maryland citizens to live, work, and prosper, in addition to administering the department's programs and activities to affirmatively further fair housing. The department works to achieve this mission through partnerships with the federal government, local public housing authorities, local agencies, other State agencies, and private partners such as nonprofit organizations, banks, developers, and housing and community advocates.

In addition to the executive and administrative units, the Department of Housing and Community Development is organized into three programmatic divisions: Division of Development Finance; Division of Credit Assurance; and Division of Neighborhood Revitalization. Through these divisions, the department:

- administers federal programs;
- issues revenue bonds and obtains State funding through general obligation bonds to support the writing of mortgage loans and to finance the construction of multifamily rental projects;
- operates a mortgage insurance fund;
- directs services aimed at reducing the number of homeless people in Maryland;
- oversees funding designed to address special housing structural needs; and
- manages programs to redevelop and revitalize neighborhoods.

The Community Development Administration, within the Division of Development Finance, is the State's housing finance agency. The administration issues tax-exempt and taxable revenue bonds to finance single-family mortgages, multifamily rental housing developments, local government infrastructure improvements, and small businesses. The administration's revenue bonds are not obligations of the State of Maryland and are rated "Aa2" by Moody's Investors Service and "AA+" by Fitch Ratings.

Also at the State level, the State Department of Assessments and Taxation administers two housing-related property tax credit programs: the homeowners' tax credit program; and the renters' tax relief program.

Local

County housing and community development offices, county housing authorities, and municipal housing authorities play a major role in implementing housing programs. **Exhibit 12.1** shows the distribution of housing offices and housing authorities in jurisdictions of the State. Housing offices are agencies of local governments and often bear responsibility for administering

loan programs, federal housing assistance payments, and local initiatives. Activities may include determining eligibility for federal assistance, providing counseling for first-time homebuyers, and advocating on behalf of those in need of affordable housing. Public housing authorities (county or city) are separate entities, independent from local governments. A board of commissioners, appointed by the chief elected local government official, oversees the authority's activity. Housing authorities have the ability to directly own and manage housing units to be rented by low-income tenants. Statutes establishing the Housing Opportunities Commission of Montgomery County, as well as the Housing Authorities of Baltimore City; the City of Annapolis; and Anne Arundel, Montgomery, Prince George's, Queen Anne's, Somerset, St. Mary's, and Washington counties may be found in Division II of the Housing and Community Development Article.

Local governments also invest in other types of community development activities, such as urban renewal and conservation programs. Some jurisdictions have created councils or commissions dealing with community development issues to ensure that the most important needs are identified and addressed.

Services

Government activity in housing and community development services can be grouped into five broad categories: homeownership; rental housing; homelessness programs; special housing structural needs; and neighborhood revitalization. The Department of Housing and Community Development also oversees the State's broadband infrastructure and access programs.

Homeownership

Encouraging homeownership has long been viewed as a method to bring stability to a community and increase the financial well-being of individual households. Federal income tax policy, with the deductibility of mortgage loan interest, provides the most pervasive method of encouraging homeownership. For individuals and families without the means to qualify for mortgage loans in the private market, the State offers a number of services to expand homeownership.

Exhibit 12.1
Local Housing Offices and Authorities in Maryland

Jurisdiction	County Housing Offices	County Housing Authorities	Municipal Housing Authorities
Allegany	Yes ²	Yes	Cumberland and Frostburg
Anne Arundel	Yes	Yes	Annapolis
Baltimore City	N/A	N/A	Baltimore City
Baltimore	Yes	Yes	None
Calvert	Yes	Yes	None
Caroline	Yes ¹	No	None
Carroll	Yes	Yes	Westminster
Cecil	Yes	Yes	Elkton
Charles	Yes	Yes	None
Dorchester	Yes ¹	No	Cambridge
Frederick	Yes ²	No	City of Frederick
Garrett	Yes ²	No	None
Harford	Yes	Yes	Havre De Grace
Howard	Yes	Yes	None
Kent	Yes ¹	No	None
Montgomery	Yes	Yes	Rockville
Prince George's	Yes	Yes	College Park and Glenarden
Queen Anne's	Yes	Yes	None
St. Mary's	Yes	Yes	None
Somerset	Yes ¹	No	Crisfield
Talbot	Yes ¹	No	Easton and St. Michaels
Washington	Yes	Yes	Hagerstown
Wicomico	Yes ¹	Yes	None
Worcester	Yes ¹	No	None

DHCD: Department of Housing and Community Development

¹ Refers to DHCD's Eastern Shore Regional Housing Assistance Office.

² DHCD subcontractor.

Source: Department of Housing and Community Development

The Maryland Mortgage Program, administered by the Community Development Administration, provides below-market fixed-rate mortgages through private lending institutions to low- and moderate-income households. The program is financed through the sale of mortgage revenue bonds, targeted to first-time homebuyers, and includes eligibility limits on both household income and the cost of the home. The administration provides eligible borrowers with a wide variety of mortgage products to meet housing needs. In fiscal 2021, the department financed nearly 4,000 mortgages totaling more than \$1 billion. As of June 30, 2021, the portfolio of outstanding mortgages made under this program comprised more than 24,500 mortgages totaling \$4.2 billion. Since fiscal 2014, the Maryland Mortgage Program has been funded in large part through secondary market sales of Ginnie Mae and Fannie Mae mortgage-backed securities.

The housing revenue bonds issued by the Community Development Administration and used to fund the program represent a portion of the State ceiling on tax-exempt private activity bonds established each year by the Internal Revenue Service. Of the State ceiling, 25.0% is allocated to the administration, 50.0% is allocated to the counties and Baltimore City, 22.5% is allocated to the Department of Commerce, and 2.5% is allocated to municipalities. Generally, Montgomery and Prince George's counties issue bonds for housing purposes directly from their allocations; the remaining counties and Baltimore City transfer their allocations to the administration, which issues single-family mortgage bonds on behalf of the local jurisdiction. The benefit of this arrangement is that the local government avoids the costs of issuing bonds, but the bond proceeds can be used for single-family home mortgages in that jurisdiction.

Other programs within the Maryland Mortgage Program offer additional loans and financial assistance to eligible applicants. The Down Payment and Settlement Expense Loan Program, a supplementary loan program, provides financing for down payment and specified settlement expenses to enable eligible homebuyers to purchase homes. Settlement expenses include fees and premiums for specified title expenses. Montgomery County provides supplemental funding annually to the State so that the incentives for homebuyers in that jurisdiction can be larger, including \$1 million in fiscal 2021. SmartBuy 3.0 offers qualified homebuyers up to 15% of the home purchase price for the borrower to pay off their outstanding student debt with a maximum payoff amount of \$30,000. To qualify for SmartBuy 3.0, homebuyers must have an existing student debt with a minimum balance of \$1,000, and the full outstanding student loan balance of at least one of the homebuyers must be paid off at the time of purchase. Funding for both programs is primarily from general obligation bond revenue allocated in the capital budget, although the department supplements these programs with nonbudgeted funds. For fiscal 2021, the Down Payment and Settlement Expense Loan Program provided \$24.1 million in loans and \$5.2 million in grants. In addition, SmartBuy program loans assisted homebuyers in retiring \$8.3 million in outstanding student debt.

Created in 1971 as a special insurance fund of the State, the Maryland Housing Fund is authorized to insure mortgage loans, including mortgage loans for multifamily developments financed by public agencies and for single-family residences. In 2005, the fund released a new product insuring 40-year, single-family mortgages and, in response to rising foreclosures, created a credit enhancement product in 2008 to assist homeowners with refinancing their mortgages on

the private market. However, rising turmoil in the financial and housing sectors caused the Department of Housing and Community Development to suspend its single-family mortgage insurance program in December 2008, which remains suspended. As of June 30, 2021, the fund's outstanding commitments on insured mortgages totaled \$171.6 million for multifamily mortgage loans and \$10.6 million for single-family mortgages.

Rental Housing

State activity in the rental housing arena addresses both supply and demand. The department administers several State and federal programs designed to increase the supply of affordable rental housing units. In addition to State efforts, local housing authorities also work to expand affordable housing in their communities, often with tax credits or other subsidies to developers in exchange for producing affordable housing units. Administration of federal rental assistance programs is divided between the State and local levels.

Rental Housing Supply

Efforts to address the State's supply of affordable rental housing include providing loans to for-profit and nonprofit developers for the acquisition, construction, renovation, and rehabilitation of housing deemed affordable to low- and moderate-income families. The State appropriated a total of \$73.1 million¹ in fiscal 2021 to a series of programs designed to develop or rehabilitate units that, in general, serve populations with incomes below 60% of the area median. Proposals are selected for funding under a competitive rating and ranking system. For fiscal 2021, the outstanding portfolio of the State-funded rental housing development loan programs under the Department of Housing and Community Development totaled \$756.9 million, comprised of 530 loans.

The Department of Housing and Community Development also spurs the development and rehabilitation of low-income housing among private developers by administering the federal Low-income Housing Tax Credit Program. The tax credits are awarded to developers agreeing to rent a portion of the rental units to low-income households. The developers sell the tax credits to investors for cash, and the investors may claim the tax credit for a period of 10 years.

The State also administers a Multifamily Bond Program whereby tax-exempt and taxable revenue bonds are issued by the Community Development Administration to provide below-market and market-rate financing to develop rental properties. As with the Maryland Mortgage Program, these revenue bonds represent a portion of the State ceiling on tax-exempt private activity bonds established each year by the Internal Revenue Service. In fiscal 2021, the program issued \$279.8 million in tax-exempt revenue bonds, and the outstanding principal of loans under this bond program totaled \$802 million.

¹ Includes \$25 million in general obligation bonds, \$12 million in pay-as-you-go general funds, \$16.5 million in special funds from loan repayments, and \$19.6 million in federal funds.

The Department of Housing and Community Development's Partnership Rental Housing Program is a collaboration with local governments to finance the construction and rehabilitation of affordable rental housing for families with incomes below 50% of the statewide median. The program also provides financing to private developers as long as they agree to include a certain number of affordable rental units for disabled individuals in the project. In fiscal 2021, the State appropriated \$6 million in general obligation bonds for this program.

Assistance to Renters

The State and local governments also administer several federal programs that provide rental subsidies for low-income tenants. The largest program is the Housing Choice Voucher program, which is administered primarily at the local level. At the State level, the Department of Housing and Community Development administers the program for jurisdictions that do not receive a direct allocation from the U.S. Department of Housing and Urban Development. Direct allocation jurisdictions include Baltimore City and Anne Arundel, Baltimore, Calvert, Carroll, Cecil, Charles, Harford, Howard, Montgomery, Prince George's, Queen Anne's, St. Mary's, Washington, and Wicomico counties, as well as the municipalities of Annapolis, Crisfield, Easton, Elkton, Frederick, Hagerstown, Rockville, and Westminster. In fiscal 2021, the Department of Housing and Community Development received \$19.8 million for the Housing Choice Voucher program. The State-administered portion of the Housing Choice Voucher Program is small compared to local administration, amounting to less than 3% of Maryland's federal fiscal 2022 allocation from the U.S. Department of Housing and Urban Development.

The Department of Housing and Community Development also administers project-based rental assistance, where the subsidy is tied to the rental unit rather than the tenant, for the whole State of Maryland under a contract with the U.S. Department of Housing and Urban Development. The Department of Housing and Community Development oversaw about 22,000 units on behalf of the U.S. Department of Housing and Urban Development in fiscal 2021 and provided approximately \$250 million in rental subsidies. The State is responsible for reviewing the property owner's records, ensuring the housing assistance payments are made to the property in accordance with federal rules, reviewing requests for rent increases, responding to tenant complaints, and performing physical inspections of the properties.

In these rental assistance programs, the tenant, typically with an income at or below 30% of the area median, pays no more than 30% of the household's monthly income for rent and utilities. The federal government subsidizes the remaining costs through payments by the housing authority directly to the landlord. The rent for subsidized units is capped by the housing authority, under federal guidelines, based on the fair market rent for the area.

State Property Tax Credit Programs for Homeowners and Renters

The State Department of Assessments and Taxation administers the homeowners' tax credit program and the renters' tax relief program to reduce the tax liability of taxpayers with limited income, the elderly or disabled, or those with other qualifying conditions. In fiscal 2021,

State funds reimbursed local governments \$58.4 million for the homeowners' program and \$3.1 million for the renters' program.

Homelessness Programs

The State's homelessness programs are administered by the Department of Housing and Community Development. In fiscal 2019, the department consolidated several related subprograms into a single program called the Homelessness Solutions Program. Under this program, the department awards financial assistance to the State's 11 local Continuums of Care (local government entities and nonprofits depending on the jurisdiction), which in turn grant funds to local service providers. The consolidation is intended to give local communities more control and flexibility over methods of spending. Excluding funding provided for COVID-19 relief, the total fiscal 2021 funding for homelessness programs, including personnel costs, is \$11.1 million in the operating budget (including \$1 million set aside for unaccompanied homeless youth) and \$3.0 million in the capital budget for the development of emergency shelters and transitional housing. With the exception of \$1.3 million in federal funds and \$284,000 in special funds for the Emergency Solutions Grant Program, the remainder of the homelessness programs are funded with general funds.

Special Housing Structural Needs

The Department of Housing and Community Development administers several programs designed to address specific housing structural needs and issues, including loan funds to make improvements to properties lacking adequate indoor plumbing; bring single-family and small multifamily dwellings up to the standards of the building code; make improvements to properties lacking adequate indoor plumbing; and remove or otherwise abate lead paint hazards. The State also operates special loan programs to support the capital costs associated with the acquisition, rehabilitation, or construction of group housing for those with special needs. The State appropriated \$4.0 million in general obligation bonds, \$4.4 million in special funds, and \$2.0 million in federal funds for fiscal 2021 for these special loan programs.

The department also administers various energy programs that provide grants and loans to public and private entities for energy efficiency improvements to housing occupied by low-income Marylanders. Spending on all weatherization and energy efficiency programs totaled \$33.3 million in fiscal 2021 across both the operating and capital budgets. Of this, \$15.5 million was used for the Low Income Energy Efficiency Program, which allows low-income households to install energy conservation materials in their homes at no charge. Eligibility for this program is restricted to low-income households with electric heating or central cooling systems that are customers of one of Baltimore Gas and Electric Company, Delmarva Power, Pepco, Potomac Edison, Southern Maryland Electric Cooperative, or Washington Gas. The EmPOWER program provides the source of funds for the Low Income Energy Efficiency Program via an assessment on ratepayers of these utility companies. Other sources of funding for the department's energy programs include federal funds from the U.S. Department of Energy as well as funds passed through the Department of

Human Services to the Department of Housing and Community Development from the U.S. Department of Health and Human Services.

Neighborhood Revitalization

Federally Funded Programs

The federal Community Development Block Grant Program has been in operation since 1974. The program has three broad goals: to benefit low- and moderate-income families; to prevent or eliminate slums and blight; and to meet other urgent community development needs. Fourteen Maryland jurisdictions (the cities of Annapolis, Baltimore, Bowie, Cumberland, Frederick, Gaithersburg, Hagerstown, and Salisbury and the counties of Anne Arundel, Baltimore, Harford, Howard, Montgomery, and Prince George's) are entitlement communities, receiving annual funding directly from the U.S. Department of Housing and Urban Development. The rest of the State can compete for grant funding administered by the Department of Housing and Community Development. Projects can address a broad range of development objectives including housing, economic development, infrastructure, and community development. Excluding additional federal funding provided for COVID-19 relief, the Department of Housing and Community Development awarded funding to 20 projects totaling \$7.7 million in fiscal 2021.

The federal Community Services Block Grant Program, funded by the U.S. Department of Health and Human Services, is also administered by the Department of Housing and Community Development. In this program, funds are allocated to 17 community action agencies and 1 limited-purposes agency, which serves all areas of the State. The department distributed \$8.9 million to these agencies in fiscal 2021 to provide a range of services involving affordable housing, job training and employment counseling, Head Start and Early Head Start child education programs, services for disabled individuals, youth and senior citizens programs, emergency assistance, and nutritional services.

State Funded Programs

The Department of Housing and Community Development also administers programs designed to revitalize communities that are in decline or in danger of going into decline. The Neighborhood Business Development Program (operating as Neighborhood BusinessWorks) provides low-interest loans or grants to small, neighborhood retail and services businesses, often as a needed catalyst to stabilize a particular area or spur other private investment. For fiscal 2021, the State operating and capital budgets included \$8.0 million in general obligation bond funds, \$2.2 million in special funds, and \$0.5 million in general funds for this program.

The Strategic Demolition and Smart Growth Impact Fund, launched in fiscal 2013 and codified by Chapter 30 of 2016, provides grants to local governments, nonprofit organizations, and private entities for redevelopment and revitalization projects in designated Sustainable Communities. Projects include acquisition, demolition, and other site preparation activities. Since fiscal 2016, it has been the centerpiece of Project Creating Opportunities for Renewal and

Enterprise, an effort to remove blight through demolition or stabilization and encourage redevelopment, reinvestment, and stabilization in Baltimore City. The State allocation for fiscal 2021 was \$29.5 million combined of general obligation bond funds and bond premiums, with funding awarded on a competitive basis. The Maryland Stadium Authority, which acts as a general contractor and subcontracts some demolition work for the Project Creating Opportunities for Renewal and Enterprise program, demolished 667 units² in Baltimore City in fiscal 2021 at a cost of approximately \$19 million.

The Baltimore Regional Neighborhood Initiative Program, launched in fiscal 2014 and codified by Chapter 29 of 2016, provides grants to fund revitalization strategies in State-designated sustainable community areas in Baltimore City and the inner Beltway areas of Anne Arundel and Baltimore counties. Eligible projects include residential and commercial strategic property acquisition, redevelopment, rehabilitation, and new infill development. For fiscal 2021, the capital budget included the mandated \$12.0 million in general obligation bond funds for this program.

The National Capital Strategic Economic Development Program, launched in 2017 and codified by Chapter 732 of 2019, is nearly identical to the Baltimore Regional Neighborhood Initiative Program and provides awards to fund revitalization strategies in State-designated sustainable community areas for projects located between Interstate-495 and the District of Columbia within Montgomery and Prince George's counties. In general, program funding is mandated at \$7.0 million annually, although the program received only \$4.0 million in general funds in fiscal 2021 due to cost containment actions taken by the Board of Public Works.

The General Assembly created the Community Legacy Program in 2001. This program complements existing neighborhood revitalization efforts by providing a flexible funding source for community redevelopment. Eligible uses of the funds include capital projects such as streetscape and façade enhancements, recreational amenities, and improvement of community gathering places. Funds may also support noncapital activities such as technical assistance and capacity building to help neighborhood leaders develop the expertise needed to successfully plan and implement neighborhood revitalization projects. Requests for the Community Legacy program often exceed available funds. In fiscal 2021, 126 applicants requested nearly \$24 million, with only \$6.0 million in general obligation bond funds allocated to the program.

Chapter 31 of 2016 created the Seed Community Development Anchor Institution Fund within the department to provide grants and loans to anchor institutions such as hospitals and universities for community development projects in blighted areas of the State. In general, program funding is mandated at \$10 million annually, although in fiscal 2021 the program only received \$3 million due to various budget and cost containment actions.

² This figure includes 122 units that were demolished by Baltimore City, attributed to the program as a match against State funding. Per the department, a "unit" represents a unit of blight, which can be in excess of 1 per parcel if the property includes multiple buildings, is a multifamily structure, or is a large warehouse or other property of substantial volume.

Main Street Maryland is a comprehensive revitalization strategy used to strengthen the economic potential of historic downtown and neighborhood business districts. Using a competitive process, the program selects communities that have made a commitment to succeed and helps them improve the economy, appearance, and image of their traditional downtown business districts. Since its creation, the program has helped 33 communities throughout the State revitalize downtown areas.

Role of Other State Agencies: The Maryland Historical Trust, a unit of the Maryland Department of Planning, administers the Historic Revitalization Tax Credit Program (formerly known as the Heritage Structure Rehabilitation Tax Credit). The program supports the rehabilitation of residential and commercial properties, including qualifying nonhistoric structures. Generally, the State tax credit equals 20% of rehabilitation expenditures for specified residential and commercial properties. Chapters 449 and 450 of 2022 extended the program through fiscal 2031 and mandated an annual general fund appropriation of \$20 million. Other activities of the Maryland Historical Trust are discussed in “Chapter 15. Management of the State’s Natural and Historic Resources” of this handbook.

State law also mandates that a portion of video lottery terminal proceeds are provided as grants to local governments for improvements in communities near video lottery facilities. Impact grants may be distributed to municipalities within counties. These funds are budgeted in the Maryland Department of Labor and totaled \$92.7 million in fiscal 2021.

Office of Statewide Broadband

Chapter 74 of 2021 established the Office of Statewide Broadband as the successor to the Office of Rural Broadband. Among other responsibilities, the office assists and supports local jurisdictions in their efforts to improve access to broadband Internet, including the development and deployment of training programs. The office also issues grants to local governments, Internet service providers, and nonprofits to increase access to high-speed Internet and to assist in the development of affordable broadband infrastructure. In fiscal 2021, funding for broadband initiatives totaled \$54.7 million, including \$30 million in capital funding; this figure includes funds for emergency student Internet connectivity, libraries, and other pandemic-related connectivity funding relating to the State’s response to COVID-19. The State’s broadband programs are primarily funded using federal funds from the American Rescue Plan Act, with a multi-year commitment of \$400 million. In addition, additional federal funds for broadband are expected through the Infrastructure Investment and Jobs Act totaling at least \$100 million for the State of Maryland.

Pandemic Assistance

The COVID-19 pandemic has exacerbated housing insecurity in the nation due to high levels and extended periods of unemployment, and many renters fell behind on rent payments. To address this, the U.S. Congress created the Emergency Rental Assistance Program (ERAP 1.0) in

December 2020 through the Consolidated Appropriations Act and added a second round of funding (ERAP 2.0) through the American Rescue Plan Act of 2021 in March 2021. Emergency Rental Assistance Program funds can be used to provide rental or utility arrearage assistance of up to 12 months, as well as 3 months of prospective assistance, to renters who have experienced financial hardship due to COVID-19 and who have household incomes at or below 80% of the area median income. ERAP 2.0 provides additional funding for, and extends the maximum duration of, such assistance; however, total assistance between both programs may not exceed 18 months. Statewide funding for both rounds of the program totals \$754 million, including \$462.3 million administered by the Department of Housing and Community Development, with the remainder allocated directly to the largest local jurisdictions. Funding may be used until September 30, 2025, unless exhausted earlier.

As another housing component of the American Rescue Plan Act of 2021, the Department of Housing and Community Development administers federal funds for the Homeowner Assistance Fund. The fund is designed to provide relief to homeowners at risk of displacement through foreclosure or loss of utilities or home energy services. Maryland's allocation totals \$248.6 million, which the department is using to provide interest-free loans of up to \$40,000 and grants of up to \$20,000. The loans are interest free and available to homeowners with income that may not exceed 150% of area median income, whereas the grants are available to homeowners with income that may not exceed 100% of area median income. Repayment of a loan will be due at the end of the mortgage, although the department may allow full or partial forgiveness. The program will continue until September 30, 2026, or until funding is fully reserved, whichever comes first.

In addition to providing relief for homeowners and renters in the State, the American Rescue Plan Act of 2021 provided a new round of funding for the State Small Business Credit Initiative. Funding can be used for programs that expand access to capital and provide technical assistance for small and underserved businesses, including venture capital programs, loan participation and loan guarantee programs, collateral support programs, and loan loss reserve fund programs. Maryland's allocation for the program totals \$187.4 million, including \$20.7 million set aside for socially and economically disadvantaged individuals. An additional \$11.0 million will be made available to the State once Maryland achieves performance standards related to assisting socially and economically disadvantaged businesses. The Department of Housing and Community Development is the State's lead agency for the initiative, although funding will also be deployed through programs at the Department of Commerce and the Maryland Technology Development Corporation. Those agencies' small business initiatives and use of State Small Business Credit Initiative funding are discussed in "Chapter 13. Economic Development and Business Regulation" of this handbook.

Funding

Total operating and capital spending for housing and community development activities at the State level in fiscal 2021 was \$1.4 billion, as shown in **Exhibits 12.2** and **12.3**. Of this amount,

\$1.2 billion was for operating programs and \$223.6 million was for capital programs. This includes \$974.7 million of federal funds, \$106.5 million of State general obligation bond proceeds, and \$322.0 million of cash from State general and special funds.

Exhibit 12.2
Housing and Community Development Expenditures
Operating Programs
Fiscal 2021
(\$ in Thousands)

	<u>General</u> <u>Funds</u>	<u>Special</u> <u>Funds</u>	<u>Federal</u> <u>Funds</u> ¹	<u>Total</u>
Asset Management	–	\$4,978	–	\$4,978
Community Development				
Administration	–	4,868	–	4,868
Division of Finance and Administration	–	5,390	\$232	5,622
Division of Neighborhood				
Revitalization	\$13,792	41,144 ²	586,580	641,516
Homeowners' and Renters' Tax Credit				
Programs ³	58,374	–	–	58,374
Homeownership Programs	–	5,905	372	6,277
Housing and Building Energy Programs	–	16,838	3,710	20,548
Housing Development Program	–	4,289	122	4,411
Information Technology	–	1,340	1,523	2,863
Local Impact Grants for Jurisdictions				
with Casinos ⁴	–	92,684	–	92,684
Maryland Housing Fund	–	576	–	576
Office of Management Services	–	6,252	3,132	9,384
Office of the Secretary	2,009	2,914	13,244	18,167
Rental Services Programs	–	–	309,424	309,424
Total Operating	\$74,174	\$187,178	\$918,339	\$1,179,692

¹ Federal funding exceeded levels typically available to the department due to the availability of funding from several rounds of federal COVID-19 relief legislation.

² Includes \$35 million from the Rainy Day Fund provided for COVID-19 relief.

³ These tax credit programs are budgeted within the State Department of Assessments and Taxation.

⁴ These funds are budgeted in the Maryland Department of Labor.

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

Source: *Fiscal 2023 Governor's Budget Books*

Exhibit 12.3
Housing and Community Development Expenditures
Capital Grant and Loan and Tax Credit Programs
Fiscal 2021
(\$ in Thousands)

	<u>GO</u> <u>Bonds</u>	<u>General</u> <u>Funds</u>	<u>Special</u> ¹ <u>Funds</u>	<u>Federal</u> <u>Funds</u>	<u>Total</u>
Baltimore Regional Neighborhoods Initiative	\$12,000	–	–	–	\$12,000
Community Development Block Grant	–	–	–	\$5,297	5,297
Community Legacy	6,000	–	–	–	6,000
Historic Revitalization Tax Credit ²	–	\$3,466	–	–	3,466
Homeownership	16,000	–	\$3,000	–	19,000
Housing and Building Energy Programs	–	–	8,600	673	9,273
National Capital Strategic Economic Development Fund	–	4,000	–	–	4,000
Neighborhood Business Development	8,000	500	2,200	–	10,700
Office of Statewide Broadband	–	–	–	30,000	30,000
Partnership Rental Housing	6,000	–	–	–	6,000
Rental Housing	25,000	12,000	16,500	19,600	73,100
Seed Community Development Anchor Institution Fund	–	3,000	–	–	3,000
Shelter and Transitional Housing Facilities Grant	3,000	–	–	–	3,000
Special Loans	4,000	–	4,400	818	9,218
Strategic Demolition and Smart Growth Impact Project Fund	26,500	–	3,000	–	29,500
Total Capital	\$106,500	\$22,966	\$37,700	\$56,388	\$223,554

GO: general obligation

¹ Special funds primarily represent repayments to revolving loan funds and fees on bond issuances and insurance.

² The Historic Revitalization Tax Credit is budgeted within the Maryland Historical Trust, a unit of the Maryland Department of Planning, but reflected here due to its relevance to neighborhood preservation and revitalization.

Note: Numbers may not sum to total due to rounding. Capital funds may be expended over several years.

Source: *Fiscal 2023 Governor's Budget Books*; Department of Legislative Services

Federal funds are received primarily under the various rental assistance programs; the HOME Investment Partnerships Program and the national Housing Trust Fund, which are used to support rental housing development; and the Community Services and Community Development Block Grant Programs. For fiscal 2021, federal funding exceeded levels typically available to the department due to the availability of funding from several rounds of federal COVID-19 relief legislation.

Special funds are generated by repayments of principal and interest on loans made from the various revolving loan funds and from fees and interest generated through bond issuances. In fiscal 2021, special funds also included \$35 million from the State's Rainy Day Fund for COVID-19 relief programs.

Bonds issued by the Community Development Administration do not flow through the State budget and are not included in the totals above. Under the Local Government Infrastructure Bond Program, the State issues revenue bonds on behalf of small jurisdictions for improved access to the bond market. For calendar 2021, the Department of Housing and Community Development issued \$639.9 million for single-family projects, \$246.5 million for multi-family projects, and \$30.3 million for local projects such as schools, offices, parks, water system improvements, and other infrastructure.

Local government spending is shown in **Exhibit 12.4**. Funds include federal grants from the Department of Housing and Urban Development, State grants, and project income. Statewide, spending at the county level totaled \$870.8 million in fiscal 2021; about 95% of that spending is categorized as public housing and community development and the remaining portion as community action. The largest expenditures were made by Baltimore City and Baltimore, Montgomery, and Prince George's counties.

Grants received from the federal and State governments may be expended by a county in more than one fiscal year, particularly when the funds are for a capital project. It is difficult, therefore, to determine the proportion of any year's local spending, which is derived solely from own-source revenues. The federal and State governments contribute significantly in the housing and community development areas; in fiscal 2021, the counties collectively reported revenues of \$480.1 million in federal and State public housing and community development grants. Thus, if all such grants were expended in the year they were received, own-source county revenues would account for \$390.6 million in fiscal 2021.

Municipalities spent \$31.4 million in fiscal 2021, with 77% classified as community development and public housing and 23% as community action. About 96% of that total was spent in nine jurisdictions, where spending by jurisdiction totaled at least \$1.0 million. Again, the importance of State and federal grants is evident – for fiscal 2021, the municipalities of the State collectively reported \$14.8 million in community development revenues from other levels of government.

Exhibit 12.4
Local Community Development and Housing Expenditures
Fiscal 2021

<u>County</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Spending Reported</u>
Allegany	\$658,363	\$4,349,855	\$5,008,218
Anne Arundel	20,514,265	1,076,868	21,591,133
Baltimore City	107,787,327	-	107,787,327
Baltimore	93,543,856	-	93,543,856
Calvert	4,492,528	-	4,492,528
Caroline	477,445	195,271	672,716
Carroll	10,937,144	2,941,193	13,878,337
Cecil	6,883,427	1,164,714	8,048,141
Charles	10,588,146	102,711	10,690,857
Dorchester	-	-	-
Frederick	20,144,960	6,163,812	26,308,772
Garrett	2,522,260	-	2,522,260
Harford	13,483,588	-	13,483,588
Howard	63,085,667	-	63,085,667
Kent	1,140	92,198	93,338
Montgomery	359,923,582	6,248,342	366,171,924
Prince George's	145,427,372	4,270,076	149,697,448
Queen Anne's	1,246,459	-	1,246,459
St. Mary's	-	-	-
Somerset	1,907,972	55,283	1,963,255
Talbot	-	485,302	485,302
Washington	3,761,316	2,438,082	6,199,398
Wicomico	3,249,560	1,609,261	4,858,821
Worcester	125,663	207,295	332,958
Total	\$870,762,040	\$31,400,263	\$902,162,303
Less Federal Grants	(\$460,460,717)	(\$10,707,618)	(\$471,168,335)
Less State Grants	(19,688,235)	(3,487,976)	(23,176,211)
Less County Grants		(639,714)	(639,714)
Net County Spending	\$390,613,088	\$16,564,955	\$407,178,043

Source: Uniform Financial Reports; Department of Legislative Services

Chapter 13. Economic Development and Business Regulation

Maryland seeks to be known as a leading entrepreneurial state with a remarkable knowledge-based economy, innovation-minded culture, and strong consumer protection. To achieve this vision, the State works with local governments to help businesses become and remain successful, create stable employment opportunities for Marylanders, and regulate businesses and industries.

Economic Development Structure and Services

Maryland is still recovering from a severe economic downturn caused by the COVID-19 pandemic. Labor shortages, supply chain disruptions, and uncertain economic forecasts continue to weigh on the ongoing economic recovery. Despite these difficulties and to counteract these difficulties, there has been a substantial increase in State expenditures and new economic development initiatives to promote growth in the wake of the COVID-19 pandemic.

Economic development policy is implemented by the Department of Commerce and guided by the Maryland Economic Development Commission, which was established by legislation in 1995 with subsequent expansions to its purposes. The commission's purpose includes overseeing the operations of the department and monitoring the operations of the Maryland Technology Development Corporation (known as TEDCO), the Maryland Economic Development Corporation (known as MEDCO), and the Maryland Marketing Partnership. The commission evaluates the State's business climate and provides recommendations to the Governor and the Department of Commerce regarding policies, programs, and spending priorities. The commission's goals include improving State agency customer service, fostering a competitive business climate, and advancing innovation and entrepreneurship. The commission currently has 25 voting and 2 nonvoting members and is composed largely of private-sector representatives.

Department of Commerce

The State's Department of Commerce strives to attract new businesses, stimulate private investment, encourage the expansion and retention of existing companies, and provide Maryland businesses with workforce training and financial assistance. The department's objectives are carried out through three divisions: Administration and Technology; Business and Industry Sector Development; and Marketing, Tourism & the Arts.

Business Development and Business Financial Assistance

The department's regional business development representatives provide support and technical assistance to companies and local governments in all counties of the State including Baltimore City and are grouped in the following regions:

- Allegany, Garrett, and Washington counties;
- Anne Arundel County;
- Baltimore City;
- Baltimore County;
- Calvert, Charles, and St. Mary's counties;
- Caroline, Kent, and Queen Anne's counties;
- Carroll and Frederick counties;
- Cecil and Harford counties;
- Dorchester, Somerset, Worcester, and Wicomico counties;
- Howard County;
- Montgomery County;
- Prince George's County; and
- and Talbot counties.

The representatives function as the Regional Growth and Retention Team under the Division of Business and Industry Sector Development's Office of Business Development.

Financing Programs

The Office of Finance Programs under the Division of Business and Industry Sector Development is charged with delivering and administering the department's financial incentive and tax credit programs to a diverse customer base including the business community, local economic development agencies, financial institutions, and other parties that extend credit. Office responsibilities include customer education on products offered, project analysis, negotiation, structuring, underwriting, documentation, accounting, loan administration, and collection. The office is also responsible for portfolio oversight and reporting (both legislative and audited annual reports) for each of the programs. **Exhibit 13.1** shows funds expended for financial incentives during fiscal 2021.

Exhibit 13.1
Expenditures for Loan Guaranty, Loan, Grant, and Investment Programs
Under the Department of Commerce
Fiscal 2021

Maryland Economic Development Assistance Authority and Fund	\$20,915,000
Maryland Industrial Development Financing Authority Conventional Loan and Bond Insurance Fund ¹	16,498,291
Maryland Small Business Development Financing Authority	15,700,411
Small, Minority, and Women-Owned Businesses Account	14,844,075
Maryland E-Innovation Initiative	7,550,000
Economic Development Opportunity Fund	5,000,000
Maryland Economic Adjustment Fund	300,000
Nonprofit, Interest-free, Micro Bridge Loan Account ²	50,000
Military Personnel and Veteran-Owned Small Business No-Interest Loan Program	38,000
Total	\$80,895,777

¹ Amount reflects fund balance used to issue tax-exempt bonds or to guarantee private-sector loans.

² Formerly the Maryland Not-for-Profit Development Fund.

Note: Some projects/transactions receive approval in one fiscal year but are settled in a subsequent year resulting in some inconsistencies in data reported by fiscal years.

Source: Department of Commerce; Department of Legislative Services

The financing programs outlined below target local jurisdictions, small businesses, technology startups, and companies offering major economic development opportunities through relocation or expansion.

Traditional Banking: The Maryland Industrial Development Financing Authority, created in 1965, is the State's oldest economic development incentive program. It facilitates capital access by issuing private activity revenue bonds for small and midsize companies and it can provide credit insurance in the form of a collateral deficiency guarantee to reduce lenders' risk. As of June 30, 2021, the bond insurance fund had outstanding insurance of \$2.3 million against a reserve balance of \$16.5 million.

Small Businesses: The Maryland Small Business Development Financing Authority offers four types of programs for enhancing the competitive capacity of businesses owned by socially or economically disadvantaged individuals who have difficulty obtaining financing on

reasonable terms or rates. The authority's programs guarantee private borrowings when the eligible business has secured a government contract, provide guarantees for working capital and surety bonds, and make equity investments in small businesses. The maximum amount payable by the authority for a long-term loan guarantee is \$1 million. The authority is also expected to receive a total of \$45 million in federal funds from the American Rescue Plan Act for the State Small Business Credit Initiative to be used over several years, including \$1 million in fiscal 2022 and \$14 million in fiscal 2023.

The Small, Minority, and Women-Owned Businesses Account is another program benefitting small businesses. Section 9-1A-27 of the State Government Article requires that 1.5% of the proceeds from video lottery terminals at each of the six Maryland casinos be paid into the account, of which 50% of the funds are required to be deployed in targeted areas that surround video lottery terminal facilities, while the other 50% can be used anywhere in the State. The statute requires the department to make grants to eligible fund managers to provide investment capital and loans to small, minority, and women-owned businesses in the State (veteran-owned businesses are also eligible). As of fiscal 2021, the purpose of the account was expanded to provide grants or to convert prior loans to a grant in areas subject to a federal or State disaster declaration. These grants are limited to \$50,000 per business and an annual limitation of \$10 million for this purpose. There are nine approved fund managers in 2022:

- Anne Arundel Economic Development Corporation;
- Baltimore County;
- Baltimore Development Corporation;
- FSC First;
- Howard County Economic Development Authority;
- Maryland Capital Enterprises, Inc.;
- Meridian Management Group, Inc.;
- the Montgomery County Economic Development Corporation; and
- the Tri County Council for Western Maryland.

Business Attraction and Retention: The department offers several incentive programs designed to attract expanding or relocating companies from out of state or to make the expansion of a locally based company financially feasible.

The Maryland Economic Development Assistance Authority and Fund is the department's primary and most flexible tool for business financial assistance. The fund has five capabilities, which are to provide:

- loans to businesses of up to \$10 million for a significant economic development opportunity on a statewide or regional level;
- loans to businesses of up to \$5 million, or conditional loans and grants to businesses of up to \$2 million, for a local economic development opportunity;
- direct assistance to the Maryland Economic Development Corporation or a local jurisdiction for purposes such as land acquisition, infrastructure improvements, acquisition of fixed assets, and leasehold improvements;
- regional or local revolving loan funds; and
- special purpose loans, including day care facilities, aquaculture, and brownfields.

Eligible businesses must be located within a priority funding area and an eligible industry sector. With few exceptions, assistance may not exceed 70% of the total project costs unless the recipient is the Maryland Economic Development Corporation, which may request 100% assistance.

The Economic Development Opportunity Fund, also known as the Sunny Day Fund, is the State's tool for promoting Maryland's participation in extraordinary economic development opportunities. Although the awards through this program are managed by the department, the fund is part of the State Reserve Fund, and any use of this fund requires review by the Legislative Policy Committee. The Sunny Day Fund is designed to be used for extraordinary opportunities that result in significant job creation and retention and private investment in the State. Incentives may be used to attract new business, federal research, or public institutions, or to retain or expand businesses, federal research, or public institutions. Recipients must commit to job creation or retention targets and invest in capital at a level equal to five times the value of the incentive offered. The fund has been used for two large projects since fiscal 2016: a \$20 million forgivable loan to Northrop Grumman as an incentive to retain 10,000 jobs in the State; and \$20 million in incentives to Marriott International to retain its headquarters in the State.

The Maryland Economic Adjustment Fund assists small businesses that are seeking to upgrade manufacturing operations, develop commercial applications for new technology, or enter into and compete in new markets. This fund has also been used for assistance in recovering from the COVID-19 pandemic. Applicants must demonstrate creditworthiness, ability to repay the obligation, and an inability to obtain financing on reasonable terms through normal lending channels.

Research Endowments: The department also administers the Maryland E-Innovation Initiative Program, Fund, and Authority, which offers a State match to private funds raised in support of endowed chairs at Maryland's higher education institutions. Program funding of \$8.5 million is mandated annually. In fiscal 2021, the program awarded \$7.6 million for 11 endowed chairs or professorships at seven institutions: Bowie State University; Goucher College; Hood College; the Johns Hopkins University; Maryland Institute College of Art; the University of Maryland, Baltimore; and the University of Maryland, Baltimore County.

Military and Veteran Assistance: Established in 2006, the Military Personnel and Veteran-owned Small Business No-Interest Loan Program provides financial support for (1) small business employers of military reservists and National Guard members called to active duty; (2) businesses owned by military reservists and National Guard personnel called to active duty; (3) veteran-owned small businesses or veterans seeking to start a small business; and (4) businesses employing service-disabled veterans or owned by service-disabled veterans. The financing assistance provided to businesses may be made at any time from the point the military reservist is activated to six months after the end of activation and is based on eligibility criteria including the extent to which the activated military reservist is an essential employee. The no-interest loans range from \$1,000 to \$50,000. The program awarded funding to one project in fiscal 2021.

The Small, Minority, and Women-Owned Businesses Account, described above, also provides loan assistance to veterans who own businesses. The department also provides annual grant funding to the Montgomery County Veteran Institute for Procurement, which provides a business training program for veteran-owned businesses.

Nonprofit Assistance: Chapter 629 of 2017 established the Nonprofit, Interest-free, Micro Bridge Loan Account within the Maryland Nonprofit Development Center Program. The loan program provides up to \$25,000 in short-term financing support to qualifying nonprofit entities between the award date of a government contract and the receipt date of those awarded funds. For fiscal 2021, this account made awards to two projects.

Tax Credits

In addition, the Department of Commerce administers a number of tax credit programs, as shown in **Exhibit 13.2**. Some tax credits are budgeted within the department's appropriation, while the fiscal impact of the remaining credits is realized as lost revenue and not as an expenditure. The Enterprise Zone Tax Credit is discussed in this chapter but is budgeted under the State Department of Assessments and Taxation.

Exhibit 13.2 Overview of Tax Credit Programs

<u>Program</u>	<u>Tax Incentive</u>
Budgeted	
Biotechnology Investment Incentive*	Provides an investor with income tax credits equal to 33% or 50% of an eligible investment in a biotechnology company.
Enterprise Zone*	Provides real property and state income tax credits for businesses located in a Maryland Enterprise Zone in return for job creation and investments.
Innovation Investment Incentive*	Provides an investor with income tax credits equal to 33% or 50% of an eligible investment in a technology company.
More Jobs for Marylanders*†	Provides manufacturers or businesses that locate or expand in opportunity zones with an income tax credit tied to job creation for a 5- or 10-year period.
Nonbudgeted	
Brownfields	Provides tax credits for the redevelopment of eligible brownfield properties.
Buy Maryland Cybersecurity	Provides an income tax credit of 50% of the purchase price for Maryland companies with 50 or fewer employees that purchase cybersecurity goods, products, or services from Maryland cybersecurity companies.
Employer Security Clearances Costs	Provides income tax credits for expenses related to federal security clearance costs and other costs related to security-based contract work for small businesses.
Film Production Activity	Provides refundable income tax credits for qualified costs incurred while filming on-location in Maryland.
Job Creation*	Provides income tax credits of up to \$3,000 per job or \$5,000 per job in a “revitalization area” to businesses that create a minimum number of new full-time positions.
One Maryland*†	Businesses that invest in an economic development project in a Tier I county and create a minimum number of new jobs may qualify for an income tax credit up to \$5 million depending on the number of jobs and amount of eligible costs.

<u>Program</u>	<u>Tax Incentive</u>
Research and Development	Provides income tax credits to businesses for qualified research and development expenditures.
RISE Zone	A RISE Zone is a geographic area that has a strong connection with a qualified institution and is targeted for increased economic activity and community development. Businesses locating in a RISE Zone or an existing business doing a significant expansion within the zone, may qualify for real property tax credits and income tax credits related to capital investment and job creation.
Small Business Relief	Refundable tax credit available to small businesses that provide their employees with paid sick and safe leave.

RISE: Regional Institution Strategic Enterprise

* Eligible for the Opportunity Zone Enhancement Program.

† These programs include enhancements for projects located in Tier I areas of the State, which are designated based on economic conditions. For the One Maryland tax credit, only projects located in Tier I areas are eligible.

Note: The Enterprise Zone program is budgeted within the State Department of Assessments and Taxation. All other programs are administered by the Department of Commerce.

Source: Department of Commerce; Department of Legislative Services

Under the Opportunity Zone Enhancement Program, established in Chapter 211 of 2019, qualifying businesses within a designated federal opportunity zone may qualify for enhanced incentives through 2026 under the following tax credit programs: (1) job creation; (2) One Maryland; (3) enterprise zone; (4) biotechnology investment incentive; (5) innovation investment incentive; and (6) More Jobs for Marylanders. The enhanced incentives do not apply to (1) the enterprise zone property tax credit and (2) One Maryland tax credits unless the business hires at least 50 qualified employees.

Four programs (the More Jobs for Marylanders and One Maryland tax credits, as well as the Maryland Economic Development Assistance Authority and Fund, and Maryland Industrial Development Financing Authority programs) include enhancements for projects located in Tier I areas of the State. A county is classified as a Tier I county if (1) its average unemployment rate (for the most recent 24 months) is more than 150% above the average State unemployment rate during the same 24-month period; (2) its average unemployment rate (for the most recent 24 months) is more than the average State unemployment rate during the same 24-month period by two percentage points or more; (3) its median household income (for the most recent 24 months) is 75% or less of the State median household income during the same 24-month period; or (4) it has met any of the preceding criteria during the preceding 24 months. Tier I areas also include any

opportunity zones in the State. As of 2022, 10 jurisdictions qualify as Tier I counties: Baltimore City and Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Washington, Wicomico, and Worcester counties.

For a complete list of tax credits available to businesses, see “Chapter 5. Business Taxes” in *Volume III – Maryland’s Revenue Structure*.

Marketing, Tourism, and the Arts

The Maryland Marketing Partnership is a public-private marketing entity established in 2015 to create a branding strategy for the State, market the State’s assets to out-of-state businesses, and recruit out-of-state businesses to locate and grow in the State. The partnership is overseen by a board of directors consisting of various members of State government and private industry. The fiscal 2023 appropriation for the initiative includes \$1 million in general funds and \$1 million in special funds, which is composed of donations from State businesses. The partnership launched its marketing campaign in summer 2017 with the objectives of improving the State’s business image, increasing awareness of a Maryland location, and creating more jobs for Marylanders. The campaign’s theme is “Maryland is Open for Business.”

The Maryland Tourism Development Board, a 24-member body established by statute in 1993, promotes the State as a tourist destination. The board’s fiscal 2021 expenditures for marketing and promotional activities totaled \$13.8 million, including \$3 million provided for COVID-19 relief. The board also administers a program of matching grants to supplement local funds for tourism marketing, with the purpose of attracting visitors to the State.

In conjunction with the board, the department’s Office of Tourism Development within the Division of Marketing, Tourism, and the Arts serves as the State’s official travel marketing agency. The office showcases Maryland’s recreational, historical, and cultural attractions to increase visitation, promotes the State as an international and national travel destination, publicizes events, and maintains an official travel website. The office encourages travel in Maryland from around the State, country, and world through web marketing, print, and broadcast advertising, public relations, promotions, and events, print and electronic publications, and direct sales efforts to tour operators and group travel leaders. The office operates several welcome centers throughout the State, as well as a Telemarketing Call Center.

The Maryland State Arts Council is a 17-member State entity within the department established in 1967. The council’s mission is to advance the arts in Maryland by providing leadership that champions creative expression, diverse programming, equitable access, lifelong learning, and the arts as a celebrated contributor to the quality of life for all the people of Maryland. The council provides grants to arts organizations, local arts agencies, and individual artists. The council staff also administers the contracting of artists to create work for new or renovated State buildings through the Maryland Public Art Commission and offers free professional development for artists, arts administrators, and arts organizations. In fiscal 2021, the council awarded a total of \$21.5 million in grants (excluding COVID-19 relief grants), including \$15.2 million to arts organizations with budgets over \$50,000; \$4.0 million to the 24 official county arts agencies to

support local arts activity; \$380,000 to designated Arts & Entertainment Districts to support local revitalization efforts that incorporate arts and artists; \$335,000 to Regional Folklife Centers to support traditional arts; and over \$1.1 million to support independent artists, folk and traditional artists, arts in schools and community settings, public art projects, and small arts organizations.

Other Economic Development and Business Services

Business Licensing: In January 2016, Maryland Business Express was launched as part of the State Department of Assessments and Taxation's focus on online filings. Business Express coordinates information that was previously spread over several State agencies and provides a clear outline of the steps involved in starting a new business. Business Express allows for the creation of most business entity types, as well as trade name registration, annual report and property tax submissions, and ordering certified copies of certain documents. In fiscal 2021, 102,618 out of 109,208 business registrations were filed electronically (94%). More information on business licensing may be found in *Volume VII – Business Regulation in Maryland*.

International Business Services: The Office of International Investment and Trade assists Maryland companies with exporting and developing new markets, fosters foreign direct investment in Maryland and operates foreign trade offices in 17 locations: Africa; Australia; Brazil; Canada; Chile; China; Colombia; France; India; Israel; Japan; Mexico; Peru; Singapore; Taiwan; the United Kingdom; and the United Arab Emirates. Investment services are also offered in South Korea. The office also organizes foreign trade and investment missions to showcase Maryland businesses and the State as a place for business location. Under the ExportMD Program, the office awards Maryland businesses reimbursement up to \$5,000 for expenses associated with an international marketing initiative. Businesses that are planning an international business initiative within six months after certain application deadlines, and that are classified as a small business under the U.S. Small Business Administration size standards, may qualify for the program.

The office also offers up to 20 hours of assistance per year from the Department of Commerce's trade experts around the globe via the FlexEx program. The Maryland-Netherlands Cybersecurity Exchange Program provides assistance with State companies interested in working with the Hague Security Delta, a Dutch network of cybersecurity businesses. The State also participates in the Maryland/Israel Development Center/Fund, a partnership between local organizations and the Israeli government that promotes business ventures between State and Israeli businesses and research institutions. The partnerships must focus on highly innovative products or services that are both novel and possess the potential for significant scalability in the global marketplace. Funding support is given to each partner by its own governmental authority, and funding from public sources may not exceed 50% of total project cost.

Workforce Development: The Department of Commerce administers the Partnership for Workforce Quality program, which provides matching grants (up to 50% of eligible expenses) to small and mid-sized manufacturing and technology companies to improve their workforce. Several programs offered through other State agencies are also available to employers seeking to train their

workforces. More information on workforce development may be found in “Chapter 14. Labor and Workforce Development” of this handbook.

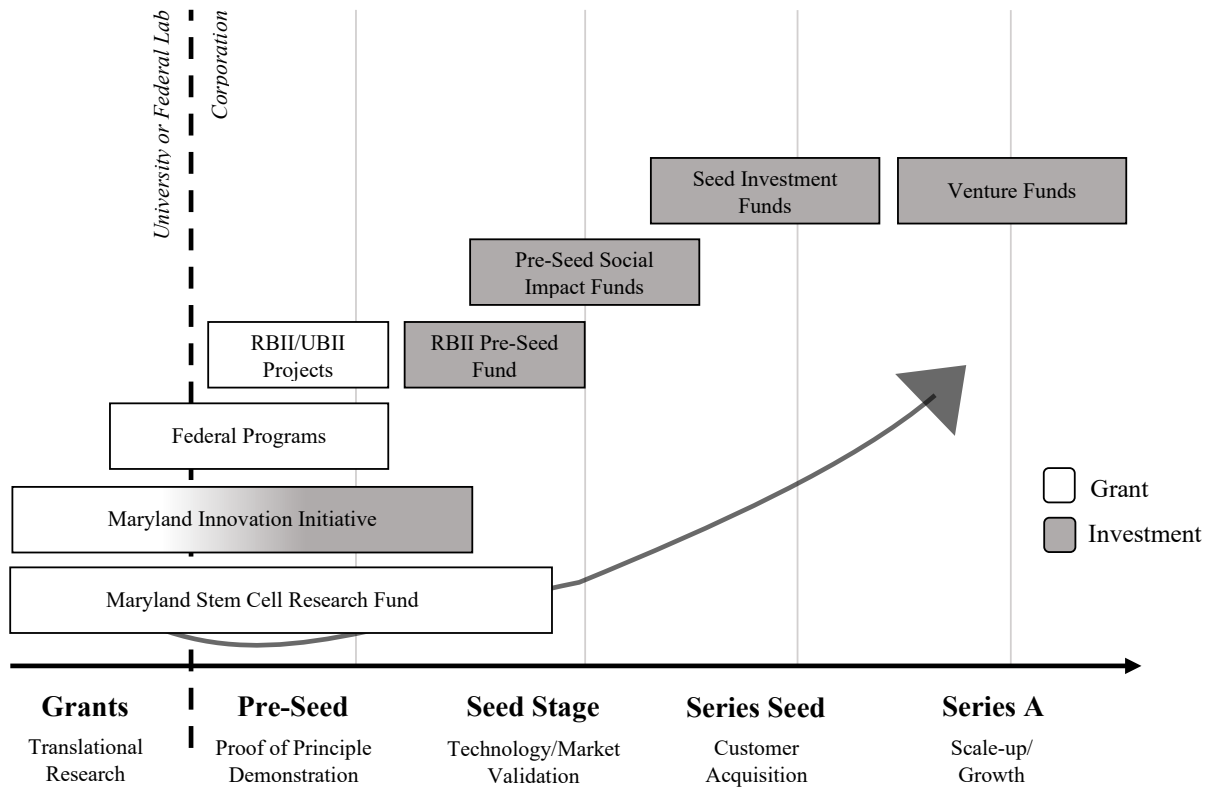
Maryland Economic Development Corporation

The General Assembly created the Maryland Economic Development Corporation in 1984 as a public corporation to promote economic development by acquiring or improving projects and by addressing the need for direct real property development capabilities. As a public entity, the corporation may own commercial and industrial real estate, issue bonds, own facilities, or lease facilities to other governmental entities or to private business entities, including institutions of higher education for student housing. The corporation’s financings are structured so that the revenues from the facilities pay the costs of the bonds, as well as administrative expenses. Bonds issued by Maryland Economic Development Corporation are not a debt of the State, nor is their repayment a moral or legal obligation of the State. State funds are periodically combined with Maryland Economic Development Corporation bonds to enhance the financial feasibility of projects. Through fiscal 2021, Maryland Economic Development Corporation has been involved in 322 projects.

Maryland Technology Development Corporation

In 1998, the General Assembly created the Maryland Technology Development Corporation as a means to enhance the transfer of technology from universities and federal laboratories to the private sector and foster the growth of companies in critical or high-growth sectors. The Maryland Technology Development Corporation board has 19 members, 2 of whom are appointed by the President of the Senate and 2 that are appointed by the Speaker of the House. Maryland Technology Development Corporation investments must meet statutory eligibility criteria that generally require a business to have and subsequently maintain a presence in the State. The programs administered by the Maryland Technology Development Corporation are aimed at providing assistance to companies based on a company’s stage of development from early stage and technology transfer to growth stage. At these stages, traditional business investments may be hard to find so the State supplements them. **Exhibit 13.3** shows Maryland Technology Development Corporation’s programs for businesses across the stages of development. Excluding the Maryland Venture Fund, all of the programs are funded either by an annual general fund grant, which was \$20.5 million in fiscal 2021, or with the corporation’s fund balance. In addition, the Maryland Technology Development Corporation provided \$6.5 million in COVID-19 relief to businesses in fiscal 2021.

**Exhibit 13.3
Overview of TEDCO’s Funding Programs by Stage**



RBII: Rural Business Innovation Initiative
 TEDCO: Maryland Technology Development Corporation
 UBII: Urban Business Innovation Initiative

Source: Maryland Technology Development Corporation

Early-stage Funding

Rural Business Innovation Initiative: The program is designed to provide technical and business assistance to small and early-stage technology-based companies that are located in rural Maryland. Companies receive grant assistance and mentoring provided by regional business mentors contracted by Maryland Technology Development Corporation.

Urban Business Innovation Fund: Maryland Technology Development Corporation developed plans and partnerships in fiscal 2021 to expand the Rural Business Innovation Initiative concept to assist underserved populations in two urban areas: Baltimore City; and Prince George’s

County. Like its rural counterpart, the new Urban Business Innovation Initiative provides grant assistance and mentoring services to early-stage companies.

Social Impact Funds

The Maryland Technology Development Corporation operates two social impact funds that serve businesses run by socially or economically disadvantaged entrepreneurs. These funds serve businesses in the pre-seed and seed stages, respectively.

Pre-Seed Builder Fund: This program is designed to engage and invest in economically underserved business founders and communities. The Pre-Seed Builder Fund typically invests up to \$250,000 via convertible notes, and the program also provides both hands-on and educational executive support, peer-to-peer mentorship or collaboration, and networking opportunities. Chapter 415 of 2021 mandates increasing appropriations for the program over time, including \$5 million in fiscal 2023, \$6.2 million in fiscal 2024, and \$7.5 million annually beginning in fiscal 2025.

Inclusion Fund: Chapter 180 of 2021 established the Inclusion Fund in the Maryland Technology Development Corporation to provide seed investments to businesses that are at least 30% owned by individuals who demonstrate economic disadvantage. The Inclusion Fund provides follow-on funding for companies that qualify under the Builder Fund. The fiscal 2023 budget includes \$750,000 for the Inclusion Fund in its first year of funding. The Maryland Technology Development Corporation anticipates making investments of approximately \$200,000 to \$250,000. Award recipients will also receive mentoring services provided by the Maryland Technology Development Corporation.

Seed Funds

The Seed Funds are a family of four funds each investing in early-stage companies developing technology. The Maryland Technology Development Corporation makes investments from \$100,000 to \$500,000 through convertible debt and equity instruments. The four funds include Technology Commercialization, Cybersecurity, Life Sciences, and Gap.

Technology Commercialization Fund: This program typically invests up to \$200,000 in early-stage Maryland companies to develop and commercialize technology products. This fund supports technology and product development by startup companies often deemed too early in their development to gain the interest of traditional venture capital investments.

Cybersecurity Investment Fund: The program typically invests up to \$200,000 to support projects that advance cybersecurity technology toward commercialization. Specifically, the funds are meant to move a company's technology further along the commercialization pathway, increase the company's valuation, and lead to follow-on investment for further growth and sustainability.

Life Sciences Investment Fund: This program invests in companies developing products addressing human health that require approval from the U.S. Food and Drug Administration for

commercialization and focuses on companies with the most challenging commercialization pathways. The program makes investments up to \$200,000 that will enable companies to reach critical milestones early in their product development efforts; increase the company's valuation; and better position the company for follow-on investment, product commercialization, and job creation.

Gap Investment Fund: The program is intended to fill the gap between the Maryland Technology Development Corporation's traditional seed investment programs and its venture capital programs. This program typically invests up to \$500,000 in early-stage technology companies. Companies must use Gap Investment Funds to employ new staff to grow and become more firmly established in Maryland.

Venture Investments

In fiscal 2016, the Administration transferred the Maryland Venture Fund (also known as the Enterprise Fund) from the Department of Commerce to the Maryland Technology Development Corporation. The fund provides capital through equity purchases for startup companies that are developing innovative technologies. Beginning in fiscal 2013, this program also became the means for the implementation of the InvestMaryland Program, which is a State-supported venture capital program funded through the auction of tax credits against the insurance premium tax for insurance companies. A portion of these funds is invested directly by Maryland Technology Development Corporation, and a portion is invested by private venture funds on behalf of the State. The Maryland Venture Fund invested \$4.9 million in fiscal 2021, including investments by both the Maryland Technology Development Corporation and the private venture partner funds. Beginning in fiscal 2021, investments made through the fund are no longer appropriated through the State budget, as the Maryland Technology Development Corporation used the last of the State's original funds provided for the program in fiscal 2020 and any new investments represent the reinvestment of program returns.

Chapter 391 of 2022 established the Maryland Equity Investment Fund in the Maryland Technology Development Corporation to allow up to \$10 million in unappropriated general fund surplus to be invested in a qualified Maryland business with a goal to increase private equity and venture capital in the State. The Maryland Technology Development Corporation may retain 50% of investment returns realized under the program, and the remaining returns must be credited to the accumulation funds of the several pension systems managed by the Maryland State Retirement and Pension System.

State Small Business Credit Initiative

Beginning in fiscal 2022, the Maryland Technology Development Corporation will receive up to \$50 million in federal funds from the U.S. Treasury's State Small Business Credit Initiative, provided through the federal American Rescue Plan Act. The Maryland Technology Development Corporation plans to allocate the funds through its existing seed, social impact, and venture capital programs. The Department of Housing and Community Development is the State's lead agency

for the initiative, and the department's role and overall funding are discussed in "Chapter 12. Housing and Community Development" of this handbook.

Technology Transfer Programs

Maryland Innovation Initiative: This program is designed to combine the technology transfer expertise of the Maryland Technology Development Corporation and the research expertise of the State's five research universities (the Johns Hopkins University; Morgan State University; University of Maryland, Baltimore Campus; University of Maryland, Baltimore County; and University of Maryland, College Park Campus) to accelerate technology commercialization and promote economic development through venture creation. To qualify for participation in the initiative, each university must provide funds annually to match the State appropriated funding. Funds may be used to (1) provide grant funding to a qualifying university-based entrepreneur or other startup entity to promote the commercialization of technology developed in whole or in part by a qualifying university; (2) pursue grant funding for the initiative or its qualifying universities; (3) develop and implement guidelines for the technology transfer; and (4) identify projects at qualifying universities that may be viable for commercialization. Chapter 697 of 2021 established a Maryland Innovation Initiative University Partnership Pilot Program to expand eligibility to two additional universities: Bowie State University; and Frostburg State University.

Maryland Stem Cell Research Program: The Maryland Stem Cell Research Fund was established in 2006 to support stem cell research and development at Maryland research institutions or private companies. The Stem Cell Research Commission reviews applicant projects and makes recommendations to the Maryland Technology Development Corporation board about research grant awards. The fund is focused on identifying and fostering cutting-edge research and innovation in the field of regenerative medicine in Maryland. The fund has supported over 500 projects to accelerate stem cell-based research, commercialization, and cures, in addition to building a collaborative stem cell community in the Maryland region.

Other Programs

The Maryland Industrial Partnership Program is designed to accelerate commercialization by matching funds for university-based research projects that help companies develop new products. Maryland Technology Development Corporation provided \$300,000 for this program in fiscal 2021, and the University of Maryland, College Park Campus also contributes about \$1 million to the program each year.

The Maryland Technology Development Corporation has a number of other programs supported through federal funds and nonbudgeted reserve monies. For example, the National Institute of Standards and Technology – Science and Technology Entrepreneurship Program, (known as N-STEP), offers grants of up to \$112,000 to support projects that continue or initiate translational research and development activities specifically related to the institute's mission so that the technologies can be commercialized as products or services to benefit the public. Another example is the Small Business Innovation Research/Small Business Technology Transfer Proposal

Lab, which prepares Maryland companies in applying for Small Business Innovation Research/Small Business Technology Transfer awards by helping develop and deliver compelling, competitive, and compliant proposals.

Chapters 235 and 236 of 2021 established the Comprehensive Technical Assistance Program to provide technical assistance to any business that qualifies for financial assistance in the Maryland Technology Development Corporation's portfolio. Although no funding has been provided specifically for this program as of the fiscal 2023 budget, many of the Maryland Technology Development Corporation's existing programs already provide such services.

Other resources are led by the Entrepreneur and Ecosystem Empowerment team, which assists startup companies in accelerating toward key milestones utilizing resources that include Network Advisors, Market Search Databases, Prelude Pitch, and more. The portfolio of Maryland Technology Development Corporation programs changes as the needs of entrepreneurs evolve.

Maryland Stadium Authority

Established by the General Assembly in 1986, the Maryland Stadium Authority is an independent unit in the Executive Branch. Chapter 17 of 2022 increased the membership of the authority from seven to nine members. Of the nine members, six are appointed by the Governor, with the advice and consent of the Senate; one is appointed by the Mayor of Baltimore City, with the advice and consent of the Senate; one is appointed by the President of the Senate; and one is appointed by the Speaker of the House of Delegates.

As a public corporation of Maryland, the authority is legislatively empowered to issue bonds to finance its operations and the programs that it manages. Proceeds from the sale of authority bonds, and revenues collected or received from any other source, are required to be deposited into various funds and used for the purposes designated by the legislature. The authority is responsible for the construction, operation, and maintenance of the Camden Yards stadiums used by the Baltimore Orioles and the Baltimore Ravens, including additional bond issuance authority for renovations authorized in Chapter 61 of 2022. Local governments, State agencies, and universities may also contract with the authority for feasibility studies and construction management services. The General Assembly has broadened the authority's jurisdiction in recent years, including the authority to issue bonds and oversee design and construction for various projects as follows:

- construction and improvement of Baltimore City public school facilities, and more recently through the Built to Learn Act of 2020, support of statewide public school construction;
- design and construction for the redevelopment of the Pimlico and Laurel Park racing facilities;
- acquisition, construction, and renovation of the Hagerstown Multi-Use Sports and Events Facility; and

- the development of certain sports entertainment facilities and facilities along the Prince George’s County Blue Line Corridor.

Maryland Agricultural and Resource-Based Industry Development Corporation

The General Assembly established the Maryland Agricultural and Resource-Based Industry Development Corporation in 2004 as a public corporation to assist the State’s farm, forestry, and seafood businesses by providing targeted business assistance services. The corporation is authorized to develop agricultural industries and markets, support the commercialization of agricultural processes and technology, assist with rural land preservation efforts, and alleviate the shortage of nontraditional capital and credit available at affordable interest rates for investment in agricultural and resource-based businesses. The corporation administers several loan and grant programs to support these activities, which are funded from various public and private sources. The corporation’s most popular financing offering is the Maryland Resource-Based Industry Financing Fund, which is a revolving loan program that provides subordinate lien debt financing to farmers and rural businesses working in conjunction with private commercial lenders. The corporation has received mandated funding of varying amounts for its core loan and small grants programs but beginning in fiscal 2026 is required by statute to be self-sustaining with the operation of its core financing programs.

The corporation also established a Next Generation Farmland Acquisition Program in fiscal 2018 in cooperation with the Maryland Agricultural Land Preservation Foundation and other agencies to assist new and beginning farmers to purchase farmland. Fiscal 2021 funding for the program totaled \$2.5 million.

Maryland watermen have historically had a difficult time accessing affordable commercial capital and credit. To assist with this concern, Chapter 384 of 2022 established the Maryland Watermen’s Microloan Program. This program provides loans of \$7,000 to \$15,000 to qualifying watermen under favorable terms and conditions. The program received \$500,000 in the fiscal 2023 budget and is mandated to receive the same amount for fiscal 2024 through 2026.

Additionally, Chapters 30 and 574 of 2022 require the corporation, beginning in fiscal 2024, to provide loans of up to \$250,000 to licensed seafood dealers to finance costs of eligible seafood processing projects that support the goal of increasing the amount of oyster shells retained in the State and returned to the Chesapeake Bay. An appropriation of \$1.0 million is mandated for fiscal 2024 for this loan program.

Regional and Local Economic Development

The Department of Commerce provides an annual operating grant to each of the five rural regional planning and development councils in Maryland:

- Mid-Shore Regional Council;

- Tri-County Council for the Lower Eastern Shore of Maryland;
- Tri-County Council for Southern Maryland;
- Tri-County Council for Western Maryland; and
- Upper Shore Regional Council.

Each council represents a multi-county region with geographic and cultural ties. Elected, civic, and business leaders in their respective regions seek to create economic development strategies, preserve and assist agricultural and resource-based industries, obtain federal funding for infrastructure improvements, and develop support for a diverse set of public policy initiatives.

Economic development activities at the local level are administered in several ways. Each of the counties and Baltimore City has an agency or organization that serves as the primary economic development office. The majority of counties use government agencies to perform this function in which the lead economic development official is appointed by and reports to the county executive or county commissioners or council. Some use an advisory board representing the business community appointed to work with the agency. Other jurisdictions rely on private or quasi-public economic development corporations or economic development commissions to direct and administer their efforts. Examples of these include the Baltimore Development Corporation and Salisbury-Wicomico Economic Development, Incorporated. **Exhibit 13.4** shows the organizational structure in place in each county.

A private corporation may have more flexibility to raise corporate funds for promotional efforts, invest in projects or companies, and directly hold title to real estate than a traditional county office. Although independent, corporations often derive much of their funding from local tax revenues, and the board of directors may be appointed by the chief executive officer of the jurisdiction.

Local governments often offer financing incentives to expanding or relocating businesses in conjunction with State incentives. Local participation in economic development projects, whether undertaken independently or in conjunction with State resources, typically includes grants to offset training expenses, partial property tax forgiveness, infrastructure improvements, or direct loans or grants for project expenses. Some counties operate their own revolving loan funds to assist businesses that are too small for State assistance or are in an industry sector for which the State does not typically provide incentives, such as retail.

Exhibit 13.4
Organizational Structure for County Economic Development

<u>Economic Development Commission</u>	<u>County Department or Office</u>		<u>Economic Development Corporation or Authority</u>
Somerset	Allegany	Garrett	Anne Arundel
	Baltimore*	Harford	Baltimore City
	Calvert*	Kent**	Howard
	Caroline	Queen Anne's**	Montgomery
	Carroll	St. Mary's**	Prince George's
	Cecil**	Talbot**	Wicomico
	Charles	Washington	
	Dorchester	Worcester*	
	Frederick		

* Also has an economic development advisory commission or advisory board.

** Also has an economic development commission.

Source: Maryland Economic Development Association

Most local economic development offices also operate marketing programs that focus on participation in trade shows and special events. These activities are seen as more cost effective than advertising in magazines or business journals. Often the State and local governments share the expenses of exhibit space at a trade show, reducing the costs to both organizations while generating exposure. In general, the budgetary resources of the State are more effective in reaching national and international audiences.

Local offices, whether public or private, work closely with existing businesses to market their jurisdiction to potential new or expanding businesses. Coordination with the State, through its network of regional development offices, allows local governments to have ready access to the range of State services. Regional and local economic development entities realize that cooperation between jurisdictions rather than competition, benefits not only the region as a whole but the individual local jurisdictions as well.

Funding Economic Development

Most economic development activities are supported by general tax revenues at both the State and local level. **Exhibit 13.5** summarizes fiscal 2021 State spending on economic development activities, which totaled approximately \$652.9 million. This contrasts with approximately \$266.8 million in fiscal 2017 because of significant expenditures related to COVID-19.

Exhibit 13.5
State Expenditures for Economic Development
Fiscal 2021
(\$ in Thousands)

	<u>General</u> <u>Funds</u>	<u>Special</u> <u>Funds</u>	<u>Federal</u> <u>Funds</u>	<u>Total</u>
Business and Industry Sector				
Development Functions ¹	\$25,506	\$248,998	\$139,424	\$413,928
Marketing, Tourism, and the Arts	41,580	8,225	9,740	59,545
Department of Commerce – Other ²	8,023	2,172	485	10,680
Technology Development Corporation	20,474	5,000	1,500	26,974
Maryland Stadium Authority ³	19,098	15,208	0	34,306
MARBIDCO	5,106	0	2,000	7,106
Enterprise Zone Tax Credits ⁴	23,784	0	0	23,784
Racetrack Renewal/Purse Enhancements ⁵	0	76,608	0	76,608
Total	\$143,571	\$356,212	\$153,149	\$652,932

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

¹ Includes international trade.

² Includes executive management, administration, information technology, legal, and research functions.

³ General funds include \$8.5 million for administrative costs provided during the COVID-19 pandemic due to lost revenues. These costs are generally funded using nonbudgeted funds generated by the Maryland Stadium Authority.

⁴ Budgeted within the State Department of Assessments and Taxation.

⁵ Includes racetrack facility renewal funds, which are dedicated video lottery terminal revenues that must be used for construction and capital improvements to racetrack facilities. Budgeted within the Maryland Department of Labor.

Note: Numbers may not sum to total due to rounding. Special and federal funds exceed typical funding levels due to relief provided in response to the COVID-19 pandemic.

Source: *Fiscal 2023 Governor's Budget Books*

Federal funds typically represent a relatively small portion of the State's economic development spending, with the exception of the business and industry sector development functions. However, in fiscal 2021, these functions received \$139.4 million in federal funds, compared to just \$8 million in fiscal 2017. This influx of federal funding represents one-time expenditures related to COVID-19 relief. Special funds in the Department of Commerce also include \$190 million in COVID-19 relief provided from the State's Rainy Day Fund. Special funds (primarily interest earnings, fund balances, and loan repayments) account for approximately half of the department's operating budget and most of the funds available for grants and loans to businesses. Each loan fund is a separate non-lapsing fund meaning that fund earnings and repayments of principal and interest are credited back to the fund and are then available to offset the program's operating costs and to provide additional capital for loans, grants, or investments.

Economic development at the local level generally consists of spending on business development and tourism. In fiscal 2021, the counties and municipalities reported spending more than \$390.7 million on these activities. Municipal expenditures total \$23.1 million, with localities in Worcester County accounting for 54% of that amount. Nearly all of Worcester County's expenditures are attributed to economic development spending by Ocean City. County level spending totals \$367.6 million with spending in Baltimore City representing 27% of total county spending. **Exhibit 13.6** shows fiscal 2021 local spending for economic development by county.

Grants from the State and federal governments account for as much as \$180.7 million in local spending for economic development in fiscal 2021. Counties also provided an additional \$2.2 million in grants to municipalities. Assuming that such grants are spent in the year they are received, net local spending from own-source revenues for economic development totaled about \$207.5 million in fiscal 2021, nearly double from fiscal 2017. Baltimore City and several of the State's other large jurisdictions, including Howard, Montgomery, and Prince George's counties, receive Community Development Block Grant funds directly from the U.S. Department of Housing and Urban Development. A portion of these funds is directed to economic development activities.

Exhibit 13.6
Local Economic Development Expenditures
Fiscal 2021

County	County Spending	Municipal Spending	Total Spending Reported
Allegany	\$5,612,714	\$465,316	\$6,078,030
Anne Arundel	47,574,705	-	47,574,705
Baltimore City	99,272,307	-	99,272,307
Baltimore	39,163,581	-	39,163,581
Calvert	4,206,642	128,468	4,335,110
Caroline	1,350,521	15,110	1,365,631
Carroll	16,401,282	1,479,748	17,881,030
Cecil	5,680,780	23,291	5,704,071
Charles	2,583,995	88	2,584,083
Dorchester	1,908,096	568,447	2,476,543
Frederick	14,528,796	1,358,047	15,886,843
Garrett	6,456,272	85,269	6,541,541
Harford	27,344,021	701,784	28,045,805
Howard	17,249,962	-	17,249,962
Kent	1,483,461	156,291	1,639,752
Montgomery	9,549,911	495,362	10,045,273
Prince George's	20,410,079	1,709,396	22,119,475
Queen Anne's	4,049,659	-	4,049,659
St. Mary's	4,948,951	144,560	5,093,511
Somerset	1,040,068	370,896	1,410,964
Talbot	4,403,454	516,427	4,919,881
Washington	16,421,711	2,534,646	18,956,357
Wicomico	325,381	-	325,381
Worcester	15,641,047	12,372,966	28,014,013
Total	\$367,607,396	\$23,126,112	\$390,733,508
Minus Federal Grants	(\$89,798,073)	(\$4,011,341)	(\$93,809,414)
Minus State Grants	(79,506,765)	(7,354,633)	(86,861,398)
Minus County Grants		(2,513,328)	(2,513,328)
Net Local Spending	\$198,302,558	\$9,246,810	\$207,549,368

Note: For purposes of this exhibit, the federal, State, and, as appropriate, county economic development grant revenues reported by the local jurisdictions are assumed to have been expended in the same year they were received. Such grants may include training and community action components. Expenditures exclude those reported for training and community action which are discussed in other chapters of this volume of the Legislative Handbook Series. County expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. Fourteen municipalities and special taxing districts did not report their expenditures for fiscal 2021. There are no municipalities in Baltimore and Howard counties.

Source: Uniform Financial Reports; Department of Legislative Services

Business Regulation Structure and Services

A variety of State agencies license several categories of businesses or professionals (e.g., barbers and plumbers), regulate commercial and industrial activities, and investigate complaints or concerns of citizens. The Maryland Department of Labor includes regulatory units for many of these activities. The department includes four divisions with business regulatory functions: financial regulation; racing; occupational and professional licensing; and labor and industry (State safety inspection program). The aspects of the department that relate to workforce development and labor protections are discussed in “Chapter 14. Labor and Workforce Development” of this handbook.

Other State agencies with regulatory and licensing responsibilities include the Maryland Insurance Administration, the Public Service Commission, the Maryland Department of Health, the Consumer Protection Division of the Office of the Attorney General, and the Secretary of State. Alcoholic beverages and tobacco are regulated by the Alcohol and Tobacco Commission, with additional alcohol regulation provided by local boards of license commissioners and local liquor control boards.

Municipalities in Maryland have several express powers to pass ordinances related to business regulation under the Local Government Article of the *Annotated Code of Maryland*. These include regulating the proper disposal of dirt, garbage, trash, and liquids; regulating the location and establishment of cemeteries; regulating the award of cable television system franchises; regulating the erection of buildings and the inspection of drainage and sewage systems, electric lines and wires, gas pipes, plumbing apparatus, and water pipes; regulating markets and their related merchandise; and generally preserving and promoting the health, recreation, and welfare of their residents.

A more complete discussion of the regulation of businesses and similar commercial activities may be found in *Volume VII – Business Regulation in Maryland*.

Financial Regulation

The Office of the Commissioner of Financial Regulation is responsible for licensing and regulating mortgage lenders, brokers, servicers and loan originators, sales finance companies, consumer loan lenders, money transmitters, check cashers, installment loan lenders, credit reporting agencies, consumer debt collection agencies, debt management services providers, debt settlement services providers, credit services businesses, and other financial institutions. The office also supervises and regulates State-chartered financial institutions including State-chartered banks, credit unions, and trust companies. Supervision includes periodic onsite evaluations as well as off-site monitoring programs. The office responds to consumer complaints and oversees retail credit accounts, retail installment contracts, and credit grantor contracts. The commissioner also designates the State’s Student Loan Ombudsman.

Racing

The Maryland Racing Commission regulates thoroughbred and standardbred (harness) racing in the State by assigning racing dates, collecting wagering taxes, contracting for drug testing of horses and any licensee that comes in contact with a horse, and licensing simulcasting and the State's nine off-track betting sites. The commission licenses all persons, associations, or corporations that hold any horse racing meet in the State and may also regulate the size of a purse, price of admission, or charge made for any article or service sold at a meet. Thoroughbred racing is held at mile tracks (Laurel Park and Pimlico Race Course) and at the Timonium Race Course during the State Fair. Standardbred (harness) racing is held at the Rosecroft Raceway and Ocean Downs Racetrack. In addition to live racing, the mile and harness racing tracks offer simulcast wagering. Fair Hill, a steeplechase facility, is permitted to have up to eight race days per year.

Occupational and Professional Licensing Boards

Twenty-five occupational and professional licensing boards, offices, commissions, units, and other licensing programs are housed and administered through the Division of Occupational and Professional Licensing of the Maryland Department of Labor, representing most of the State's nonhealth licensing boards. **Exhibit 13.7** lists the licensing boards, commissions, and other licensing programs within the division, as well as the number of individuals who held licenses in May 2022. In general, these entities administer tests, issue licenses, investigate complaints, and have disciplinary authority over licensees to protect both the public and the integrity of the profession. For a discussion of the Maryland Department of Health's role in administering the health licensing boards, see "Chapter 10. Health Services" of this handbook.

Exhibit 13.7
Licensing Activity of Occupational and Professional
Licensing Boards, Commissions, and Other Programs*
May 2022

<u>Occupation or Industry</u>	<u>Licensed Individuals</u>
Architects	7,617
Athletic	864
Barbers	6,183
Bay Pilots and Docking Masters	76
Cemetery Oversight	681
Certified Interior Design	302
Certified Public Accountants	20,465
Cosmetologists	50,082
Elevator Safety Review	1,103
Foresters	188
Home Improvement	35,181
HVACR Contractors	19,994
Individual Tax Preparers	3,410
Land Surveyors	1,021
Landscape Architects	1,077
Locksmiths	250
Master Electricians	6,719
Plumbers	12,906
Precious Metal Dealers and Pawnbrokers	415
Professional Engineers	31,892
Real Estate	50,380
Real Estate Appraisers and Home Inspectors	3,736
Sports Agents	22
Stationary Engineers	4,148
Total	258,712

* Chapter 642 of 2013 requires a person operating as a land professional in the State to register with the Maryland Department of Labor, but there were no registered entities as of May 2022.

Source: Maryland Department of Labor

State Safety Inspection Program

The Division of Labor and Industry oversees the Safety Inspection Program, which consists of the Amusement Ride Safety, Boiler and Pressure Vessel Safety, and Elevator Safety Inspection units. The program also provides support for the Railroad Safety and Health Program. The Safety

Inspection Program works with owners, industry, management, and labor to ensure that elevators, amusement rides, boilers, and pressure vessels are constructed and operated in accordance with applicable State laws and regulations. This oversight covers critical safety inspections of equipment which, if not maintained and installed properly, can pose hazards to the public. The division also regulates employment agencies.

Other Consumer Protection Oversight

The Office of the Attorney General, through the Consumer Protection Division, oversees the registration and regulation of home builders, home builder sales representatives, businesses that sell health club services, warrantors of vehicle protection products, and legal assistance organizations. The Home Builder Registration Unit ensures compliance with the Maryland Home Builder Registration Act and other builder-related laws and registers home builders (2,309 registered as of July 2021) and home builder sales representatives (712 registered and working for 175 home builders as of July 2021). The division also registers businesses that sell health club services (health clubs and gyms, weight loss centers, and self-defense schools) and ensures that they are properly bonded and registers warrantors of products designed to prevent or deter auto theft. The division also provides mediation services to consumers to help resolve complaints against businesses and health insurance carriers and provides information about complaints against businesses.

Insurance

Insurance in the State is regulated by the Maryland Insurance Administration, an independent agency headed by the Insurance Commissioner, whom the Governor appoints with the advice and consent of the Senate. The administration licenses, examines, and audits insurance companies operating in the State; reviews rates and policies; collects premium and retaliatory taxes; licenses producers; investigates fraud as well as consumer complaints regarding insurance and health plan coverage; and educates the public on insurance matters.

The People's Insurance Counsel Division of the Office of the Attorney General reviews actions of the administration and represents the interests of insurance consumers in the areas of homeowners' coverage and medical professional liability coverage. The division is administered by the People's Insurance Counsel, whom the Attorney General appoints with the advice and consent of the Senate.

Utilities

The Public Service Commission regulates the electric, gas, and private water utilities and telecommunications companies in the State, as well as certain intrastate for-hire transportation services. The commission is charged with ensuring that public service companies operate in the interest of the public and with promoting adequate, economical, and efficient delivery of utility services in the State without unjust discrimination. In evaluating proposals for rates, mergers, acquisitions, and related business activity, the commission makes its decisions based on public

safety, the State’s business climate, conservation of natural resources, preservation of environmental quality, and achievement of State climate commitments. **Exhibit 13.8** lists the types and number of public service entities that the commission regulates.

Exhibit 13.8
Public Service Entities Regulated
by the Public Service Commission
December 2021

Electric Distribution Companies	10
Gas Distribution Companies	7
Combined Gas and Electric Distribution Companies	2
Electric and Gas Suppliers	640
Telecommunications Companies	159
Water and Combined Water & Sewage Disposal Companies	25
Passenger-for-hire Motor Vehicle Companies	931
Passenger-for-hire Vehicles	3,467
Passenger-for-hire Drivers ¹	2,913
Taxicab Associations	20
Taxicab Permits ²	1,221
Taxicab Drivers	624
Transportation Network Companies	4
Transportation Network Operators’ Vehicles	523,144
Transportation Network Operators (Drivers)	445,967
Toll Bridge Companies	1

¹ Traditional passenger-for-hire drivers are shown separately from taxicab drivers and transportation network operators (drivers), but each driver must be licensed by the commission.

² As authorized by statute, the commission issues taxicab permits and taxicab driver’s licenses in Baltimore City, Baltimore County, Cumberland, and Hagerstown. Since Charles County has chosen not to regulate taxicabs operating in the county, the commission has jurisdiction over their activities.

Source: Public Service Commission

The General Assembly adopted legislation in 1999 to restructure Maryland’s electricity industry. As a result, most residential, commercial, and industrial customers may choose the company that generates/supplies their electricity, although the distribution of that electricity is still a regulated utility service. A default “standard offer service” is provided by electric distribution companies to customers who have not selected competitive electricity suppliers. To ensure consumer protection the commission has established licensing requirements for electricity suppliers. The commission has the authority to fine a supplier, to order a customer refund, to suspend or revoke a license, or to prohibit a supplier from adding or soliciting new customers if they engage in unfair or abusive practices. Investor-owned utilities and rural cooperative systems

are required to participate in electric competition (“customer choice”). Municipal systems, which are community owned nonprofit operations, do not participate in electric competition. A similar retail choice structure exists for most natural gas customers.

Taxicab businesses operating in Baltimore City, Baltimore County, Cumberland, and Hagerstown must receive permits from the commission, and taxicab drivers in these four jurisdictions must be licensed by the commission. Taxicabs located in jurisdictions that are not regulated by the commission are regulated at the local level in some jurisdictions. The following jurisdictions have their own division that licenses taxicab companies: Anne Arundel, Harford, Howard, Montgomery, and Prince George’s counties; the cities of Annapolis, Frederick, and Westminster; and the Town of Ocean City. In counties where there are only a few taxicabs, there is no licensing requirement; however, the local police or the sheriff’s department may have some oversight role.

The expansion of rideshare companies into Maryland led the General Assembly to pass legislation to regulate “transportation network services,” such as Uber and Lyft, and “transportation network operators,” their drivers, in 2015. Legislation established licensure, insurance, and trip assessment requirements. For topics not covered in statute, companies and drivers are subject to Public Service Commission-approved regulations.

The Office of People’s Counsel, created in 1924, is the oldest utility consumer advocacy office of its kind in the United States. The People’s Counsel is appointed by the Attorney General, with the advice and consent of the Senate, and acts independently of the commission and the Office of the Attorney General. The office represents the interests of residential and noncommercial utility customers in proceedings that might affect their interests before the commission, federal agencies, and the courts on issues such as rates, service quality and reliability, and company practices.

Alcoholic Beverage Regulation and Control

In 2019, the General Assembly passed legislation to transfer the authority to regulate alcohol and tobacco in the State from the Office of the Comptroller to the Alcohol and Tobacco Commission. The commission generally regulates the production and wholesale distribution of alcoholic beverages. For example, the commission processes applications for statewide alcohol licenses and investigates and prepares cases concerning violations of State alcohol laws, rules, and regulations. The commission is also discussed in “Chapter 3. Financial Administration” of this handbook.

The commission has established a regulatory framework for local boards of license commissioners and liquor boards to work within and has delegated responsibility for enforcing local laws and regulations to local governments. However, because of the overriding State interest in controlling the sale and consumption of alcoholic beverages, significant changes in the law must be enacted through State legislation, even if those changes affect only one locality.

Retail sales of alcoholic beverages are regulated on the local level by one or, in some cases, two entities. In each of the 23 counties, Baltimore City, and the City of Annapolis, a board of license commissioners regulates alcoholic beverages by issuing licenses to retail licensees, such as operators of liquor stores, restaurants, and bars. In Wicomico County, the board of license commissioners works alongside an independent liquor control board,¹ and in Montgomery and Worcester counties, the boards of license commissioners work alongside county agencies that function as liquor control boards (the Alcoholic Beverage Services and Department of Liquor Control, respectively). The Liquor Control Board for Wicomico County, the Montgomery County Alcohol Beverage Services, and the Worcester County Department of Liquor Control regulate alcoholic beverages by operating their own wholesale distribution systems and collections of retail liquor stores, called dispensaries.

Funding Business Regulation

Exhibit 13.9 shows State expenditures in fiscal 2021 on selected business regulation activities. Most of the State's regulatory activities are funded with fees levied on the industry or business being regulated. The Public Service Commission, for example, assesses regulated utilities annually to recover the costs of its operations and the operations of the Office of People's Counsel. The State recovers the costs of the Maryland Insurance Administration through a combination of fees for certain licenses, reimbursements for the costs of examinations, and an assessment on insurance companies and producers.

In general, business regulation does not make up a large portion of local government spending and, except for alcoholic beverage control, that spending is not reported separately by the jurisdictions.

¹ Chapter 758 of 2022 repeals the Liquor Control Board for Somerset County effective January 1, 2023.

Exhibit 13.9
State Expenditures for Selected Business Regulation Activities
Fiscal 2021
(\$ in Thousands)

<u>Activity</u>	<u>Expenditures</u>
Financial Regulation	\$9,963
Racing	4,900
Occupational and Professional Licensing	8,050
Insurance Regulation	28,418
Public Service Commission	18,236
Office of the People’s Counsel	4,261
Total	\$73,828

Note: Excludes approximately \$83.0 million in federal funds provided to the Public Service Commission for COVID-19 relief to pay utility bill arrearages. Also excludes approximately \$76.6 million under racing regulation for purse enhancements and racetrack facility renewal, which is reflected in Exhibit 13.5. Approximately \$0.8 million in federal funds also supported the above business regulation activities in fiscal 2021.

Source: *Fiscal 2023 Governor’s Budget Books*

Chapter 14. Labor and Workforce Development

Governments at all levels adopt policies and programs designed to foster and maintain a strong economy. A low unemployment rate is one indicator of economic health. Low unemployment and a strong economy translate to individual and collective prosperity and security. Therefore, many economic development efforts are designed to create and retain jobs. Maryland's May 2022 preliminary employment figures report a civilian labor force of more than 3.2 million persons, of whom about 127,500, or 4.0%, were unemployed, which is the lowest unemployment rate since the beginning of the COVID-19 pandemic. However, key industries are facing workforce shortages, including in the accommodation and food services and health care sectors. Thus, while the employment of Maryland citizens with occupational skills deficiencies, literacy problems, and language barriers is still a concern, there is also a focus on the growing needs of employers with employee shortfalls.

In addition to fostering the growth of the economy, policymakers have determined that certain standards should apply to employment:

- it should be done in a safe environment;
- fair wages should be paid for work performed;
- employees should generally be entitled to earn sick leave;
- employees should be entitled to paid family and medical leave; and
- the workforce should be adequately trained to meet the needs of employers, and individuals who find themselves without work should be assisted in their efforts to gain employment.

Structure

Most government activity in the areas of worker protection, unemployment protection, and workforce development is carried out at the State level. Local governments play a minor role that is focused on workforce development issues.

Several State agencies have responsibilities in the areas of worker protection, unemployment insurance, and workforce development. The Maryland Department of Labor administers programs relating to the State's employment standards, prevailing wage, living wage, occupational safety and health, and unemployment insurance. The majority of workforce development programs are administered by the Maryland Department of Labor, but there are other programs in the Department of Commerce, the Department of Human Services, the Department of Public Safety and Correctional Services, the Maryland State Department of Education, and

community colleges. The Workers' Compensation Commission adjudicates claims under the State's workers' compensation laws. Two other State agencies – the Subsequent Injury Fund and the Uninsured Employers' Fund – serve to ensure that covered employees who suffer compensable injuries or illnesses receive workers' compensation benefits regardless of their preexisting disabilities or the employer's uninsured status.

Therefore, State government activity in the area of labor and workforce development can be broadly categorized as:

- worker protection, which includes safety and health matters and wage law enforcement;
- workers' compensation;
- unemployment insurance;
- workforce development, which includes employment services, job training, and rehabilitative services; and
- advisory and research services.

Worker Protection

Wages and Employment Conditions

The Commissioner of Labor and Industry and the Division of Labor and Industry within the department are charged with investigating accidents and incidents that result in fatalities and injuries; preventing work-related injuries and illnesses; protecting employee wages and rights; and assisting regulated industries and employers in complying with State labor laws and regulations.

The Employment Standards Service administers and enforces provisions of law concerning the payment of wages and overtime to employees, compliance with various employee leave laws such as the Maryland Healthy Working Families Act, and the enforcement of the State's worker misclassification law (the Workplace Fraud Act). In addition, the service enforces various other worker protection laws in Maryland such as employment of minors and equal pay for equal work. In fiscal 2021, the service closed 447 wage payment claims, collecting nearly \$744,158 in wages for employees. In fiscal 2021, which was during the COVID-19 pandemic, the service reviewed the classification of 16 workers and determined that none of those workers were misclassified as independent contractors.

The Prevailing Wage Unit administers the State Prevailing Wage Law by determining the wage and fringe benefit rates prevalent in local areas for laborers and mechanics in different job classifications working on public works projects. As of October 1, 2021, these wage rates must be used in public works projects exceeding \$250,000 where State funds account for 25% or more of the cost.

The Living Wage Unit administers the State Living Wage Law, which requires contractors and subcontractors to pay a living wage to employees performing work on State service contracts valued at \$100,000 or more. A contractor or subcontractor who employs 10 or fewer employees and has a contract for services valued at less than \$500,000 is not considered an “employer” for purposes of the Living Wage Law. Living wage rates must be adjusted annually based on the Consumer Price Index. The living wage rates, as of September 2022, are \$15.13 per hour for work performed in Baltimore City and Anne Arundel, Baltimore, Howard, Montgomery, and Prince George’s counties and \$11.36 per hour for work performed in the remaining 18 counties in the State. Due to increases in the Maryland minimum wage rate (\$12.50 for employers with 15 or more employees effective January 2022), the minimum wage exceeds the living wage in some counties; offerors, contractors and subcontractors must pay the higher of the two.

Both units enforce Maryland’s Prevailing Wage Law and Living Wage Law by auditing the payrolls on affected construction and service procurement projects and collecting additional wages for workers when warranted. The Prevailing Wage Unit recovered \$244,030 in wages in fiscal 2021, and the Living Wage Unit recovered \$81,200 in wages in fiscal 2021.

The Maryland Occupational Safety and Health Administration administers the State Occupational Safety and Health Program, which meets the federal requirements of the Williams-Steiger Occupational Safety and Health Act of 1970. The State has assumed responsibility for enforcing the federal occupational safety and health laws, thus eliminating duplicative requirements for employers. The administration inspects workplaces for safety; enforces regulations; issues citations and penalties; and investigates fatalities, accidents, and employee complaints. The administration also consults with employers to correct potentially dangerous situations without the threat of citation, conducts training courses, produces educational materials, and maintains statistics on workplace injury and illness. In fiscal 2021, the administration inspected or investigated 1,238 workplaces, resulting in the identification of 4,940 workplace hazards.

Family and Medical Leave Insurance

Chapter 48 of 2022 established the Family and Medical Leave Insurance Program. The program provides up to 12 weeks of benefits and paid leave to a covered individual, which means a covered employee that has worked at least 680 hours over the 12-month period immediately preceding the date on which leave begins, or a self-employed individual who elects to participate in the program.

Beginning October 1, 2023, each employee, each employer with 15 or more employees, and each participating self-employed individual, must pay to the Secretary of Labor a percentage contribution based on wages, which are established in regulation. The Act established a process for determining the initial contribution rates of employees and employers with 15 or more employees, as well as a process for reassessing the contributions every two years. By June 1, 2023, the Secretary must set the total rate of contribution for employees, and the percentage of the total contribution rate to be paid by employees and by employers with 15 or more employees.

Claims for benefits are expected to begin January 1, 2025. To be eligible for benefits, a covered individual who is taking leave from employment may submit a claim for intermittent leave, or up to 12 weeks of benefits to (1) care for a newborn child or a child newly placed for adoption, foster care, or kinship care with the individual during the first year after the birth, adoption, or placement; (2) care for a family member with a serious health condition; (3) attend to a serious health condition that results in the individual being unable to perform the functions of the individual's position; (4) care for a next of kin service member; or (5) attend to a qualifying exigency arising out of the individual's family member's deployment, as defined by the Act.

The weekly benefit payable to a covered individual ranges from a minimum of \$50 to a maximum of \$1,000 for the 12-month period beginning January 1, 2025, and is determined based on the covered individual's average weekly wage as compared to the State average weekly wage. Beginning January 1, 2026, the maximum weekly benefit must be increased by the annual percentage growth in the Consumer Price Index, subject to a determination by the Board of Public Works based on expected economic conditions. If a covered individual is receiving Family and Medical Leave Insurance benefits or is taking leave, the employer must continue any employment health benefits for the time that the covered individual is absent from work or receiving Family and Medical Leave Insurance benefits. Additionally, the employer must restore the individual to an equivalent position of employment when the employee returns to work.

An employer may satisfy the Act's requirements through a private employer plan consisting of employer provided benefits, insurance, or a combination of both, if the plan is offered to all eligible employees and at least meets the rights, protections, and benefits provided to a covered employee under the program.

A covered individual is disqualified from receiving benefits for one year if the individual willfully makes a false statement or misrepresentation regarding a material fact or willfully fails to report a material fact to obtain benefits. An employer is subject to a civil penalty of up to \$1,000 for each occurrence if the employer willfully makes or causes a false statement to be made or willfully fails to report a material fact regarding an employee's claim for benefits. In addition, an employer is prohibited from retaliating against an employee who exercises their rights under the program.

Workers' Compensation

Workers' compensation was created to protect workers and their dependents from the consequences of occupational injuries or disabilities by providing a no-fault remedy against the employer for accidental injuries or occupational diseases. In exchange, the employer's liability is limited since workers' compensation is the exclusive remedy in almost all cases. This protection limits the employer to the payment of compensation and medical and funeral expenses specified in schedules in the law.

Under State law, every employer that has at least one employee who is covered under the State's Workers' Compensation Act is required to secure workers' compensation coverage for its employees. Employers may secure workers' compensation coverage by maintaining insurance

with an authorized insurer; participating in a self-insurance group; maintaining, as an individual employer, self-insured status; or maintaining insurance with the insurer of last resort, the Chesapeake Employers' Insurance Company. Chesapeake is a private, nonprofit, and nonstock workers' compensation insurer and is the largest writer of workers' compensation insurance in the State.

The State's Workers' Compensation Commission administers employee claims resulting from work-related injuries or disabilities. The Governor appoints the 10 members of the commission to 12-year terms, with the Governor designating the chairman. The commission processes and adjudicates all claims, maintains a record of all contested cases, certifies a complete record to the judicial forum in case of an appeal, and refers those individuals requiring vocational rehabilitation to appropriate providers. **Exhibit 14.1** depicts the number of claims and first reports of injury received by the commission. As shown in the exhibit, between fiscal 2018 and 2021, the total number of claims filed with the commission has decreased 9.1%, and the first reports of injury have decreased 15.0%.

Exhibit 14.1
Workers' Compensation Commission Claims Received
Fiscal 2018-2021

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Filed Claims	24,041	23,586	21,706	21,842
First Reports of Injury*	92,483	125,316	89,012	78,596

* Due to an insurer oversight, the number of First Reports of Injury (FROI) for fiscal 2019 includes 27,355 FROIs submitted in fiscal 2019 with a date of injury prior to fiscal 2019.

Source: Workers' Compensation Commission

The State's Subsequent Injury Fund is designed to encourage employers to hire disabled workers, particularly those who have previously been injured in the workplace. The employer is assured that, in the event of a compensable injury, the employer is not held liable for paying compensation for the total resulting disability. The employer is liable only for the effect of the subsequent injury, not for the cumulative effect of the prior and new injuries; the fund incurs all additional liability arising from the combined effects of all injuries or conditions. The fund derives its income from a 6.5% assessment on awards of compensation for permanent disability against, and settlements with, employers or insurers. Chapter 495 of 2020 decreased the assessment to 5.5% in fiscal 2021 only. The duties of the fund include investigating cases, taking part in commission hearings and other judicial proceedings, and making benefits payments to eligible individuals. In fiscal 2021, the fund made 20,168 benefit payments and resolved 648 cases.

The Maryland Uninsured Employers' Fund protects injured workers who sustain a compensable work-related accidental injury or occupational disease against the nonpayment of workers' compensation insurance when their employer, either willfully or negligently, did not maintain workers' compensation insurance on the date of the accident or disablement. If the uninsured employer is unwilling or unable to pay compensation awarded to the injured worker, the fund will pay compensation pursuant to statute upon default by the uninsured employer. The fund is viewed as the "payor of last resort" in the workers' compensation realm and, therefore, the fund investigates claims in an effort to determine whether or not coverage exists or another entity, such as a dual or statutory employer/insurer, may be liable to pay benefits. Additionally, the fund is also responsible for paying the outstanding obligations of governmental self-insurance groups and insolvent self-insured employers. The fund participates in all workers' compensation hearings that may involve an uninsured employer throughout the State. As a separate party to a claim, the fund has independent rights of appeal to the circuit courts and appellate courts.

The fund derives its revenue from a 2.0% assessment on all awards of compensation for permanent disability and settlements with employers/insurers and also collects penalties assessed against uninsured employers. Chapter 495 of 2020 increased the assessment to 3.0% in fiscal 2021 only. The fund attempts to recover compensation paid pursuant to an award issued by the Workers' Compensation Commission by seeking reimbursement from the uninsured employer. If initial collection efforts are unsuccessful, the fund refers the debt to the State's Central Collection Unit for further action. Additionally, the fund may file criminal charges and/or request the suspension of business license(s) against the uninsured employer. In fiscal 2021, the fund made 1,984 benefit payments totaling over \$8.2 million and resolved 600 cases.

Unemployment Insurance

The State's Unemployment Insurance Program, administered by the Division of Unemployment Insurance in the Maryland Department of Labor, provides temporary, partial wage replacement to individuals who are unemployed through no fault of their own and who are able to work, available to work, and actively seeking work. Both the federal and state governments have responsibilities for unemployment compensation. The U.S. Department of Labor oversees the unemployment insurance systems, while each state has its own program that is administered pursuant to state law. Each state has laws that prescribe the tax structure, qualifying requirements, benefit levels, and disqualification provisions. These laws, however, must conform to broad federal guidelines.

All private business employers and nonprofit organizations employing one or more persons, at any time, are subject to the Maryland Unemployment Insurance Law. Each employer is assigned a particular tax rate for a calendar year based on its experience with unemployment, in relation to the experience of other employers, and the balance of the Unemployment Insurance Fund from the preceding September. Certain nonprofit organizations can opt to become self-insured under the program, reimbursing dollar for dollar any benefits paid to former employees. Under a series of six tax tables, rates vary annually according to solvency of the fund. Accordingly, employers generally are required to make contributions to the fund based on the applicable tax rate in the table that is in effect for the calendar year and the taxable wages for the

employers' covered employment. Taxable wages are defined as the first \$8,500 earned by each employee in a calendar year.

Unemployment insurance taxes collected from employers are deposited into the Maryland Unemployment Insurance Fund, commonly referred to as the Unemployment Insurance Trust Fund. The fund is held in the federal treasury and is an interest-bearing account. Unemployment benefits are paid out from the fund.

Employers that have laid off their employees pay a higher tax rate than employers that have not laid off their employees. Benefits paid to employees are charged to the specific employer's account when wages earned from the employer are used to determine a claimant's entitlement to benefits. There are a variety of circumstances under which employers may be relieved of benefit charges. For example, employers are not charged if a former employee left employment voluntarily or for good cause due to domestic violence involving the former employee or former employee's spouse, minor child, or parent; or if the former employee was discharged for gross or aggravated misconduct. Non-charging does not affect entitlement or eligibility. There are also certain exclusions related to churches, agricultural employment, students, and others.

Benefits are based on the amount of wages that the employee earned during the base period (the first four of the last five completed calendar quarters prior to the date the employee filed a claim). If a claimant does not qualify for benefits because of insufficient wages in the base period, an alternative base period (the last four completed calendar quarters) may be used to determine eligibility. The weekly benefit amount ranges from a minimum of \$50 to a maximum of \$430. Qualified unemployed persons are eligible for up to 26 weeks of benefits per year, although extended benefits (paid with federal funds) may be triggered when the State's economy is experiencing an extended period of high unemployment.

All unemployment insurance services, with the exception of benefits appeals, are handled entirely by telephone or Internet through the division's claim centers. Claimants have access to telephone and Internet services at any one of the State's one-stop career centers. These one-stop centers also offer job search and training services.

After an individual applies for benefits, a claims examiner must determine whether or not that person will be awarded benefits. The department's Lower Appeals Division hears and decides appeals from benefit determinations. An individual who files a claim for benefits or an employer entitled to a notice of a determination or redetermination of the claim may file an appeal within 15 days after the notice of the determination or redetermination is mailed to the claimant or employer. The decision of the hearing examiner is final unless further review is initiated within 15 days to the Board of Appeals. Employer account determination issues such as contribution assessments, tax rates, successor liability, and covered employment follow a similar process, except that the Office of the Secretary provides an initial review and a secondary review (called a "review determination") before a claim continues on to the Lower Appeals Division. Employers generally have 30 days to file an appeal at each level for an account determination. A final decision of the board may be appealed to the circuit court by any party aggrieved by the decision, the

Secretary, or both. For a more comprehensive discussion of unemployment insurance, see *Volume VII – Business Regulation in Maryland*.

Workforce Development

Government services to support the training and placement of workers into employment opportunities span a broad spectrum of activities. Elements are found in the public school system, the correctional system, the social services system, and the agencies that oversee labor issues and economic development efforts.

The entity responsible for coordinating workforce development activities in the State is the Governor’s Workforce Development Board. The board meets this responsibility by providing policy analysis and advice to the Governor, the General Assembly, and other concerned parties on how State government can best serve the employment and training needs of Maryland’s employers, employees, and future workforce.

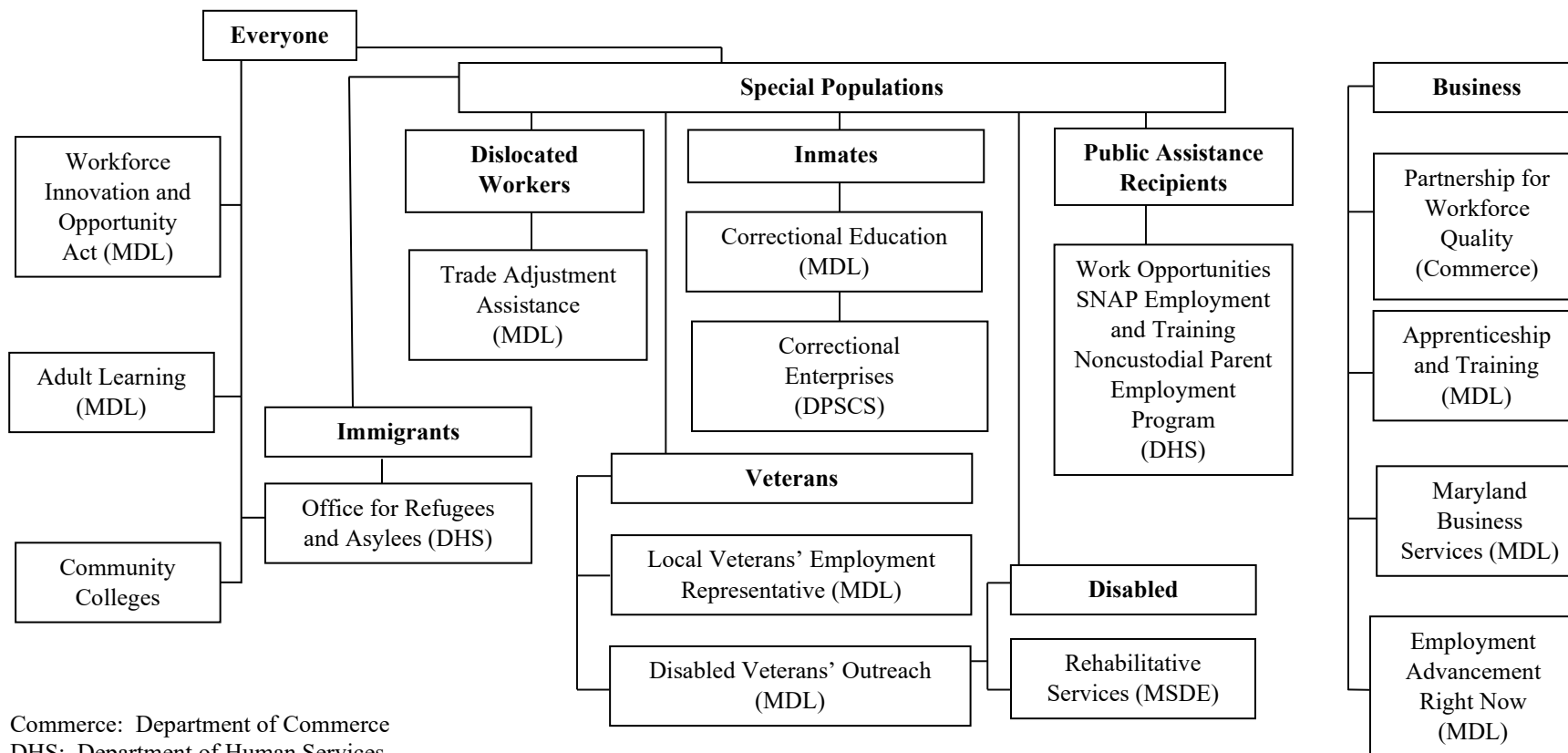
Workforce development services generally include matching those seeking jobs with opportunities, providing skills-based training, and facilitating access to apprenticeships to connect the unemployed and underemployed with work opportunities. Primary, secondary, and higher education also play a key role in workforce preparedness. For more information on educational services, see “Chapter 6. Public Education” and “Chapter 7. Higher Education” of this handbook or *Volume IX – Education in Maryland*.

Workforce development services can be classified into three broad categories of programs:

- services for job seekers, including those who are economically disadvantaged or dislocated as a result of a major layoff or closing;
- educational and job skills training services for adults, including correctional education; and
- services customized to employer needs.

Exhibit 14.2 shows the programs in Maryland’s workforce development system. As shown in the exhibit, most of the State’s workforce development programs fall under the Maryland Department of Labor.

**Exhibit 14.2
Maryland's Workforce Development Programs**



Commerce: Department of Commerce
 DHS: Department of Human Services
 DPSCS: Department of Public Safety and Correctional Services
 MDL: Maryland Department of Labor
 MSDE: Maryland State Department of Education
 SNAP: Supplemental Nutrition Assistance Program

Source: Department of Legislative Services

Services for Job Seekers

The Maryland Department of Labor Division of Workforce Development and Adult Learning administers several programs with funds from the federal Workforce Innovation and Opportunity Act of 2014. The goal of the Workforce Innovation and Opportunity Act is to help job seekers access employment, education, training, and support services through the coordinated efforts of human services, education, and workforce development agencies. The programs offered include population-specific programs for veterans, dislocated workers, and other populations with unique barriers to employment.

All Individuals: The division oversees the operation of 30 American Job Centers located in each county of the State. These centers are designed to offer a wide range of services for both job seekers and businesses. Services include career exploration, referrals to training programs, and resume assistance. The centers are also designed to provide access to computers, Internet, printers, and other technology to assist with job searching. American Job Centers also offer access to the Maryland Workforce Exchange, which is an online employment bank where job seekers and businesses can connect to meet their respective employment needs. Both employers and job seekers can create accounts on the Maryland Workforce Exchange with employers posting job opportunities and job seekers posting resumes. The centers also provide assistive technology and other reasonable accommodations for disabled job seekers, including assistance with filling out forms, text to speech software, TTY, adjustable desks, CCTVs, and Braille translators.

Veterans: Within the American Job Centers and the Maryland Workforce Exchange, veterans can connect with employment opportunities. Employers may grant hiring and promotion preference to eligible veterans, their spouses, or surviving spouses of a deceased veteran. The department also offers expedited licensing services to veterans who hold a valid occupational license in good standing in another state.

Disabled veterans are eligible for additional services, such as the Recovery and Employment Assistance Lifelines (REALifelines), the Disabled Transition Assistance Program, and the Vocational Rehabilitation and Employment Program. REALifelines provides advisors and one-on-one employment assistance for wounded and injured transitioning service members and veterans as they reintegrate into the civilian workforce. The Disabled Transition Assistance Program offers a three-day workshop and individual service hours to provide job readiness and specialized assistance to disabled veterans. Vocational Rehabilitation and Employment is administered through the Department of Veterans Affairs to provide vocational rehabilitation to disabled veterans.

Dislocated Workers: The term “dislocated workers” encompasses individuals who lose their jobs or have received notice that they will lose their jobs as part of facility closures or layoffs. The division houses the Dislocation Services Unit, which serves to connect dislocated workers with an array of services, including American Job Centers, unemployment insurance, and trainings to assist in job readiness and job placement. The Dislocation Services Unit also partners with the local Workforce Development Areas to assist with trainings and services specific to the needs of both the local demographic and local employers.

Dislocated workers who lost their jobs as a result of foreign trade may also be eligible for Trade Adjustment Assistance. The Trade Adjustment Assistance Program is a federal entitlement program that provides traditional job seeker assistance as well monetary support, including job search allowance, relocation allowance, paid vocational and remedial training, and trade readjustment allowances or alternative trade adjustment assistance.

Senior Job Seekers: The Senior Community Service Employment Program is available to job seekers, age 55 and older, who are unemployed, meet established low-income guidelines, and desire an opportunity for training and employment. The goal of this program is to assist older workers to develop workplace skills which will enable them to attain permanent, unsubsidized employment, either with their host agencies or other nonprofits, government, or private-sector employers. Individuals receive training assignments with the nonprofit organization or government agency that most closely matches their personal goals for employment. The placement is limited to 20 hours per week, at the established minimum wage hourly rate. Applicants are not required to have previous work experience.

Public Assistance Recipients: The Family Investment Administration within the Department of Human Services is the central coordinating and directing agency of all public assistance in the State. The Family Investment Administration administers cash benefits and other grant programs that provide assistance to individuals and families in financial need as well as employment programs to promote self-sufficiency.

The Department of Human Services provides cash assistance to assistance units that include a pregnant individual, or a minor who resides with a custodial parent or a relative who meet certain income and other technical criteria. Income eligibility varies based on assistance unit size. The applicant or recipient must also cooperate with child support requirements in most circumstances and participate in work activities (unless exempt). Employment and training programs may assist individuals in meeting work activity requirements.

In addition to employment and training programs for cash assistance recipients, the department also operates employment and training programs for Supplemental Nutrition Assistance Program recipients and noncustodial parents involved in the child support program. Additional information on the employment and training programs administered by the Department of Human Services may be found in “Chapter 11. Human Services” of this handbook.

Immigrants: The Maryland Office for Refugees and Asylees in the Department of Human Services is federally funded and provides cash, medical assistance, and social services to federally recognized refugees who resettle in Maryland. Services include employment placement and English language and skills training.

Educational and Job Skills Training Services for Adults

All Individuals or Targeted Populations: The Division of Workforce Development and Adult Learning also oversees a number of adult education programs. The division provides

guidance and statewide coordination for the services, which are delivered locally by public school systems, community colleges, libraries, and community-based organizations. The goal of the programs is to help individuals age 16 and older develop the skills necessary for continuous learning, decision making, and communication. The programs within the adult education system are described briefly below.

- **Adult Basic Education:** Provides instruction for adults to speak, read, and write English and to improve skills needed for effective functioning in society.
- **Adult High School Pilot:** Provides an alternative method for adults, who did not graduate from high school, to earn a high school diploma and potentially earn post-secondary credit or an industry-recognized certification in an environment that meets the needs of the adult learner.
- **English as a Second Language:** Provides instruction in speaking, listening, reading, and writing to adults whose first language is not English.
- **Family Literacy:** Provides comprehensive literacy services to families to enable parents to be partners in the education of their children.
- **General Educational Development:** Provides more advanced instruction than the adult basic education program and helps adults work toward a high school diploma through the General Educational Development Program.
- **National External Diploma:** Provides a unique way for adults to earn a high school diploma without taking classes or completing a series of high-stakes tests. Individuals complete program requirements by using a computer-based program to work independently on a series of assigned tasks or competencies at their own pace.

Correctional Inmates: The division administers correctional education programs in all the major institutions serving the adult population within the correctional operations side of the Department of Public Safety and Correctional Services. Services include adult basic education, adult secondary education, English for Speakers of Other Languages classes, special education services, occupational preparatory programs, and library services. Other correctional education programs include postsecondary education offered by Maryland public colleges and universities, coordination of apprenticeship programs that operate in conjunction with Maryland Correctional Enterprises, educational assessment, and transitional services.

Maryland Correctional Enterprises provides occupational training to more than 1,000 voluntary trainees, within the State correctional system. The goods and services that are produced by incarcerated individuals while participating in occupational training are sold to public-sector agencies and charitable, civic, educational, fraternal, or religious institutions. Maryland Correctional Enterprises provides trainees with specialized training in a variety of trades, while enhancing their skills and abilities, and ultimately preparing these individuals for future

employment opportunities upon release. Participants in the occupational training program are coached to perform a variety of work activities, including graphic arts, upholstery, meat cutting, metal fabrication, furniture assembly and restoration, sewing, data entry, agriculture, and laundry operations.

Maryland Correctional Enterprises operates in 11 correctional facilities across the State and is a fully self-supported agency that relies on revenues from services supplied and the sale of its manufactured goods. **Exhibit 14.3** depicts the number of incarcerated individuals that participated in Maryland Correctional Enterprises programming in each correctional facility for fiscal 2018 through 2021. The COVID-19 pandemic significantly decreased inmate participation in Maryland Correctional Enterprises programming.

Exhibit 14.3
Inmates Employed by Maryland Correctional Enterprises
Fiscal 2018-2021

<u>Facility</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Jessup Correctional Institution	356	341	67	146
Maryland Correctional Institution – Hagerstown (MCI-H)	190	189	112	124
Roxbury Correctional Institution	162	94	94	70
Maryland Correctional Training Center	51	50	23	26
Maryland Correctional Institution – Jessup	202	181	163	107
Maryland Correctional Institution for Women	189	150	0	57
Eastern Correctional Institution (ECI)	208	187	185	116
Western Correctional Institution (WCI)	43	41	12	44
Central Maryland Correctional Facility (CMCF)*	236	209	136	106
Patuxent Institution	50	43	29	30
Dorsey Run Correctional Facility (Jessup Warehouses)	32	31	0	7
Total	1,719	1,516	821	833

*Fiscal 2018 and 2019 CMCF includes all laundry employees (CMCF, MCI-H, WCI, and ECI).

Source: Department of Public Safety and Correctional Services

Individuals with Disabilities: The Maryland State Department of Education directs the State’s vocational rehabilitation program through the Division of Rehabilitation Services. The division provides policy direction, administrative support, eligibility determination for federal disability benefits, and rehabilitation services at the Maryland Workforce & Technology Center and 24 offices statewide.

Rehabilitation services clients, who are typically between the ages of 16 and 65, are referred by schools or health care professionals and receive comprehensive vocational rehabilitation services such as vocational evaluation, occupational skills training, medical evaluation, occupational therapy, physical therapy, and rehabilitation technology services. Additional support services may include benefits counseling, addictions counseling, academic remediation, driver's evaluation and education, job seeking skills training, and job placement. In fiscal 2021, the division served a total of 25,627 adults and transitioning youth with disabilities. The division also helped 926 individuals with disabilities achieve gainful employment in service, sales, construction, and other fields.

Services Customized for Employer Needs

The State administers several workforce development programs that are structured to serve the employers of the State by upgrading the skills of workers who are already employed. The Department of Commerce administers the Partnership for Workforce Quality Program, which provides matching grants (up to 50% of eligible expenses) to small and mid-sized manufacturing and technology companies. These grants are designed to improve business competitiveness and worker productivity, upgrade worker skills for new technologies and production processes, and promote employment stability.

Employment Advancement Right Now: Employment Advancement Right Now (commonly known as EARN) is a State-funded competitive grant program that is industry-led and regionally focused. The Maryland Department of Labor provides grants to strategic industry partnerships to coordinate education, workforce, and economic development to address the needs of both job seekers and businesses in the area. As of December 2021, more than 6,800 unemployed and underemployed individuals have obtained employment through the program. In addition, almost 9,500 incumbent workers received training that culminated in a new skill, certification, or credential. As of May 2022, the program funds more than 70 strategic industry partnerships and the fiscal 2023 budget totals more than \$9 million with targeted investments in information technology, cybersecurity, and clean energy jobs training.

Apprenticeships: The Maryland Department of Labor also administers the Maryland Apprenticeship and Training Program to coordinate and promote supervised, on-the-job training under skilled craftspersons. Apprentices are recruited and hired by the program sponsor and trained both on the job and in the classroom.

The 12-member Maryland Apprenticeship and Training Council, composed of representatives of labor, employers, and the general public, certifies apprenticeship programs. Since fiscal 2016, Maryland has been awarded nearly \$13 million in federal funds from the U.S. Department of Labor to expand the apprenticeship program. These funds have been used to create an Apprenticeship Innovation Fund to invest in programs for youth and dislocated workers, to expand and diversify apprenticeships in Maryland, and to sponsor outreach events for Apprenticeship Week in Maryland. At the end of calendar 2021, the State had 11,404 active apprentices and 3,833 participant employers. There are more than 230 registered occupations represented in 181 active apprenticeship programs.

The department, in partnership with the Maryland State Department of Education, has also developed Apprenticeship Maryland, which is a Career and Technical Education program of study for students, ages 16 and older. The program is designed to prepare students for sustainable employment and further education based on career pathways in Manufacturing and Science, Technology, Engineering, and Mathematics related fields as well as traditional occupations. Participating students start the program in their junior year and complete at least one year of related classroom instruction and a minimum of 450 hours of work-based training under the supervision of an eligible employer. This program is available in 20 local school systems.

Advisory and Research Services

As mentioned previously, the Governor's Workforce Development Board serves as the State's coordinating council for the provision of workforce development services. In addition to promoting and facilitating interagency coordination, the board often undertakes special studies and organizes *ad hoc* task forces to address issues of concern. For example, the board has focused its efforts on critical skills shortage areas and the State's information technology needs.

The State's Office of Workforce Information and Performance at the Maryland Department of Labor utilizes surveys and required reporting systems to collect and develop data on employment, unemployment, and other factors relating to labor supply and demand. The office identifies and analyzes trends in industrial and occupational structure, wage levels, and the demographics of the population and the labor force and disseminates relevant information to other levels of government, employers, job seekers, education and training professionals, economists, and others.

Funding

The funding allocated to support the numerous labor and workforce development services in the State is varied. Many of the costs of providing worker protection services are derived directly from the industries being regulated through assessments on employers or claims. The costs of administering the State's unemployment insurance program are covered almost entirely by federal funds. These funds are derived from the federal unemployment insurance tax paid by employers. Actual payments to claimants, which are derived from State unemployment insurance tax assessments on employers and payable to the Division of Unemployment Insurance for deposit in the Unemployment Insurance Trust Fund, do not pass through the State budget.

Exhibit 14.4 shows the State expenditures for each of the workforce development programs previously discussed. Various levels of government expended approximately \$311 million in fiscal 2021 on the workforce development activities included in this discussion. Federal funds represent approximately 57% of this total and are the exclusive funding source for several programs targeted to job seekers.

Exhibit 14.4
State Expenditures for Workforce Development
Fiscal 2021
(\$ in Thousands)

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total¹</u>
Programs Targeted to Job Seekers				
Job Service & Workforce Investment (MDL) ²	\$3,581	\$19,182	\$72,780	\$95,543
Rehabilitation Services (MSDE) ³	15,205	1,585	43,204	59,995
Adult Continuing Education (MDL)	8,662	0	9,711	18,373
Work Opportunities (DHS) ⁵	0	0	26,262	26,262
Refugees and Asylees (DHS)	0	0	10,588	10,588
Subtotal	\$27,449	\$20,767	\$162,546	\$210,762
Programs Targeted to Inmates				
Correctional Education (MDL) ⁴	\$16,060	\$0	\$0	\$16,060
Maryland Correctional Enterprises (DPSCS)	0	47,211	30	47,241
Subtotal	\$16,060	\$47,211	\$30	\$63,301
Programs Targeted to Employers				
Partnership for Workforce Quality (Commerce)	\$1,000	\$0	\$0	\$1,000
Employment Advancement Right Now (MDL)	6,987	0	0	6,987
Subtotal	\$7,987	\$0	\$0	\$7,987
Advisory, Research, and Administrative Functions				
Governor's Workforce Investment Board (MDL)	\$310	\$0	\$0	\$310
Executive Direction and Administration (MDL)	7,706	6,896	14,125	28,728
Subtotal	\$8,016	\$6,896	\$14,125	\$29,038
Total	\$59,511	\$74,874	\$176,702	\$311,087

Commerce: Department of Commerce

MDL: Maryland Department of Labor

DHS: Department of Human Services

MSDE: Maryland State Department of Education

DPSCS: Department of Public Safety and Correctional Services

¹ Excludes funds reimbursed by other State agencies for services provided.

² The Job Service and Workforce Investment special funds include \$18.8 million in Rainy Day Funds for the COVID-19 Layoff Aversion Program.

³ Does not include funding for the Disability Determination Services Program captured in Chapter 11.

⁴ Does not include funding used to support primary and secondary education at juvenile facilities captured in Chapter 6.

⁵ Does not include funding used to support Supplemental Nutrition Assistance Program Employment and Training Program and Noncustodial Parent Employment Program captured in Chapter 11.

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

Source: *Fiscal 2023 Governor's Budget Books*

State general funds are most commonly used as required matching funds for federal programs and to fund two programs targeted to meeting the needs of employers – the Partnership for Workforce Quality Program and the Employment Advancement Right Now Program. These employer-targeted programs are not mandated by the federal government and represent discretionary State spending.

Special funds for workforce development represent revenues primarily generated by the Maryland Business Enterprise Program for the Blind, Inmate Welfare Funds, and Maryland Correctional Enterprises, as well as nearly \$19 million in Rainy Day funds provided in fiscal 2021 for COVID-19 relief through the Maryland Department of Labor’s Layoff Aversion Program.

Local government spending is primarily directed to assisting individuals seeking jobs. These expenditures may include State grants, direct federal grants, and federal funds that pass through from the State. **Exhibit 14.5** shows the local expenditures for workforce training for several localities. As shown in the exhibit, four counties and Baltimore City reported expenditures on job training as part of their support of economic development. Of the \$27.3 million reported for fiscal 2021, Anne Arundel spent \$12.5 million. The amount local governments spent on adult education is unclear, but State grants for adult education generally require a 25% match from local funds.

Exhibit 14.5
Local Workforce Training Expenditures
Fiscal 2021

<u>Jurisdiction</u>	<u>Training Expenditures</u>
Anne Arundel	\$12,529,729
Baltimore City	6,374,737
Baltimore	4,697,293
Carroll	1,368,455
Frederick	2,321,980
Total	\$27,292,194

Note: Reported expenditures may include federal and/or State grants.

Source: Uniform Financial Reports; Department of Legislative Services

Chapter 15. Management of the State's Natural and Historic Resources

Maryland has a longstanding tradition of strong environmental protection, natural resource conservation, and historic preservation. This can be linked to the State's variety of natural resources and the prominent place of the Chesapeake Bay in the culture and identity of the State. With declining fish and shellfish species and forestry reserves, increasing concerns about air pollution and climate change, and ongoing concerns about nutrients, pollutants, and toxins in the Chesapeake Bay, public and political interest in environmental protection and smart growth continues. The protection of open space, clean waters, wildlife, and wildlife habitats provide a myriad of recreational opportunities. Preserving farmland, the farming industry, and open space resources remain critical issues, and there is growing interest in conserving energy and promoting the use of efficient and renewable energy. The preservation of historic and cultural resources further contributes to the rich quality of life in Maryland.

Balancing development with the protection of these resources is the basic issue driving policy in this arena and involves all levels of government. The federal government has defined clean air and clean water in statute and regulations, delegating the enforcement of major elements to the State. As owners and operators of water, wastewater, and solid waste treatment facilities, local governments are often the subjects of the State's regulatory activities. In addition to federal pollution controls, the State has set broad development policy to reduce urban sprawl and conserve natural resources. These policies translate into a wide array of programs, such as the management of stormwater runoff and erosion prevention; a network of State parks and forests; protection of wildlife habitats; the inspection of agricultural products; and the promotion of energy efficiency and conservation measures. Local governments develop their own growth management plans to be consistent with the State's goals and local needs and implement the plans through local planning and zoning efforts. Historic preservation activities, governed by both federal and State law, are supported by local governments in a variety of ways.

The relationship among the levels of government varies according to the service or policy being implemented. **Exhibit 15.1** shows the relationships and the major participants in the broad categories of government activity addressed in this chapter.

Exhibit 15.1
Major Roles and Responsibilities

Policy Area	Federal	State	Local
Planning and Growth Management	U.S. Department of Housing and Urban Development	Maryland Department of Planning	Local Comprehensive Plans and Growth Tier Maps
	U.S. Department of Transportation	Governor's Smart Growth Subcabinet	Designation of Priority Funding Areas
	U.S. Environmental Protection Agency (Interagency Partnership for Sustainable Communities)	Critical Area Commission Sustainable Growth Commission	Local Zoning Laws
Cultural/Historic Preservation	U.S. Department of the Interior	Maryland Department of Planning	Historic/Preservation District Commissions
	Advisory Council on Historic Preservation	Maryland Historical Trust	
	Institute of Museum and Library Services		
Environmental Protection	U.S. Environmental Protection Agency	Maryland Department of the Environment	County Health and/or Environmental Departments (delegated enforcement of environmental laws)
	Clean Water Act	Department of Natural Resources	
	Safe Drinking Water Act Clean Air Act	Chesapeake Bay Watershed Initiatives	
Natural Resources Management	U.S. Department of the Interior	Department of Natural Resources	Local Parks and Recreation Departments Local Forestry Boards
	U.S. Department of Agriculture Forest Service		
	U.S. Department of Commerce National Oceanic and Atmospheric Administration		
Agricultural Services	U.S. Department of Agriculture	Maryland Department of Agriculture	Soil Conservation Districts
		University of Maryland Agricultural Experiment Station and Cooperative Extension Service	County Health Departments Noxious Weed Control
Energy Efficiency and Conservation	U.S. Department of Energy	Maryland Energy Administration	
	U.S. Environmental Protection Agency		

Source: Department of Legislative Services

Structure

Growth Management

The Land Use Article of the Maryland Annotated Code governs zoning and planning in the State and gives significant authority to local governments. Three laws provide for additional State involvement: the Maryland Economic Growth, Resource Protection, and Planning Act of 1992 (Planning Act); the Smart Growth and Neighborhood Conservation Act of 1997 (Priority Funding Areas Act); and the Sustainable Growth and Agricultural Preservation Act of 2012 (Sustainable Growth Act).

At the executive level, the State development plan provides a policy framework for growth and preservation and a blueprint to help guide State agencies in their decision making on programs and funding for growth and preservation. The most recent plan, called “A Better Maryland,” was finalized in 2019. The plan includes strategies related to 10 broad goals: (1) sustaining the environment into the future; (2) preserving land; (3) adapting and becoming resilient to climate change; (4) improving economic growth and development in existing communities; (5) tackling the economic and workforce development needs of the next century; (6) meeting clean and renewable energy goals; (7) addressing Maryland’s transportation, infrastructure, and technology challenges and opportunities; (8) creating workforce/affordable housing; (9) protecting historic and cultural resources; and (10) creating quality places. The plan also establishes a digital resource center to serve as a virtual library of State and local plans and related planning resources used to plan responsible growth and resource protection.

The Planning Act articulates the State’s growth policy through several visions – which were updated by 2009 legislation – that seek to concentrate development in suitable areas, protect sensitive areas, and establish funding mechanisms to achieve the visions. The Act also requires local jurisdictions to address these same visions in their comprehensive plans. All local jurisdictions, with few exceptions, incorporated these visions into their comprehensive plans on or before July 1, 1997. Under the Act, local governments must review, and if necessary, update their plans once every 10 years. In addition, the Act requires all local jurisdictions to adopt ordinances and regulations that implement the planning visions and are consistent with the local comprehensive plan.

The State sought to strengthen its efforts to control sprawl, enhance land use, and control pollution with the Priority Funding Areas Act. This Act directs State funding for growth-related infrastructure to Priority Funding Areas, providing a geographic focus for State investment in growth. Priority Funding Areas are existing communities and places where local governments want State funding for future growth. Growth-related projects include most State programs that encourage growth and development, such as highway construction, sewer and water construction, economic development assistance, and State leases or construction of new office facilities. The Act legislatively designated certain areas as Priority Funding Areas and established criteria for locally designated Priority Funding Areas.

The Maryland Sustainable Growth Commission was created in 2010 to analyze and advise on a myriad of planning issues. Commission members represent local and State government as well as business and nonprofit sectors. The commission is charged with identifying regional growth and development issues for the Governor's Smart Growth Subcabinet, recommending ways to improve communication and coordination on growth and development issues, reviewing implementation of the State development, transportation, and housing plans, and advising on the local impacts of State growth policies and laws. The commission submits an annual report on its activities and recommendations to the Governor, the Presiding Officers, and specified committees of the General Assembly.

In June 2018, the Maryland Sustainable Growth Commission and the Maryland Department of Planning released *Reinvest Maryland 2.0, A Guide to Accelerating Infill, Redevelopment and Community Revitalization*. "Reinvest Maryland 2.0" expands on a previous report with a new website "toolkit" that identifies policies and resources that support redevelopment and revitalization in existing communities. The website contains an interactive toolbox to help local communities find appropriate federal and State programs, case studies, and a catalog of technical assistance services provided by the department.

The Sustainable Growth Act further builds on the State's smart growth policy foundation. Enacted in 2012, the Sustainable Growth Act aims to steer future residential growth toward more urban forms of development served by public sewers and away from sprawling development on previously undeveloped lands that require the use of septic systems. The Act establishes four growth tiers based on specified land use characteristics and establishes land use and sewerage restrictions applicable to each tier. A jurisdiction may not authorize a major subdivision served by onsite sewage disposal systems, community sewerage systems, or shared systems unless the jurisdiction has adopted growth tiers consistent with the Act. Adopted growth tiers are incorporated into a jurisdiction's comprehensive plan. The Maryland Department of Planning is responsible for reviewing and providing technical assistance with proposed growth tiers prior to final adoption.

A wide array of State programs have been conceived or modified to incorporate the principles of smart growth, discourage sprawl, and encourage investment in many of Maryland's older, established communities. Many of these go beyond the traditional land use initiatives typically associated with growth management and, as shown in **Exhibit 15.2**, several State agencies are involved.

Exhibit 15.2 Selected Smart Growth Initiatives

<u>Program</u>	<u>Responsible Department(s)</u>
Neighborhoods	
Smart Key 4 Employees	DHCD
House Keys 4 Employees	DHCD
Rental Housing Development Programs	DHCD
Maryland Mortgage Program	DHCD
Neighborhood BusinessWorks Program	DHCD
Community Legacy Program	DHCD
Maryland Building Rehabilitation Code	MDL
Community Parks and Playgrounds Program	DNR
Strategic Demolition and Smart Growth Impact Fund	DHCD
Sustainable Communities Program	DHCD
Job Creation	
Job Creation Tax Credit	Commerce
Enterprise Zones	Commerce
Maryland Heritage Preservation and Tourism Areas	MDP
Brownfields Redevelopment	MDE and Commerce
Transportation	
Commuter Choice Maryland	MDOT
Transportation Enhancement Program	MDOT
National Recreational Trails Program	MDOT
Ridesharing Program (Park-and-ride Facilities)	MDOT
Sidewalk Reconstruction/New Construction for Pedestrian Access Programs	MDOT
Safe Routes to School Program	MDOT
Bicycle Retrofit Program	MDOT
Maryland Bikeways Program	MDOT
Statewide Transit Innovation Grant	MDOT
Maryland Jobs Access Reverse Commute Grant Program	MDOT
Land Conservation	
Rural Legacy Program	DNR
Program Open Space	DNR
Maryland Agricultural Land Preservation Program	MDA
Conservation Reserve Enhancement Program	MDA
Water and Wastewater Infrastructure	
Water Quality Infrastructure Financing	MDE
Pollution Prevention Technical Assistance	MDE
Climate Adaptation	
Coast Smart Communities Initiative	DNR

Commerce: Department of Commerce
 DHCD: Department of Housing and Community Development
 DNR: Department of Natural Resources
 MDA: Maryland Department of Agriculture
 MDE: Maryland Department of the Environment
 MDL: Maryland Department of Labor
 MDOT: Maryland Department of Transportation
 MDP: Maryland Department of Planning

Source: Department of Legislative Services

Cultural and Historic Resources Management

At the State level, historic preservation services are provided by the Maryland Department of Planning's Division of Historical and Cultural Programs. The Maryland Historical Trust, which was established in 1961, is the principal operating unit within the division and is recognized as the State Historic Preservation Office, as per Section 101 of the National Historic Preservation Act. The trust is governed by a 15-member board of trustees and administered by the Maryland Department of Planning. The Governor, President of the Senate, and Speaker of the House of Delegates are *ex officio* trustees, and the Governor appoints the other 12 trustees. Many historic and cultural preservation programs are administered in partnership with the U.S. Department of the Interior's National Park Service and the Advisory Council on Historic Preservation.

Local governments support historic preservation in a variety of ways, including by being the owners and stewards of historic properties, offering tax incentives and grants, and creating historic area overlay zones that are administered by local historic preservation/district commissions. In Maryland, only local governments have the authority to review and approve changes to historic properties owned by individuals. State law allows local jurisdictions to designate historic districts and individual landmarks and review changes to those properties as a way of preserving the historic fabric that makes those properties significant and ensuring that new construction is compatible with the historic nature of those properties. Changes to these locally designated historic districts and properties are reviewed by historic preservation/district commissions that are appointed by local governing bodies.

Environmental Protection

Activities and policies for the protection of the environment and conservation of natural resources are initiated primarily at the federal and State level. The U.S. Environmental Protection Agency outlines federal requirements and delegates program administration, including statutory and regulatory requirements, to the State. Primary federal law in this category includes the Clean Air Act, the Clean Water Act, and the Safe Drinking Water Act. Aspects of each are administered and enforced by the Maryland Department of the Environment.

All counties and Baltimore City have been delegated responsibility from the State for certain environmental programs. Much of the environmental protection regulation by the State has grown from the need to protect public health. Because of the close link between the environment and public health, local health departments are often the agents through which State or local environmental permitting, inspection, and compliance monitoring are administered. County agencies are responsible for water and sewerage plans, solid waste issues, building permit reviews, water and sewerage inspections, watershed conservation and restoration, sea level rise mitigation, and water quality monitoring and enforcement. A handful of counties have established county-level environmental departments that handle these functions. Local public works departments, planning and zoning departments, and sanitary commissions may also have some delegated responsibility for environmental protection relating to water treatment facilities construction and operation or permit reviews.

Delegations are primarily voluntary agreements in which the local jurisdiction chooses to perform an activity rather than have the State perform it. Control over certain development-related activities (such as building permit reviews) is seen as a critical local issue, influencing a jurisdiction's ability to expand, develop, and direct growth.

While the Maryland Department of the Environment is the primary agency for environmental management in the State, the Department of Natural Resources also plays a role. Specifically, the Department of Natural Resources is responsible for monitoring and assessing the State's aquatic, geological, and energy-based resources as well as the health of all the State's waters.

Natural Resources Management

While the relationship between federal, State, and local agencies in the arena of environmental protection is based on a complex system of laws, regulations, and delegated authority, the relationship in areas such as open space, parks and recreation, and natural resource conservation is considerably less technical. At the federal level, parks, lands, and fish and wildlife resources are generally under the direction of the U.S. Department of the Interior. The U.S. Department of Agriculture's Forest Service manages public lands in national forests and grasslands, and the U.S. Department of Commerce's National Oceanic and Atmospheric Administration manages commercial fisheries and marine sanctuaries in federal waters. At the State level, the Department of Natural Resources manages the State's forestry and wildlife conservation efforts; manages and operates State parks and forests; provides natural resource assessments to guide land conservation and restoration plans; and enforces boating, fishing, and hunting laws and regulations.

Shared funding, such as for the conservation of open space and the development of recreational facilities, is a large component of the State-local relationship. Local efforts are usually administered through a parks and recreation department. Twenty-one counties and Baltimore City have departments of parks and recreation; only Allegany and Garrett counties do not. Prince George's and Montgomery counties are served by the Maryland-National Capital Park and Planning Commission in this regard.

Agriculture

At the federal level, the U.S. Department of Agriculture provides technical services, commodity price support, disaster assistance, conservation programs, risk management assistance, and food safety and inspection services, among other activities. At the State level, agricultural services are primarily under the jurisdiction of the Maryland Department of Agriculture.

Certain pest management and weed control activities are conducted on a cooperative basis by the State and local governments, particularly in the areas of mosquito control, gypsy moth suppression, and noxious weed control. The State and local governments enter into voluntary agreements to undertake programs for control or eradication of these pests; the Maryland

Department of Agriculture operates programs in those jurisdictions where no joint agreement is in place.

The Maryland Department of Agriculture's Office of Resource Conservation regulates the use of nutrients on farms and provides financial assistance to support the implementation of agricultural best management practices to protect water quality and conserve natural resources on agricultural land. Much of the agricultural resource conservation activity, however, is carried out by the State's soil conservation districts, which are charged with developing comprehensive plans for conserving soil resources and controlling and preventing soil erosion within their jurisdictions. As of July 2022, there are 24 soil conservation districts in each of the 23 counties (Frederick County contains two districts). Legislation passed in 2021 authorized the creation of an additional soil conservation district in Baltimore City, but it has not yet been established. Each district is governed by a five-member board of supervisors; one member is appointed by the local governing body and the other four are appointed by the State Soil Conservation Committee. Soil conservation districts are statutorily authorized to regulate land use to conserve soil and soil resources and prevent and control soil erosion.

The University of Maryland provides agricultural research and educational outreach services through the Agricultural Experiment Station and the Cooperative Extension Service. The Agricultural Experiment Station's research priorities include developing appropriate technology for alternative and emerging agricultural industries, improving food quality and human nutrition, and sustaining competitive and profitable agriculture in the State. The Cooperative Extension Service works with community leaders, farmers, businesses, and government partners to provide technical assistance and practical information about, among other things, agricultural, consumer, environmental, nutritional, and life sciences.

Energy Conservation and Efficiency

In response to increasing energy costs, threats of brown-outs, and concerns over the environmental impacts of the use of energy, energy conservation and energy efficiency have become a major focus of national and State policy. The federal government has been involved with promoting energy efficient appliances and the use of renewable energy, largely through the use of tax credit programs. The State's efforts in this area are administered primarily by the Maryland Energy Administration, an independent unit of State government whose mission is to promote affordable, reliable, and cleaner energy for the benefit of all Marylanders. The administration's programs affect local and State government agencies, nonprofit organizations, residential consumers, and commercial and industrial consumers. The Maryland Clean Energy Center; the Maryland Energy Innovation Institute in the A. James Clark School of Engineering at the University of Maryland, College Park Campus; and various other entities also support and promote participation in clean energy programs, research and innovation, and commercialization and financing of clean energy technologies.

Services

Government activity in the area of cultural/historic, agricultural, environmental, and natural resources management falls into several broad categories including planning and growth management; cultural and historic preservation; protection of water and air quality; management of parks, forests, open space, wildlife, and fisheries; conservation of agricultural and natural resources; pest and plant management; marketing and consumer services; and energy conservation and efficiency. A number of research, technical, and advisory activities cut across these programmatic lines and are discussed separately.

Growth and Cultural/Historic Resources Management

Planning Services

The Maryland Department of Planning provides information and services that aid State agencies, local governments, communities, businesses, and other organizations in land use and resource planning. The department's State Clearinghouse for Intergovernmental Assistance coordinates review of applications for financial assistance, proposals for direct federal development programs, drafts of environmental impact statements, State plans requiring gubernatorial review, and other actions requiring intergovernmental coordination. The department collects, analyzes, and publishes social, economic, and geographic information relating to the State and its political subdivisions; identifies and evaluates development and land use changes and trends; and disseminates U.S. Census and U.S. Department of Commerce information to State and local governments and the private sector. The department also provides a variety of research, technical, and advisory services that are discussed later in this chapter.

Cultural and Historic Preservation Resources

The Maryland Department of Planning plays a central role in the State's cultural and historic preservation efforts, largely through the Maryland Historical Trust. The trust conducts an ongoing program to professionally locate, identify, and document historic and archeological sites throughout the State. The trust maintains the survey data in the Maryland Inventory of Historic Properties, which includes extensive map, documentary, photographic, and graphic data on both historic standing structures and archeological sites. Additionally, the trust allows access to architectural and archeological resources in the inventory through a mapping tool called "Medusa."

In addition to its historic resource identification and evaluation activities, the trust is charged with certain regulatory responsibilities. Federal and State preservation laws require responsible governmental agencies to examine the impact of their undertakings on significant historic and cultural resources and to take steps to avoid, reduce, or mitigate any adverse effects. Engaged in the review of thousands of projects each year, ranging from the rehabilitation of a single-family house to large-scale transportation projects, the trust helps to ensure that historic and cultural resources are given full consideration in the planning of projects licensed, permitted, or funded by State and federal agencies.

Protection of historic properties is also carried out by the trust's Historic Preservation Easement Program. Historic preservation easements are covenants that ride with the deed to historic properties to ensure that the properties' historic and cultural value will be protected in perpetuity. As the holder of an easement, the trust in effect partially owns the development rights to the property, and the owner must secure prior approval from the trust for any changes to the property. Historic preservation easements allow the State to safeguard important properties without the necessity of public ownership. The trust acquires easements through a number of means: as a condition of grants and loans; through bond bills that benefit historic properties; through the sale of State-owned historic properties; and through donations by individual owners.

The trust provides financial assistance to private individuals and for-profit entities engaged in historic preservation activities through the Historic Revitalization Tax Credit Program, the federal Rehabilitation Tax Credit Program, and the Historic Preservation Loan Program. The Historic Revitalization Tax Credit Program is discussed in greater detail in "Chapter 12. Housing and Community Development" of this handbook. The Historic Preservation Loan Program, which is also available to nonprofit organizations and local governments, assists with the acquisition, rehabilitation, and restoration of historic properties. Loans are awarded as a lump sum that must be repaid within an agreed upon time period and require conveyance of a perpetual preservation easement on the property.

The trust also administers grant programs that assist in a wide variety of historic preservation-related activities, including supporting local governments and nonprofit organizations for the acquisition, rehabilitation, and restoration of historic properties; preserving buildings, communities, and sites of historical and cultural importance to the African American experience in Maryland; building upon Maryland's potential for "heritage tourism" by promoting historic preservation and areas of natural beauty to generate jobs; and supporting existing historical museums in a range of museum activities.

The trust operates one historical museum and archaeology park, the Jefferson Patterson Park and Museum, located on 560 acres in Calvert County. The park and museum, which is listed in the National Register of Historic Places, is one of the richest archeological areas in Maryland and includes sites from every major era of human habitation, going back more than 9,000 years. The site also includes numerous historic buildings that have been adapted for administrative and museum use and the Maryland Archeological Conservation Laboratory, which provides centralized conservation and curation services for more than eight million archeological artifacts.

The Canal Place Preservation and Development Authority (Canal Place) was established in 1993 to preserve, develop, and manage the Canal Place Heritage Area in downtown Cumberland. Canal Place is charged with transforming the area into a major heritage tourism destination. Its responsibilities are directed by a nine-member commission and include preserving or assisting in the preservation of buildings, structures, and settings of historical value; conducting activities that educate the public about the history and significance of the heritage area; providing recreational uses of the heritage area; and facilitating economic development in the heritage area through public and private investment in adaptive reuse, interpretive attractions, or other activities.

Historic St. Mary's City is an outdoor history and archaeology museum that preserves, researches, and interprets the site of Maryland's first capital. The Historic St. Mary's City Commission is an independent unit of State government. The mission of the commission is to preserve and protect the archaeological and historical record of St. Mary's City and to appropriately develop and use this historic and scenic site for the education, enjoyment, and general benefit of the public. It is the goal of the commission that the archaeological sites and collections, scenic views, and rural character of the historic city be safeguarded by preservation and research practices consistent with its status as a National Historic Landmark District.

The Maryland African American Museum Corporation was created in 1998 to plan, develop, and manage a Maryland museum of African American history and culture in Baltimore City. The Reginald F. Lewis Museum of Maryland African American History and Culture opened in June 2005. The museum's mission is to educate the public about the contributions and experiences of African American Marylanders; to provide research facilities for scholars, students, and others; and to provide public programming, educational opportunities, and community outreach. The corporation is a public instrumentality and an independent unit in the Executive Branch. A 37-member board of directors manages the corporation's affairs.

Water Resources Management

Water Resources – Generally

The Maryland Department of the Environment is the State's lead agency for water pollution control and the protection of the State's public drinking water supply. The Water and Science Administration protects the State's ground and surface waters, issues water pollution control permits and licenses and monitors them for compliance, and protects tidal and nontidal wetlands. Among other things, the administration regulates industrial and municipal wastewater discharges, mining and reclamation activities, gas and oil-well drilling, sediment and erosion control, and stormwater management. The administration's Water Supply Program adopts water quality standards pursuant to the federal Safe Drinking Water Act, issues certificates of potability for community and nontransient noncommunity water system wells, and inspects and monitors community water supply systems. The department's Engineering and Capital Projects Program reviews and approves design plans for water treatment and distribution works including inspecting the construction of such facilities when applicable.

Effective management of stormwater runoff reduces stream channel erosion, pollution, siltation and sedimentation, and local flooding. State law requires each county and municipal corporation to adopt ordinances necessary to implement a stormwater management program and to restrict the development or grading of any land unless the landowner has submitted a stormwater management plan for local approval. The department is required to review the local stormwater management programs every three years and to monitor the implementation of the programs. Additionally, the department must update stormwater management regulations and criteria every five years to incorporate the most recent precipitation data. The department also provides technical assistance, training, research, and coordination services to local governments in the preparation and implementation of their stormwater management plans. Legislation enacted in 2007, along

with implementing regulations, require the use of “environmental site design” to the maximum extent practicable in stormwater management practices. The goal of the requirements is to maintain after development, as nearly as possible, the predevelopment runoff characteristics and to reduce stream channel erosion, pollution, siltation and sedimentation, and local flooding. Legislation enacted in 2012 required certain jurisdictions to establish an annual stormwater remediation fee and a local watershed protection and restoration program and fund to provide financial assistance for the implementation of local stormwater management plans. Subsequent legislation enacted in 2015 repealed the fee requirement, subject to certain conditions, and added a requirement that the jurisdictions file an annual financial assurance plan with the department.

State law also requires each county to develop a comprehensive county plan for the adequate provision of water supply systems, sewerage systems, and solid waste collection and disposal. Each plan, which is required to cover a 10-year period and to be adopted by the county governing body, should anticipate the water, wastewater, and solid waste infrastructure needs of the county; identify the geographic extension of these infrastructures in accordance with the jurisdiction’s growth management objectives; and outline the county’s method(s) for achieving statutorily established recycling goals. The plan must be reviewed every 3 years and amended as needed. The plans and any revisions or amendments must be submitted to the department for approval. No State or local building permit may be issued or subdivision plat approved unless the county plan accommodates the needs of the project, and the department may not issue a permit for water supply, a sewerage system, or a solid waste disposal system in a county that does not have an approved plan.

Local governments, as owners and operators of water and wastewater treatment plants and solid waste disposal facilities, are the subject of much of the department’s permitting, regulatory review, and monitoring activities. The State certifies water and wastewater treatment system operators, licenses environmental health specialists and well drillers, and offers technical assistance and training opportunities to ensure the safe and legal operation of these facilities.

The Maryland Department of the Environment also operates a number of capital grant and loan programs to share the costs of capital improvement projects. The Engineering and Capital Projects Program and the Water Quality Financing Administration help local governments secure funding and plan, design, and construct capital projects, such as water and wastewater treatment plants; collection and distribution systems; and pumping stations. The Water Quality Financing Administration administers several financial assistance programs that support these and other water quality capital projects, including the Water Quality Revolving Loan Fund, the Drinking Water Revolving Loan Fund, the Water Supply Assistance Grant Program, the Bay Restoration Fund – Wastewater Grant Program, the Bay Restoration Fund – Septic System Upgrade Program, and the Linked Deposit Program.

The following programmatic responsibilities associated with the enforcement of regulations to protect water quality have been delegated to the 23 counties and Baltimore City:

- approving subdivision plats;

- reviewing improvements to properties serviced by private water and/or sewerage disposal systems;
- issuing certificates of potability for individual water systems and transient noncommunity water systems;
- issuing well permits and inspecting well construction;
- evaluating suitability and inspecting the construction of onsite sewerage disposal systems;
- enforcing drinking water regulations for transient noncommunity water systems, including monitoring, inspecting, tracking, and enforcing compliance;
- monitoring, reporting, and making notifications related to public bathing beaches; and
- collecting funds, identifying users of septic systems, developing a billing mechanism, and providing septic system upgrade grants to homeowners and businesses under the Bay Restoration Fund.

Local jurisdictions have additional water resources management responsibilities. Several counties have been delegated the authority to oversee regulation of transient water systems. In addition, the State has delegated pretreatment program responsibilities to several local programs; these programs protect local agency sewage treatment plants from industrial/commercial wastewater, which may interfere with treatment processes, contaminate sewage sludge, or pass through sewage treatment plants. In addition, 13 counties, Baltimore City, eight municipalities, and the Washington Suburban Sanitary Commission have been delegated enforcement authority for erosion and sediment control where the department has determined that the local government would have sufficient capability to effectively enforce sediment control plans. The department may also delegate the inspection and monitoring of sewage sludge and sewage sludge utilization sites to counties upon request. Caroline, Cecil, Queen Anne's, and Worcester counties currently have this authority.

The Resource Assessment Service within the Department of Natural Resources is responsible for technical assessment and monitoring of the health of the State's water resources, including monitoring harmful algae blooms, performing technical assessments of the Port of Baltimore channel dredging needs and disposal options, and conducting submerged aquatic vegetation restoration activities. The department's assessments are used for regulatory and permitting purposes in conjunction with other agencies.

Chesapeake Bay Watershed Programs and Initiatives

The Chesapeake Bay is a unique asset of the State of Maryland, and its protection is the subject of a host of water, air, and waste management regulatory activities as well as land use

initiatives. Since most of the State is located in the bay watershed, statewide efforts to reduce nutrient and sediment pollution are critical to restoring and maintaining the health of the bay.

Chesapeake Bay Restoration: The health of the bay has degraded significantly over the past several decades despite the adoption of a number of intergovernmental agreements that sought to restore its water quality and living resources. In 1983, Maryland, Pennsylvania, Virginia, the District of Columbia, the Chesapeake Bay Commission, and the U.S. Environmental Protection Agency signed an historic agreement that established the Chesapeake Bay Program partnership to protect and restore the bay's ecosystem. The signatories updated and strengthened the agreement in 1987, 2000, and 2014. The most recent version of the agreement added Delaware, New York, and West Virginia as signatories, making them full partners in the Chesapeake Bay Program and the Chesapeake Executive Council.

Progress in meeting the voluntary goals set by the Chesapeake Bay Program agreements was slow. In response to the perceived failure of the Chesapeake 2000 Agreement to effect real change for the bay, a new framework emerged in 2009 that emphasized stronger oversight of the bay restoration process by the federal government. The new framework was characterized by the (1) development of a Chesapeake Bay Total Maximum Daily Load, which set the maximum amounts of nutrients and sediment that the bay can receive and still attain applicable water quality standards; (2) adoption of two-year incremental goals called "milestones" to restore the bay; and (3) issuance of a federal executive order requiring federal agencies to develop and lead restoration efforts. To meet federal requirements, Maryland must have pollution control measures in place by 2025 that reduce its contributions of nitrogen to 41.17 million pounds per year, phosphorus to 2.81 million pounds per year, and sediment to 1.35 billion pounds per year. Measures that achieve 60% of the necessary nutrient and sediment load reductions relative to 2009 levels were required to be in place by 2017. Specific strategies for meeting these target reductions are outlined in the State's Phase I, Phase II, and Phase III Watershed Implementation Plans.

In July 2018, the U.S. Environmental Protection Agency released a midpoint assessment concluding that, collectively, the bay jurisdictions had made considerable progress in reducing pollution, exceeding the targets for phosphorus and sediment, but falling short of the target for nitrogen. Similarly, the midpoint assessment indicated that Maryland had achieved its statewide targets for phosphorus and sediment, but not its target for nitrogen. In a subsequent evaluation of Maryland's 2018-2019 milestones, the Environmental Protection Agency found that while the State had achieved its 2019 sediment target, it had not met the 2019 targets for nitrogen and phosphorus. Nevertheless, Maryland's Phase III Watershed Implementation Plan, released in 2019, anticipates that the State will achieve (and possibly exceed) its 2025 restoration targets. However, it is expected that pollution loading resulting from climate change, population growth, and the Conowingo Dam may impact the achievement and sustainability of restoration beyond 2025.

To restore the Chesapeake Bay, Maryland must not only reduce its current nutrient load, but also hold the line against new pollution. As required by the State's Watershed Implementation Plans, Maryland is developing Aligning for Growth policies that address the increase in the State's pollution load from increased population growth and new development. Similarly, in

January 2022, the State released an addendum to its Phase III Watershed Implementation Plan to account for 2025 climate change conditions. A key initiative aimed at meeting and maintaining nutrient and sediment load reduction requirements is the implementation of a nutrient trading program. Accordingly, in June 2018, the Maryland Department of the Environment adopted regulations establishing a voluntary Water Quality Trading Program to facilitate nutrient trading between the four major pollution sectors (agricultural, stormwater, wastewater, and onsite sewage disposal).

In Maryland, development and implementation of strategies to meet Chesapeake Bay restoration goals are shared by the Maryland Department of Agriculture, the Maryland Department of the Environment, the Department of Natural Resources, the Maryland Department of Planning, and the University System of Maryland. From 2007 through 2014, the Department of Natural Resources coordinated the effort through the BayStat process. BayStat was created by executive order in February 2007 as an accountability process for measuring and evaluating State initiatives directed toward restoring the Chesapeake Bay, with the intent of ensuring those government programs are coordinated and operating at their highest efficiency. At monthly BayStat meetings State agencies assessed progress, evaluated program and policy strengths and weaknesses, and adjusted efforts accordingly. In January 2015, the Bay Cabinet, which advises the Governor on management of the bay and surrounding areas and promotes interagency coordination and integration of bay-related programs, assumed the work of the BayStat Subcabinet and program.

The Maryland Department of the Environment's website hosts the "Chesapeake Bay Cleanup Center," which includes information on the State's bay restoration plans, initiatives, and progress, as well as links to financial assistance programs, maps, modeling and assessment tools, and other resources provided by the department and other State agencies.

Nutrient and Sediment Pollution: A number of State grant programs address nutrient and sediment reduction goals and other Chesapeake Bay water quality issues. Legislation enacted in 2007 established the Chesapeake Bay 2010 Trust Fund and provided financing for the fund by dedicating a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals to the trust fund. The trust fund was expanded and renamed the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in 2008 and was required to be used for nonpoint source pollution control projects. The Department of Natural Resources administers the trust fund.

In an effort to reduce nitrogen and phosphorus loading into the Chesapeake Bay from point sources, the Bay Restoration Fund was established in 2004. The main goal of the fund is to provide the grants necessary to upgrade wastewater treatment facilities with technology capable of meeting "enhanced nutrient removal." The fund is also used to upgrade septic systems with the best available technology and support the planting of cover crops. The fund is financed by a fee on users of wastewater facilities, septic systems, and sewage holding tanks. Fee revenue generated from users of wastewater facilities is deposited into a separate account (Wastewater Account) and used to provide grants to facility owners for up to 100% of the eligible costs related to enhanced nutrient removal technology upgrades. Other authorized uses of the Wastewater Account include funding of projects relating to combined sewer overflow abatement, rehabilitation of existing

sewers, and upgrading conveyance systems, including pumping stations, nitrogen reduction of septic systems, and local stormwater management projects. Additionally, legislation enacted in 2021 requires the department to transfer \$20 million annually from the Wastewater Account into a separate Clean Water Commerce Account to pay for costs associated with the purchase of nutrient or sediment load reductions. Of the fee revenue collected from users of septic systems and sewage holding tanks, 60% is deposited into a separate account (Septics Account) allocated to upgrading and, in specified circumstances, maintaining septic systems and connecting properties served by septic systems to existing municipal wastewater facilities under certain circumstances; the remaining 40% is transferred to the Maryland Department of Agriculture to provide financial assistance to farmers for planting cover crops.

To address concerns about excessive levels of nutrients from animal waste runoff, the General Assembly adopted the Water Quality Improvement Act of 1998, which is enforced primarily by the Maryland Department of Agriculture. The Act requires certain agricultural operations to develop and implement nutrient management plans in an effort to reduce nutrient loading to the bay. The Maryland Agricultural Water Quality Cost Share Program provides financial assistance to Maryland farmers for installing qualifying best management practices that reduce soil and nutrient runoff from farmland. This program and other resource conservation assistance programs are discussed in greater detail in this section under Agriculture – Agricultural Resource Conservation.

Development in Critical Areas: The 1984 Chesapeake Bay Critical Area Protection Act was the State’s response to the loss of viable shoreline and buffer zones along the Chesapeake Bay. The Act established the Chesapeake Bay Critical Area Commission, a planning body with authority over land bordering the bay within 1,000 feet of the tidal waters’ edge or from the landward edge of tidal wetlands. The Atlantic Coastal Bays Protection Act of 2002 applied the provisions of the Critical Area Law to the State’s coastal bays in Worcester County and Ocean City to foster more sensitive development in those areas. The critical areas comprise 680,000 acres or approximately 11% of the State’s land area, within 16 counties, 47 municipalities, and Baltimore City. The law requires affected local governments to develop local critical areas programs consistent with State guidelines and oversight. Technical assistance to local governments is available from the commission staff and from the Maryland Department of Planning, particularly in those jurisdictions without a professional staff planner.

Waste Management

The Maryland Department of the Environment’s Land and Materials Administration protects human health and preserves and restores the State’s land and water resources by reducing the quantity and toxicity of generated wastes through recycling and source reduction, ensuring the control and proper disposal of hazardous and nonhazardous waste, managing compliance with lead paint regulations and abatement procedures, assuring that oil is handled in an environmentally safe manner, and overseeing the cleanup and remediation of contaminated sites. The administration achieves these goals by maintaining a presence in the regulated community, providing assistance to stakeholders, and developing long-term strategies for waste management needs.

The department has delegated authority to inspect septage haulers to all local environmental health authorities. Other functions delegated to at least some local authorities include monitoring and inspecting supplemental sewage sludge, handling septic system waste complaints not related to facilities permitted by the department, and performing certain well sampling activities in the case of confirmed or suspected groundwater contamination at a landfill.

Maryland Environmental Service

The Maryland Environmental Service is an instrumentality of the State and a self-supporting, not-for-profit public corporation that serves State, local, and federal agencies and the private sector through designing, planning, financing, constructing, operating, and monitoring projects for water and wastewater treatment, solid waste management, composting, recycling, dredged material management, hazardous materials cleanup, stormwater services, and renewable energy. The service operates more than 270 water and wastewater treatment facilities as well as solid waste transfer stations, material recycling facilities, the Cox Creek and Masonville dredged material placement sites, the Paul S. Sarbanes Ecosystem Restoration Project at Poplar Island, the Midshore Regional Landfill, two yard debris composting facilities; and the wood-fired cogeneration plant that supplies the Eastern Correctional Institution in Westover with electricity and steam.

The Maryland Environmental Service operates on a fee-for-service basis under contract. The service is responsible for more than 1,000 projects across Maryland and the Mid-Atlantic region. In fiscal 2021, the service had revenues of approximately \$186.5 million.

Air Pollution Control

The Air and Radiation Administration of the Maryland Department of the Environment operates the State's air pollution control programs under the framework established by the federal Clean Air Act. The Clean Air Act requires all areas of the country to achieve specific air quality standards for carbon monoxide, nitrogen dioxide, ozone, sulfur dioxide, lead, and particulate matter (coarse and fine). The Act authorizes the U.S. Environmental Protection Agency to assess penalties on states that fail to achieve the standards. Penalties include limits on new industries, loss of federal highway funds, and imposition of a federal implementation plan. Areas within Maryland that meet the air quality standards are designated as being in attainment; areas that do not meet the standards are designated as being in nonattainment. While all of Maryland is currently designated as being in attainment for lead, nitrogen dioxide, carbon monoxide, and particulate matter, portions of Maryland are designated as being in nonattainment for ozone and sulfur dioxide.

The administration monitors ambient air pollution levels, develops plans to achieve and maintain air quality standards, issues permits to sources that emit pollutants, enforces permits and regulations to control air emissions, provides technical assistance to businesses attempting to comply with Clean Air Act requirements, licenses asbestos removal contractors and accredits asbestos training providers, administers a radiation control program, and implements measures and

programs to reduce motor vehicle related pollution, including the State's Vehicle Emissions Inspection Program.

The administration is also the State's lead agency with respect to efforts to address the causes and effects of climate change. In that regard, the Greenhouse Gas Emissions Reduction Act of 2009 required the department to develop and monitor the implementation of a statewide plan to reduce greenhouse gas emissions by 25% from 2006 levels by 2020. The department's 2015 progress report indicated that although Maryland was on target to exceed the required reduction, more reductions would be needed to minimize the impacts of climate change. In response to the progress report and recommendations made by the Maryland Commission on Climate Change, the 2016 reauthorization of the Act established a new greenhouse gas emissions reduction requirement of 40% from 2006 levels by 2030. The Climate Solutions Now Act of 2022 increased these goals further, requiring the State to reduce greenhouse gas emissions by 60% from 2006 levels by 2031 and to achieve net-zero statewide greenhouse gas emissions by 2045.

Participation in the Regional Greenhouse Gas Initiative, a cooperative effort by a number of northeastern and Mid-Atlantic states to reduce carbon dioxide emissions from the power sector, is a central component of Maryland's greenhouse gas reduction strategy. The initiative is a cap-and-trade program, with a regional cap on carbon dioxide emissions that decreases by a set amount each year. Each participating state limits emissions from electric power plants, issues carbon dioxide allowances, and establishes participation in allowance auctions. Auction proceeds are used for a public benefits fund to promote energy efficiency, fund renewable energy sources, provide ratepayer rebates, research new technologies, and pay administrative costs. In Maryland, the auction proceeds are deposited in the Strategic Energy Investment Fund administered by the Maryland Energy Administration. The department receives some of the proceeds for its climate change activities.

The Maryland Commission on Climate Change is responsible for advising the Governor and the General Assembly on ways to mitigate the causes of, prepare for, and adapt to the consequences of climate change. The commission's responsibilities also include public outreach, education, maintaining an inventory of the State's greenhouse gas emission sources, and publication of annual reports. The Secretary of the Environment chairs the commission, which consists of 26 members representing State agencies, the General Assembly, local government, the University System of Maryland, business interest, environmental nonprofits, organized labor, and philanthropic interests. A steering committee and eight working groups support the work of the commission.

The role of local health or environmental agencies in air pollution control is limited. The State has historically been the primary regulatory agent in the field of air pollution control because pollution issues are not contained by local government boundaries and a considerable level of costly technical expertise is needed to sufficiently evaluate, review, and make permit decisions regarding pollution emitting industries.

Natural Resources Management

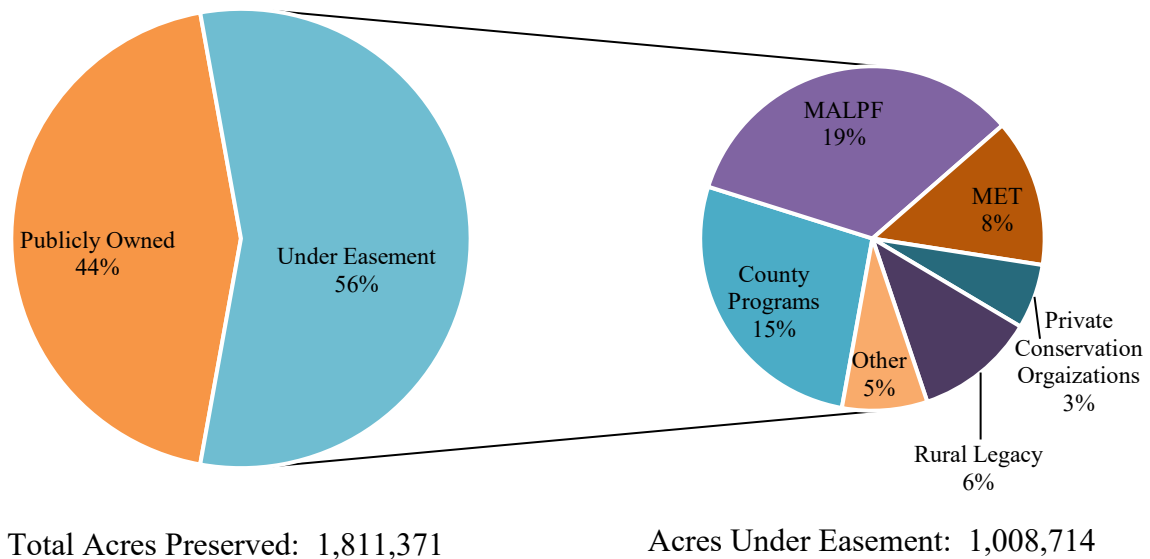
The Department of Natural Resources is charged with ensuring the preservation, development, wise use, and enjoyment of the State's natural resources, including the Chesapeake Bay. The department's responsibilities include the following: to preserve and restore the State's natural ecosystems; to protect and develop fisheries and wildlife habitats to maintain biodiversity and to provide for the reasonable, safe, and appropriate level of sport hunting and fishing; and to manage, develop, and police the State parks, forests, and wildlife management areas. The Department of Natural Resources also administers a number of programs involving technical assistance; natural resource assessments; resource planning; grants management; and design, engineering, and construction services.

Conservation of Open Space

The State manages a number of programs designed to conserve and protect the amount of open space, rural resource land, key habitat land, forested space, and beach acreage, often in partnership with local governments. The State also protects certain areas as wildlands. **Exhibit 15.3** shows the conservation status of the State's acreage and the percentage of acres under easement by program (through March 2022).

Since the 1960s, Maryland has lost more than 450,000 acres of forest and before 2008 was losing up to 8,600 acres of forest each year. The Forest Service provides technical advice and assistance to individuals and communities regarding the proper management, care, and protection of forest resources. Key activities include tree planting programs, sustainable forest management assistance, and forest restoration and conservation efforts. The Forest Conservation Act provides a set of minimum requirements and standards for land development and requires local governments to develop and implement State-approved local forest conservation programs. The Forest Preservation Act of 2013 established the policy of the State to achieve a no net loss of forest and defined that policy as meaning that 40% of all public and private land in Maryland should remain covered by tree canopy. Under the Forest Preservation Act of 2013, the Department of Natural Resources is required to provide local jurisdictions with a statewide forest resource inventory at least every five years to be available for their local comprehensive plan review. The department also must provide local jurisdictions with guidelines, recommendations, and technical assistance on policies to protect forestland and urban tree canopy from adverse effects.

Exhibit 15.3
Cumulative Acres of Land Preserved through March 2022



MALPF: Maryland Agricultural Land Preservation Foundation
MET: Maryland Environmental Trust

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

Source: Maryland Department of Planning

In 2021, the General Assembly passed the Tree Solutions Now Act, which established a new policy of the State to support and encourage public and private tree-planting efforts, with the goal of planting and helping to maintain five million sustainable native trees in the State by the end of calendar 2031. The Act provided that it is the intent of the General Assembly that at least 500,000 of those trees be planted in underserved areas. To help achieve these goals, the Act altered and directed additional resources to a number of existing programs and initiatives, including plantings on public and private land, plantings in underserved urban areas, plantings on agricultural land, and increased staffing for the Forest Service.

The Land Acquisition and Planning Unit in the department provides statewide natural resource conservation, recreational planning support, and policy guidance for more than 485,000 acres of public lands and protected open space. Major program activities include (1) acquisition of public lands and landscape-scale protection of natural resources through

conservation easements, technical support, and administration of open space grants to local governments; (2) interdisciplinary review of new acquisitions and proposed activities on public lands; (3) development of statewide recreational trail systems; and (4) technical support for management of public lands boundaries and of curatorships and leases on public lands.

Program Open Space, established in 1969 and administered by the Department of Natural Resources, provides funds for State and local conservation acquisitions and development of public outdoor recreational sites, facilities, and open space. The State share of Program Open Space focuses on the acquisition of land for natural resource conservation with the inclusion of low-impact recreational activities where appropriate. The local jurisdictions' share of Program Open Space is used primarily for the acquisition and development of high-impact recreational sites and facilities. As of March 2022, the State share had conserved 351,956 acres, and the local share had conserved 49,683 acres. Although bond funds have been provided more recently, Program Open Space is principally funded through special funds derived from the State's transfer tax, which imposes a 0.5% tax on all real property recorded in the State.

The Rural Legacy Program provides funding for local governments and conservation organizations (such as land trusts) to purchase property and conservation easements within designated rural legacy areas. Local governments and land trusts apply annually to the Rural Legacy Board, which makes recommendations for designating rural legacy areas and granting funds to preserve land in the rural legacy areas that are then reviewed and approved by the Board of Public Works. Criteria for designation include the significance of the resources proposed for protection; the ability to protect blocks of land; the nature, size, and importance of the area to be protected; the value of resource-based industries or services proposed for protection, such as agriculture, forestry, recreation, and tourism; the degree to which existing planning, zoning, and growth-management policies contribute to land conservation; and the availability of matching funds. As of the end of March 2022, the board had designated rural legacy areas in every county in the State, awarded approximately \$362 million in grants for the purchase of easements or fee interests in land, and protected 114,003 acres of land.

The Maryland Environmental Trust protects the natural resource, environmental, cultural; rural, agricultural, woodland, wetland, and scenic characteristics of the State primarily through donated conservation easements. As of the end of March 2022, 1,123 individual easements covering 139,877 acres were protected and managed by the trust. The trust has assisted in the formation and operation of more than 50 local nonprofit land trusts through the Local Land Trust Assistance Program.

The Ocean City Beach Replenishment Program is the result of a federal-State-local commitment to reestablish and stabilize the Atlantic shore. Generally, the State contributes \$1 million each year to the maintenance fund, and Ocean City and the county each contribute \$500,000 each year. Now in the operations and maintenance phase, the Department of Natural Resources annually contracts for work such as pedestrian crossover repairs, dune grass planting and fertilization, and fencing repairs.

The Maryland wildlands preservation system protects State-owned natural areas by limiting construction, prohibiting commercial enterprise, barring the transplantation of nonnative wildlife, and otherwise leaving the land unimpaired for future use and enjoyment. Activities such as hunting, fishing, trapping, hiking, horseback riding, bird watching, nonmotorized boating, and snow skiing are allowed in wildlands. Wildlands may be designated only by an act of the General Assembly. The system has been expanded since its creation, most recently in 2014 when the General Assembly approved the expansion of 14 existing wildland areas and the designation of 9 new wildland areas. There are currently 38 separate designated wildlands in the State, consisting of approximately 66,000 acres in total.

Parks, Forests, and Recreation

The Maryland Park Service manages and operates 90 State parks, natural environment areas, natural resources management areas, rail trails, and State battlefields across the State. Approximately 141,568 acres are under management. The service estimates that, in calendar 2020, 21.5 million people visited State parks, a 45.0% increase from the 14.9 million visitors in calendar 2019. Assateague State Park and Gunpowder Falls are the most visited sites, with 2.1 million and 2.2 million estimated annual visitors, respectively. The service's revenue-generating operations garnered \$23.4 million in fiscal 2021 and include camp stores, concession areas, boat rentals, gift shop, and marinas. Legislation passed in 2022 established a 13-member Parks and Recreation Commission, staffed by the Department of Natural Resources, to provide oversight of the service.

According to the Department of Natural Resource's *2021 Acreage Report*, there are 14 State forests covering 154,994 acres. These areas are managed by the department's Forest Service. The Forest Service also manages the State-owned Chesapeake Forest Lands, which are formerly industrial forests that are now part of a sustainable management project. The Chesapeake Forest Lands encompass 73,327 acres in five counties on the Eastern Shore. In addition to managing forests, the Forest Service also oversees tree harvesting and planting, forest fire protection, and the licensing of tree experts and enforces regulations, such as open-air burning restrictions. In addition, the department's Wildlife and Heritage Service manages 64 wildlife management areas that cover approximately 127,105 acres throughout the State.

State law authorizes all counties to establish, maintain, and conduct a comprehensive program of public recreation and parks for the benefit of the citizens within their respective jurisdictions. Municipalities are granted similar authority. The Land Use Article of the Annotated Code authorizes the Maryland-National Capital Park and Planning Commission to acquire property for parks, parkways, and other uses, and to have control of the maintenance and operation of the property in Montgomery and Prince George's counties. In addition, the commission is authorized to provide an adequate and balanced program of recreation to serve the residents of Prince George's County.

Outdoor recreation activities supported by county departments of parks and recreation are grouped into four major types:

- facility-oriented activities, including archery, basketball, baseball, softball, field sports, golf, ice skating, swimming, tennis, and concerts, which are typically dependent on large scale structures or developed areas;
- forest- and nature-oriented activities, including camping, hunting, nature walks, and picnicking, which are usually associated with natural, scenic areas of the State;
- water-oriented activities, including boating, water-skiing, fishing, and beach swimming, which are by necessity located adjacent to bodies of water; and
- trail- and slope-oriented activities, including biking, hiking, horseback riding, off-road vehicles, and cross-country and downhill skiing.

Since fiscal 2002, the State budget has included funds for the Community Parks and Playgrounds Program to provide grants to municipalities to rehabilitate, expand, or improve existing parks or to create new parks. Funds for the program are targeted to older neighborhoods and intensely developed areas throughout the State. Through fiscal 2022, \$84.9 million in funding had been approved for 832 park and playground projects.

Wildlife and Fisheries Management

The conservation of Maryland's varied wildlife resources comes under the jurisdiction of the Department of Natural Resources' Wildlife and Heritage Service. The mission of the service is to conserve Maryland's native wildlife and plants using scientific expertise and informed public input. A number of significant public policy issues involve wildlife, such as deer overabundance and black bear management. In addition to managing wildlife management areas, the service regulates hunting on public lands; monitors nongame wildlife, rare species, and habitat health; and seeks to restore critical plant and wildlife habitat.

The Maryland Fisheries Service is responsible for the conservation, management, and allocation of Maryland's fisheries resources to ensure the long-term sustainability and best ecological, recreational, and economic use of these resources, including the regulation of recreational and commercial fishing activities. Valuable recreational and commercial fisheries are monitored and supported within target fishing rates to prevent overfishing. The service manages hatcheries and maintains a freshwater trout stocking program. Oyster habitat is expanded through creation of new shell reefs and protected sanctuaries to increase the number and biomass of oysters and additional brood stock for future natural oyster production. Maryland commercial fisheries yielded nearly 31 million pounds of product in 2020 valued at \$60.2 million.

Agencywide Services

The Maryland Natural Resources Police serves as a public safety agency with statewide authority to enforce all natural resources and conservation laws and regulations relating to seafood harvesting and sport fishing; boating; waterways pollution; wildlife conservation; and activities in State parks, forests, and other public lands. In addition, the department's police force is responsible for maritime and rural search and rescue and is the lead agency for maritime homeland security on State waterways. The police force is composed of 250 sworn law enforcement positions and is supported by 54 civilians (an additional 12 civilians are contractual employees) and a cadre of 123 reserve officers in a special volunteer program. The Natural Resources Police also provides public education in the areas of hunting, boating, and water safety.

The Licensing and Registration Service of the Department of Natural Resources titles and registers vessels and issues fishing and hunting licenses. In 2021, the service renewed the registrations of 85,262 of the 176,436 registered and documented vessels in the State; renewed the commercial fishing licenses of 6,493 commercial watermen; sold 384,046 recreational hunting licenses, stamps, and permits; and sold 509,358 recreational fishing and crabbing licenses.

Agriculture

Government activity in the agricultural area, primarily under the jurisdiction of the Maryland Department of Agriculture, falls into four major categories: resource conservation; agricultural land preservation; plant industries and pest management; and marketing and consumer services. The Maryland Agricultural Commission is an advisory body to the Secretary of the department and promotes agricultural improvements and the State's agricultural industries and products.

Agricultural Resource Conservation

Nutrient management became a key role of the Maryland Department of Agriculture with the enactment of the Water Quality Improvement Act of 1998. The department reviews nutrient management plans submitted by agricultural operations, inspects farms to ensure compliance, and generally enforces the Act.

The Maryland Department of Agriculture administers several financial assistance programs addressing nutrient management, soil erosion, and agricultural runoff. The Cover Crop Program gives grants to farmers to help offset the seed, labor, and equipment costs associated with planting cover crops on their fields following the summer crop harvest. Small grains, such as wheat, rye, or barley, planted as cover crops in the fall absorb unused nutrients, control soil erosion, and protect water quality in the bay and its tributaries. The Maryland Agricultural Water Quality Cost Share Program provides cost-share grants of up to 100% of the cost to assist landowners installing best management practices on agricultural land. The management practices are designed to reduce water pollution caused by nutrient runoff, sediment erosion, animal wastes, and agricultural chemicals. In fiscal 2021, the Maryland Agricultural Water Quality Cost Share Program provided Maryland farmers with \$25.2 million in grants to install 2,120 conservation

projects on their farms. Similarly, the Conservation Reserve Enhancement Program, which is a federal-State initiative, provides annual payments to farmers to plant streamside buffers, create wetlands, and provide wildlife habitat on enrolled lands.

Three additional financial assistance programs were implemented as a result of the Water Quality Improvement Act of 1998. The department offers a cost-share program for those farmers who choose to use a private certified nutrient management planner to develop their plans; alternatively, farmers may be certified to develop their own plans or request that their plans be developed by a nutrient management planner from the University of Maryland Cooperative Extension Service. The department also administers the Manure Transport Program, which provides cost-share assistance to farmers to help offset transportation, loading, and handling costs associated with transporting excess manure off their farms. The Maryland Income Tax Subtraction Modification for Conservation Equipment is available to help farmers offset costs associated with buying certain types of conservation equipment to control soil erosion; manage nutrients; and protect water quality in streams, rivers, and the Chesapeake Bay.

In 2013, the General Assembly established the voluntary Maryland Agricultural Certainty Program to further encourage the implementation of agricultural best management practices to meet State agricultural nitrogen, phosphorus, and sediment reduction goals. The program allows the department to certify an agricultural operation that (1) has a fully implemented soil conservation and water quality plan and nutrient management plan; (2) meets certain nitrogen, phosphorus, and sediment load reduction goals; and (3) complies with all State and federal laws, regulations, and permit conditions relating to agricultural sources of nitrogen, phosphorus, or sediment reduction applicable to the operation. A certification is valid for 10 years, during which time the operation is exempt from any newly enacted State or local laws and regulations relating to meeting State water quality requirements.

The Office of Resource Conservation works closely with farmers and soil conservation districts to plan and implement conservation practices and programs that balance crop and livestock production with the need to protect natural resources. The office's responsibilities include staffing the State Soil Conservation Committee, providing financial and technical assistance to the soil conservation districts, coordinating with the Cooperative Extension Service to help individual farmers plan for nutrient management, and providing public information and educational outreach materials.

The soil conservation districts in Maryland are self-governing entities that promote soil, water, and related natural resource programs and implement technical assistance, educational, and cooperative efforts. The districts are staffed by soil conservation professionals who help local landowners and residents install best management practices that reduce erosion and improve water quality. The districts are not regulatory agencies; rather, they work to enhance farming operations while conserving soil and preserving clean water.

Agricultural Land Preservation

The Maryland Agricultural Land Preservation Program, which was established by the General Assembly in 1977 and is part of the department, purchases agricultural preservation easements that restrict development on prime farmland and woodland in perpetuity. In addition to funding from the State transfer tax, the program is funded with agricultural land transfer taxes, local matching funds, U.S. Department of Agriculture Federal Farmland Protection Program funds, and, in some years, general obligation bond funds. The Maryland Agricultural Land Preservation Program settled on its first purchased easement in October 1980. Through the end of 2021, the program had protected 340,252 acres.

The program is governed by a 13-member foundation (the Maryland Agricultural Land Preservation Foundation) and requires participating local governments to appoint advisory boards. These local boards advise the county government on the establishment of county agricultural districts and make recommendations to the foundation on the purchase of development rights easements.

In 2002, the General Assembly passed a resolution that set a goal for the State to preserve three times the existing number of acres of productive agricultural land by the year 2022 under the Maryland Agricultural Land Preservation Foundation, Rural Legacy, and other preservation programs. Legislation enacted in 2021 codified this goal and extended the deadline for meeting it from 2022 to 2030. The legislation also called for including acres preserved through the Maryland Environmental Trust and the Next Generation Farmland Acquisition Program as contributing toward the goal. As of March 2022, 83% of that goal had been achieved, with 854,964 farmland acres protected under these various programs.

Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Frederick, Harford, Kent, Montgomery, Prince George's, Queen Anne's, St. Mary's, Talbot, Washington, and Worcester counties operate certified agricultural land preservation programs. The Maryland Department of Planning and the Maryland Agricultural Land Preservation Foundation certify programs based on the applicant's potential for a successful program, which includes a financial commitment to purchase easements and effective land use tools to control development in agricultural areas. Certified counties are eligible for additional program funds.

Plant Industries and Pest Management

Pest management programs, under the direction of the Maryland Department of Agriculture, address plants and insects that are considered dangerous or nuisances. Gypsy moth control is a major focus of the State's forestry pest management program. Since 1980, the gypsy moth has defoliated more than one million acres in the State. State officials monitor and assess forest insect and disease situations and determine the appropriate application of aerial pesticides. The cost of providing gypsy moth services is shared among the federal, State, and local governments as well as private landowners.

Mosquito control efforts are also shared between the State and local governments. The department can enter into agreements with local governments to construct or maintain facilities (such as ditches or dams) or use insecticides to reduce the mosquito population, with the costs shared by the State and local government. Currently, all counties either work with the Department of Agriculture or have their own program except Allegany, Carroll, Frederick, Garrett, and Washington counties. The State fully funds mosquito control activities on State-owned land, with primary attention paid to State parks. Although funding often is shared between the State and local governments, mosquito control activities generally are conducted by the department. In fiscal 2021, the department treated 1.3 million acres statewide.

In the control and eradication of noxious weeds, including Johnsongrass, shattercane, thistles, palmer amaranth, and common waterhemp, the department works in cooperation with county governments. Under voluntary State-local agreements, the parties determine the extent of the problem; work with landowners to implement control measures; and undertake mowing, spraying, or other eradication measures. Sixteen counties (all except Allegany, Anne Arundel, Garrett, Kent, Prince George's, Somerset, and Worcester) have entered into cooperative agreements with the State for noxious weed control. Participating counties are required to appoint a weed advisory committee and a weed control coordinator.

Other departmental plant protection activities include nursery inspection, plant quarantine, nuisance bird control, and registration of honeybee colonies. The department also regulates the use of pesticides, licenses businesses that commercially apply pesticides, trains and certifies pesticide applicators, and enforces pesticide laws and regulations. The Turf and Seed Program conducts certification programs to ensure that these products meet purity, variety, germination, and labeling standards. The State Chemist administers laws requiring the registration of products; examination of labels; and chemical analysis of pesticides, commercial fertilizers, feeds, pet foods, compost, soil conditioners, and liming materials sold in the State. The department is also responsible for administering the Maryland Hemp Farming Program and the Maryland Hemp Research Pilot Program, as authorized by the 2018 U.S. Farm Bill.

Marketing, Animal Industries, and Consumer Services

The Maryland Department of Agriculture's Office of Marketing, Animal Industries, and Consumer Services implements programs that promote Maryland agricultural products, assist agricultural industries, and ensure consumer confidence. Marketing activities include developing and promoting farmers' markets, linking foreign and domestic buyers of agricultural products with Maryland farmers, conducting seminars on exportation, promoting local agricultural products to Maryland consumers, promoting the aquaculture and seafood industries, and certifying organic products. The Maryland Agricultural Fair Board promotes and provides assistance to agricultural fairs, exhibits, and youth organizations. The department also operates the Certified Local Farm Enterprise Program, which encourages State agencies, including four-year universities, to achieve an overall goal of purchasing 20% of their food from certified local farm enterprises that meet specified nutrient management requirements. Additionally, the department is involved in promoting the economic well-being of farmers, including those affected by the 1998 Master Settlement Agreement (national tobacco settlement).

The department administers the U.S. Department of Agriculture's voluntary standards, grades, and weight classes for a variety of agricultural products, including eggs, poultry, grain, fruits, and vegetables. The department also licenses grain dealers and operates a mandatory inspection program to enforce the Maryland Egg Law. The egg law contains standards regarding the quality, size, labeling, and recordkeeping of eggs and controls the movement and use of restricted and inedible eggs. The department is responsible for enforcing Maryland's weights and measures laws, ensuring accuracy, equity, and the prevention of fraud in the sale and measurement of commodities and similar transactions. The department's Animal Health Program oversees animal disease control programs, operates diagnostic laboratories in Frederick and Salisbury, and controls the importation of animals.

The department has consumer protection responsibilities associated with licensing veterinarians, including conducting examinations, reviewing qualifications, hearing complaints, and inspecting veterinary hospitals. Commercial horse stables are also licensed by the department to ensure that State standards are met and maintained.

The Rural Maryland Council is an independent unit of State government, housed within the Maryland Department of Agriculture. The council provides opportunities for representatives of rural business and industry, health care facilities, educational institutions, nonprofit economic and community development organizations, and government agencies to share information, identify challenges, and develop public policy solutions that address the special needs and opportunities in rural areas. The council also administers the Maryland Agricultural Education and Rural Development Assistance Fund, which provides grants to statewide and regional rural-serving nonprofit organizations that promote economic and community development and provide agricultural and forestry education. This fund also finances community college programs that provide training and technical assistance to agricultural businesses.

The Maryland Food Center Authority is an independent, nonbudgeted agency that develops and oversees the wholesale produce and seafood markets at the Maryland Food Center in Jessup, provides general administrative services to the markets, supports various promotional activities, and plans expansion opportunities.

Energy Conservation and Efficiency

The Maryland Energy Administration administers several programs to promote energy conservation and efficiency, reduce reliance on foreign fuel, and improve the environment. The administration coordinates and directs energy planning for State agencies; helps local governments implement programs to reduce energy consumption; and helps Maryland businesses become more competitive by introducing new technologies and developing strategies for emerging competitive energy markets. During energy supply disruptions and emergencies, the administration also participates in security and contingency planning for Maryland's energy supplies and infrastructure.

Energy conservation and efficiency efforts continue to be an integral part of the State's policy agenda. Under the EmPOWER Maryland Program, which is managed by the administration,

the State sought to reduce energy consumption by 15% by 2015. The goals of the original program have since been extended by Public Service Commission order and subsequent legislation, with a goal of an additional 2% reduction in electricity consumption. As noted earlier, the administration also oversees the Strategic Energy Investment Fund, which consists of proceeds generated by the sale of carbon dioxide allowances through the State's participation in the Regional Greenhouse Gas Initiative. In fiscal 2021 alone, the administration used these funds to:

- provide funding for communities, particularly low-to-moderate income communities, to implement energy efficiency measures;
- provide grants to Maryland residents and businesses to help offset the cost of installing solar panels, geothermal energy systems, and other energy efficient technologies;
- provide funding for offshore wind-related businesses;
- provide incentives to reduce petroleum use in the transportation sector while saving car owners and fleets money through reduced fuel, operations, and maintenance costs;
- provide rebates to homeowners, businesses, nonprofit organizations, and State agencies and local governments that install eligible electric vehicle charging equipment;
- provide opportunities for residents to purchase subscriptions for electricity produced from local community solar arrays;
- provide grants to State, county, or municipal government entities to support planning and installation of solar arrays on existing infrastructure and public facilities;
- provide guidance and grants to institutions on constructing or renovating data centers with energy efficiency solutions;
- provide funding to local governments for energy overhauls and renewable energy projects; and
- fund energy innovation and growth in the adoption of microgrids and other distributed energy resource systems.

Local governments also work to reduce energy consumption and encourage the use of renewable energy by offering property tax credits and using federal and State funds to finance energy conservation and efficiency projects. For example, under the EmPOWER Clean Energy Communities grant program, local governments receive State funds to perform energy retrofits (e.g., energy efficient lighting, appliance replacements, weatherization, etc.) for low- and moderate-income Maryland families. A number of other federal and State programs provide grants and loans to local governments for activities that conserve energy, increase energy efficiency, and

support the use of renewable energy and alternative fuels. Some local governments, such as Howard County, also provide property tax credits for the installation of renewable or clean energy systems, such as solar and geothermal systems.

Research, Technical, and Advisory Services

A number of State agency functions cut across specific programmatic lines to provide research, technical assistance, and advisory services to businesses, local governments, other State agencies, and the general public.

As noted above, the Maryland Department of Planning provides information, services, and technical assistance to help the State, local governments, and community development and environmental organizations support growth that fosters vibrant, livable communities and protects the environment. Specifically, the department works directly with local governments, citizens, and other stakeholders to develop comprehensive plans, growth tier maps, zoning codes, development regulations, and design guidelines; craft policies to protect agricultural land and natural resources, direct growth, and revitalize communities; and help determine school construction and other infrastructure needs. The department also helps coordinate the activities of other agencies, provides education and information on smart growth to the public, and facilitates redevelopment projects in existing communities and the development of smart neighborhoods in growing communities.

The department maintains and analyzes an array of environmental, land use, and demographic data, including census data and population and socioeconomic projections for indicators such as labor force, jobs, and income. This information is linked to electronic maps, enabling geographic analysis of land use and demographic and environmental trends. In addition, the department maintains property parcel maps for use by the general public.

The Department of Natural Resources has divisions that are technical and advisory in nature. In addition to its role of monitoring and assessing the State's water, living, and geological resources, the Resource Assessment Service routinely assists a wide variety of public and private entities on technical issues related to the health of Maryland's waterways and physical resources. Through its Coast Smart Construction Program, the department provides guidelines and other directives applicable to the preliminary planning and construction of proposed capital projects to address sea level rise and coastal flood impacts. Also, the department's Power Plant Research Program evaluates proposed and existing power plants and assesses the impact of energy generation and transmission on the environment and natural resources. Recommendations are then made to the Public Service Commission and other regulatory agencies.

The Water and Science Administration within the Maryland Department of the Environment provides technical and scientific analyses and data for departmental regulatory activities but does not itself conduct typical regulatory functions such as permitting or enforcement. It devises solutions to multimedia environmental problems and undertakes environmental risk assessments. The administration maintains expertise in geo-referenced data analysis, the State's toxic substances inventory, federal/State community and worker

right-to-know programs, computer modeling of environmental conditions and the development of total maximum daily loads, and monitoring and classification of shellfish waters and beaches for contaminants.

The Maryland Energy Innovation Institute was established in 2017 in the A. James Clark School of Engineering at the University of Maryland, College Park. The institute, funded by the Maryland Energy Innovation Fund, provides a platform to catalyze basic research into new technology, which could stimulate economic growth in the State. The institute focuses on developing solutions to global and local energy problems through the use of clean and renewable energy sources and more efficient use and storage of current energy production.

Funding

Government services for the management of the State's agricultural, environmental, natural, cultural, and historic resources are funded by the federal government, State general funds, user fees, and certain dedicated taxes, bonds, and local funds. Local spending is concentrated on parks, recreation, and culture (including the arts); agricultural land preservation; and other agricultural/natural resource conservation activities. **Exhibit 15.4** summarizes the sources of funds for the various categories of service. State spending (including federal funds) for these activities totaled approximately \$1.1 billion in fiscal 2021; about 67% of this spending was supported with dedicated fees, taxes, and other special purpose funds. Local spending for these activities totaled \$888.2 million in fiscal 2021 and is described in greater detail at the end of this section and in **Exhibit 15.7**.

Natural Resources

State expenditures relating to natural resources management totaled approximately \$414.1 million in fiscal 2021; this includes all expenditures of the Department of Natural Resources except local contributions for Ocean City beach replenishment. It also includes funding for the Maryland Zoo in Baltimore. Of this total, 72% of the funding was supported with special funds, such as the Waterway Improvement Fund, the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, the Forest and Park Reserve Fund, and the Environmental Trust Fund. These funds are supported by dedicated fees and taxes, such as the property transfer tax, fishing and hunting permit and license fees, boater registration fees, the vessel excise tax, the environmental surcharge on electricity the motor vehicle excise tax and the tax on short-term vehicle rentals, and revenues generated from State parks operations. State general funds supported approximately 16%, while the federal government supported about 8% of the spending in this area in fiscal 2021. General obligation bonds authorized to support habitat restoration, aquaculture development, community parks and playgrounds, and capital development projects accounted for roughly 4% of total State spending in fiscal 2021.

Exhibit 15.4
Funding for the Management of the State's Natural and Historic Resources
Fiscal 2021
(\$ in Millions)

	<u>General Funds</u>	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Bonds (Authorized)</u>	<u>Local Funds</u>	<u>Total</u>
Natural Resources¹						
Operating	\$66.9	\$161.3	\$33.6			
Capital	0.0	136.5	0.4	\$15.4		
Total, Natural Resources	\$66.9	\$297.8	\$34.0	\$15.4	\$805.2	\$1,219.3
Environment						
Operating	\$33.3	\$98.0	\$29.9			
Capital	0.2	216.4	53.1	\$35.4		
Total, Environment	\$33.5	\$314.4	\$83.0	\$35.4		\$466.3
Agriculture²						
Operating	\$32.1	\$22.5	\$10.2			
Capital	0.0	33.6	0.0	\$9.1		
Total, Agricultural	\$32.1	\$56.1	\$10.2	\$9.1	\$83.0	\$190.5
Planning						
Operating	\$13.9	\$6.7	\$1.2			
Capital	0.0	0.3	0.0	\$6.4		
Total, Planning	\$13.9	\$7.0	\$1.2	\$6.4		\$28.5
Other³						
Operating	\$5.7	\$1.0	\$0.0			
Capital	0.0	0.0	0.0	\$0.0		
Total, Other	\$5.7	\$1.0	\$0.0	\$0.0		\$6.7
Energy Conservation						
Operating	\$0.0	\$33.3	\$1.1			
Capital	0.0	0.0	0.0	\$0.0		
Total, Energy Conservation	\$0.0	\$33.3	\$1.1	\$0.0		\$34.4
Grand Total	\$152.1	\$709.6	\$129.5	\$66.3	\$888.2	\$1,945.7

¹ Includes funding for the Maryland Zoo (\$4.9 million in general funds).

² Excludes funding for the Maryland Agricultural and Resource-Based Industry Development Corporation. State special funds exclude local contributions to certain programs for pest management, mosquito control, and resource conservation operations.

³ "Other" includes funding for the African American Museum Corporation, the Canal Place Preservation and Development Authority, and the Historic St. Mary's City Commission.

Environment

State expenditures relating to environmental resources management totaled approximately \$466.3 million in fiscal 2021; this includes activities of the Maryland Department of the Environment and capital funding for the Maryland Environmental Service. Of the State funding for environmental resources management programs, approximately 67% was supported with special funds, such as the Bay Restoration Fund, the Water Quality Revolving Loan Fund, the Maryland Clean Water Fund, the Oil Contaminated Site Environmental Cleanup Fund, and the Maryland Clean Air Fund, among others. In general, permit fees, application fees, license fees, other fees, penalties, and recoveries against responsible parties are retained by these special purpose funds to offset the cost of pollution abatement and control. Another 8% of the total funding in this area came from bond authorizations – including general obligation bonds authorized for various water and sewer infrastructure projects and revenue bonds authorized for drinking water, water quality, and enhanced nutrient removal infrastructure programs. The federal government provided about 18% of the funds spent in fiscal 2021 on environmental resources management, while State general funds accounted for only about 7% of fiscal 2021 spending for this purpose.

Agriculture

State spending on agricultural programs totaled approximately \$107.5 million in fiscal 2021; this includes all expenditures of the Maryland Department of Agriculture except funds for the Maryland Agricultural and Resource-based Industry Development Corporation and local matching funds for agricultural land preservation and local contributions for forest and pest management, mosquito control, and resource conservation. Special funds, such as the Bay Restoration Fund, the Maryland Agricultural Land Preservation Fund, the Egg Fund, and the Weights and Measures Fund, accounted for 52% of the total. These special purpose funds receive revenue from a variety of sources including the property transfer tax; agricultural land transfer tax; licensing and registration fees; and laboratory testing fees. Approximately 30% of the State's agricultural program spending was supported with general funds. Federal funds accounted for about 9% of fiscal 2021 spending; the State receives federal funds for agricultural land preservation, environmental quality, food quality assurance, animal health, farmers' market nutrition, and other programs.

Planning, Growth Management, and Historic/Cultural Resources

State spending on planning, growth management, and the preservation of historic and cultural resources totaled \$28.5 million in fiscal 2021. This total includes funding for the African American Museum Corporation, the Canal Place Preservation and Development Authority, and the Historic St. Mary's City Commission. It excludes spending related to the Historic Revitalization Tax Credit Program (formerly known as the Maryland Heritage Structure Rehabilitation Tax Credit Program). Of the \$28.5 million, \$13.9 million, or 49%, was supported with State general funds. Approximately 25% of the total was supported with special funds, such as the Maryland Heritage Areas Authority Financing Fund, museum revenues, and planning

service fees. General obligation bonds accounted for about 22% of fiscal 2021 spending, while federal funds accounted for about 4% of fiscal 2021 spending.

Energy Conservation

State spending on energy conservation programs totaled \$34.4 million in fiscal 2021. More than 96% was supported with special funds; the largest source of special funds in this area is auction proceeds generated by the State's participation in the Regional Greenhouse Gas Initiative and deposited into the Maryland Strategic Energy Investment Fund. Federal funds accounted for less than 4% of fiscal 2021 spending in this area.

Cross-cutting Programs

Two longstanding initiatives that involve funding from several State agencies are the restoration of the Chesapeake Bay and land conservation. Funding related to these two cross-cutting efforts is described below.

Chesapeake Bay Restoration

Spending on Chesapeake Bay restoration activities reported by the Department of Natural Resources, the Maryland Department of the Environment, the Maryland Department of Agriculture, and the Maryland Department of Planning totaled \$565.1 million in fiscal 2021, as shown in **Exhibit 15.5**. This information, reported by the Department of Budget and Management in the fiscal 2023 budget books, includes any program with greater than 50% of the program's funding dedicated to bay restoration, as defined by the participating agencies.

Exhibit 15.5 Select Chesapeake Bay Restoration Activities Fiscal 2021 Actual Funding

<u>Agency</u>	<u>Funding</u>
Maryland Department of the Environment	\$300,974,292
Department of Natural Resources	161,990,146
Maryland Department of Agriculture	95,874,112
Maryland Department of Planning	6,240,498
Total	\$565,079,048

Note: Includes select State agency programs that have more than 50% of their activities directly related to Chesapeake Bay restoration. Total includes capital spending (cash and bonds) of \$102.0 million for Rural Legacy; Program Open Space (State share); and the Maryland Agricultural Land Preservation Program. Does not include bay restoration activities reported by the Maryland State Department of Education; institutions of higher education; or the Maryland Department of Transportation, which together total \$549.3 million.

Source: *Fiscal 2023 Governor's Budget Books* (Budget Highlights, Appendix L); Department of Budget and Management

The Maryland Department of the Environment dedicated more than \$300 million to bay restoration activities in fiscal 2021, which included a variety of programs related to water quality infrastructure, nutrient removal upgrades for wastewater treatment plants, stormwater, wetlands and waterways, water quality protection and restoration, and water resources planning, among others. Two programs accounted for a majority of the spending by the department – the Water Quality Revolving Loan Fund (\$157.7 million), which funds water quality capital infrastructure, and the Bay Restoration Fund (\$75.0 million), which funds nutrient removal upgrades for wastewater treatment plants and septic systems.

The Department of Natural Resources spent approximately \$162.0 million on bay restoration activities in fiscal 2021, which included select activities associated with Program Open Space (\$41.9 million) and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (\$52.3 million). Other significant bay restoration activities the department funded in fiscal 2021 included the Critical Area Commission; the Conservation Reserve Enhancement Program; various modeling, monitoring, and assessment activities; coastal zone management and other coastal programs; oyster and blue crab restoration; and implementation of the State's Watershed Implementation Plan.

The Maryland Department of Agriculture dedicated approximately \$95.9 million to bay restoration activities in fiscal 2021, which included funds for agricultural land preservation (\$42.1 million). The department's other bay restoration activities in fiscal 2021 fell mostly under the umbrella of the State's Watershed Implementation Plan, which included developing agricultural nutrient management plans and developing and promoting soil conservation and water quality plans and agricultural best management practices.

The Maryland Department of Planning spent approximately \$6.2 million on bay restoration activities in fiscal 2021, which included planning services that focus growth in priority funding areas, seek to preserve natural resources, and promote smart growth principles and practices.

Land Conservation

Funding for select State capital land conservation programs, which is shown in **Exhibit 15.6**, totaled approximately \$102.0 million in fiscal 2021. This included funding under Program Open Space – State share, the Rural Legacy Program, and the Maryland Agricultural Land Preservation Program. Much of this funding also supports Chesapeake Bay restoration activities and is included in the totals for Exhibit 15.5.

Because the State's land conservation programs are funded primarily by the State's property transfer tax, the amount of funding available for the programs depends largely on the real estate market. In addition to fluctuating revenues, in some years, transfer tax revenues and unexpended balances are redirected to the State's general fund through budget reconciliation legislation in order to help address budget deficits.

Exhibit 15.6
Major State Land Conservation Programs
Fiscal 2021 Final Appropriation

	<u>Funding</u>
Department of Natural Resources	
Program Open Space – State Land Conservation	\$41,939,587
Rural Legacy Program	17,999,092
Maryland Department of Agriculture	
Maryland Agricultural Land Preservation Program	42,105,177
Total	\$102,043,856

Note: Does not reflect funding for Program Open Space – Local Share.

Source: Department of Budget Management

For further detail on the history of Program Open Space funding, see “Chapter 20. Environment and Recreation State Aid” in *Volume VI – Maryland Local Government*.

Local Government Spending

Local government spending on parks, recreation, and culture; agricultural land preservation; and other agricultural/natural resources conservation programs totaled \$888.2 million in fiscal 2021. This total includes funding for local arts organizations and excludes \$93.6 million in federal and State grant funds.

Local governments reported spending \$876.5 million on parks, recreation, and culture programs in fiscal 2021, as shown in **Exhibit 15.7**, but as much as \$71.3 million of that amount could be grant revenues from other government sources. Thus, local government own-source spending for this purpose is estimated at \$805.2 million.

Local governments reported spending \$105.3 million on agricultural land preservation and other agricultural/natural resources conservation programs such as soil conservation services and cooperative extension programs in fiscal 2021; however, \$22.3 million of that amount could be grant revenues from other government sources. Thus, local government own-source spending for this purpose is estimated at \$83.0 million.

Exhibit 15.7
Local Spending on Parks, Recreation, and Culture; Agricultural Land Preservation; and Other Agricultural/Natural Resources Conservation Programs
Fiscal 2021

<u>County</u>	<u>Natural Resources Management (Parks and Recreation)</u>		<u>Agricultural Land Preservation</u>	<u>Other Agriculture</u>	<u>Total Reported Local Spending</u>
	<u>County</u>	<u>Municipal</u>			
Allegany	\$631,213	\$1,637,610	\$6,000	\$342,993	\$2,617,816
Anne Arundel	49,037,695	8,064,331		997,104	58,099,130
Baltimore City	91,346,851	-	-	-	91,346,851
Baltimore	24,677,661	-	1,294,262	12,191,963	38,163,886
Calvert	19,747,904	1,383,936	5,913,671	827,935	27,873,446
Caroline	1,305,079	414,867	-	151,304	1,871,250
Carroll	6,245,622	3,892,073	8,593,312	9,748,490	28,479,497
Cecil	6,840,492	2,016,856	-	685,321	9,542,669
Charles	10,370,840	3,275,009	-	7,294,972	20,940,821
Dorchester	907,450	1,117,099	-	342,065	2,366,614
Frederick	19,530,901	12,649,193	6,917,512	5,612,442	44,710,048
Garrett	543,111	399,111	3,000	225,612	1,170,834
Harford	24,446,414	1,968,382	4,055,987	862,540	31,333,323
Howard	46,272,160	-	2,160,052	1,699,310	50,131,522
Kent	1,442,008	816,225	8,312	325,036	2,591,581
Montgomery	197,745,604	30,078,815	3,142,830	18,294,423	249,261,672
Prince George's	221,740,792	19,874,435	-	-	241,615,227
Queen Anne's	7,644,659	73,756	3,054,197	652,575	11,425,187
St. Mary's	13,655,209	267,454	4,365,266	684,363	18,972,292
Somerset	2,710,550	21,916	-	63,715	2,796,181
Talbot	3,756,035	1,469,418	-	312,526	5,537,979
Washington	4,141,026	4,827,089	2,546,937	627,406	12,142,458
Wicomico	8,045,239	3,319,912	-	111,965	11,477,116
Worcester	4,300,930	11,821,507	511,908	707,400	17,341,745
Total	\$767,085,445	\$109,388,994	\$42,573,246	\$62,761,460	\$981,809,145
Minus Parks and Recreation Grants to Counties					(\$64,860,932)
Minus Parks and Recreation Grants to Municipal Corporations					(6,424,214)
Minus Agriculture Grants to Counties					(22,348,073)
Net Local Spending					\$888,175,925

Source: Uniform Financial Reports; Department of Legislative Services

Chapter 16. Public Works

Local governments are generally responsible for performing public works functions and services for their citizens. Local governments most frequently provide for the construction, maintenance, and operation of sewerage and water treatment systems and the construction, maintenance, and operation of facilities for the collection and/or disposal of solid waste. Five Maryland municipalities provide electric power to their residents.

Public Works

The State has primarily an oversight function of the local government sewerage, water, solid waste, gas, and electric operations through the Public Service Commission and the Maryland Department of the Environment.

Sewerage, Water Services, and Solid Waste

Local Government Responsibilities, Services, and Funding

Local governments typically provide sewerage and water services through a sanitary commission or a county or municipal agency. Baltimore City and all county governments, except Caroline, Montgomery, Prince George's, and Talbot counties, provide both water and sewerage services to their residents. In Caroline County, three municipalities (Henderson, Marydel, and Templeville) joined with the county to form the North County Water and Sewer Authority; water and sewer services for the remainder of the county are provided by municipal, private, or community wells and septic systems. The Washington Suburban Sanitary Commission, a bi-county agency created by the General Assembly in 1918, provides nearly all parts of Montgomery and Prince George's counties with water and sewer services. Talbot County provides sewer services to St. Michaels and several unincorporated villages; water services for the remainder of the county are provided by municipal, community, or private well systems.

Baltimore City and all counties provide facilities for the disposal of trash (landfills, etc.). In addition, most jurisdictions provide for trash collection. In locations where the jurisdiction does not provide for solid waste removal, the service is often provided by licensed private companies or a municipality.

Under the 1988 Maryland Recycling Act, each jurisdiction in the State is required to recycle certain percentages of waste. In calendar 2020, Maryland achieved a statewide waste diversion rate of 42.2% (consisting of a 38.2% recycling rate plus a 4.0% source reduction credit). While most jurisdictions operate their own recycling programs, 4 counties on the Eastern Shore (Caroline, Kent, Queen Anne's, and Talbot counties) coordinate their programs under the Mid-Shore Regional Recycling Program. **Exhibit 16.1** details recycling totals for each jurisdiction. All 24 jurisdictions process "core" recyclables that include mixed paper (*i.e.*, all paper types,

envelopes, books, cardboard, magazines, newspaper, and telephone books), containers (*i.e.*, glass, metal, and plastic), white goods (*i.e.*, appliances), and organics (*i.e.*, yard trimmings and Christmas tree recycling). In addition, each jurisdiction offers various individual recycling programs, such as collecting household hazardous wastes or electronics. According to the Maryland Municipal League, more than 80 municipalities offer their own recycling programs, such as leaf, paper, glass, and metal.

In fiscal 2021, Baltimore City and the counties spent nearly \$2.6 billion, excluding debt service costs, on the collection and treatment of sewage, collection and disposal of solid wastes, and treatment and distribution of water. In fiscal 2021, municipalities spent approximately \$366 million to provide these services, excluding debt service costs. **Exhibit 16.2** presents a breakdown of local government sewerage, solid waste, and water expenditures by jurisdiction for fiscal 2021.

Funding for sewerage, solid waste, and water services primarily comes from service charges. The counties and municipalities reported \$3.0 billion in such revenues for fiscal 2021. Interest charges, front foot assessments, and debt proceeds also contribute to own-source funding to provide these services. Besides locally generated funds, local governments rely on State and federal grants to provide sewerage, solid waste, and water services. For example, the State's Bay Restoration Fund, which is funded through a bay restoration fee on users of wastewater treatment plants and septic systems, provides funding to local governments to upgrade the equipment of wastewater treatment facilities to utilize "enhanced nutrient removal" technology and to provide financial assistance to homeowners to upgrade their septic systems with the best available technology for nitrogen removal.

Exhibit 16.1
Jurisdiction Recyclables
Calendar 2020
(in Tons)

Jurisdiction	MRA Commodities	Non-MRA Recyclables²	Total Recycling	Recycling Rate (%)³
Allegany	11,565	245,782	257,347	15.05%
Anne Arundel	255,664	370,942	626,606	41.49%
Baltimore City	79,904	301,465	381,369	14.94%
Baltimore	274,563	269,866	544,429	31.30%
Calvert	17,224	71,091	88,315	23.35%
Carroll	84,034	248,389	332,423	36.89%
Cecil	106,485	94,036	200,521	58.69%
Charles	41,090	151,065	192,155	37.89%
Dorchester	3,619	4,404	8,023	9.04%
Frederick	112,516	96,863	209,379	41.48%
Garrett	17,922	13,775	31,697	44.13%
Harford	118,323	98,360	216,683	40.02%
Howard	225,015	4,271	229,286	42.32%
Mid-Shore ¹	110,387	80,320	190,707	49.37%
Montgomery	549,103	215,272	764,375	58.94%
Prince George's	368,809	298,205	667,014	41.34%
St. Mary's	17,717	93,927	111,644	38.47%
Somerset	1,844	10,803	12,647	9.66%
Washington	34,648	38,506	73,154	26.29%
Wicomico	69,262	122,754	192,016	34.45%
Worcester	22,609	31,155	53,764	26.58%
Additional Asphalt and Concrete Recycled Statewide by State Highways		1,525	1,525	
Total	2,522,303	2,862,776	5,385,079	38.22%

MRA: Maryland Recycling Act

Note: Numbers may not sum due to rounding.

¹ Mid-Shore Regional Recycling Program includes Caroline, Kent, Queen Anne's, and Talbot counties.

² Includes materials such as construction and demolition debris, land clearing debris, and recycled fluids, that fall outside the scope of the standard MRA Recycling Rate but are reported by the counties as recycled materials.

³ Recycling rate equals the sum of MRA recycling tonnage plus resource recovery facility credit tonnage divided by the sum of MRA recycling tonnage plus MRA waste.

Source: Maryland Department of the Environment

Exhibit 16.2
Local Government Sewerage, Solid Waste, and Water Expenditures
Fiscal 2021

<u>County</u>	<u>County Spending</u>	<u>Municipal Spending</u>	<u>Total Spending Reported</u>
Allegany	\$17,085,124	\$29,909,679	\$46,994,803
Anne Arundel	216,179,636	13,251,534	229,431,170
Baltimore City	480,112,196	-	480,112,196
Baltimore	442,125,605	-	442,125,605
Calvert	21,743,733	5,063,282	26,807,015
Caroline	254,014	7,897,012	8,151,026
Carroll	25,136,286	24,393,380	49,529,666
Cecil	16,915,195	22,587,952	39,503,147
Charles	45,377,236	8,563,920	53,941,156
Dorchester	4,659,510	10,521,244	15,180,754
Frederick	74,866,413	40,334,510	115,200,923
Garrett	9,645,394	3,091,083	12,736,477
Harford	71,374,165	20,847,924	92,222,089
Howard	153,501,550	-	153,501,550
Kent	5,927,690	4,407,592	10,335,282
Montgomery	479,801,976	38,541,656	518,343,632
Prince George's	459,222,238	22,534,172	481,756,410
Queen Anne's	13,367,555	3,820,433	17,187,988
St. Mary's	27,426,731	4,288,535	31,715,266
Somerset	6,385,434	1,890,607	8,276,041
Talbot	5,580,761	11,451,142	17,031,903
Washington	20,838,998	37,126,338	57,965,336
Wicomico	8,315,437	25,631,162	33,946,599
Worcester	24,112,561	30,335,703	54,448,264
Total	\$2,629,955,438	\$366,488,860	\$2,996,444,298
Minus Federal Grants	-8,232,129	-1,520,116	-9,752,245
Minus State Grants	-26,675,205	-22,885,493	-49,560,698
Minus County Grants		-3,334,495	-3,334,495
Net Local Spending	\$2,595,048,104	\$338,748,756	\$2,933,796,860
Revenues from Sewerage, Solid Waste, and Water Charges	\$2,687,988,720	\$355,156,867	\$3,043,145,587

Note: For purposes of this exhibit, the federal, State, and, as appropriate, county sewerage, solid waste, and water grant revenues reported by the local jurisdictions are assumed to have been expended in the same year they were received. Expenditures include operating and capital expenditures but do not include debt service expenditures. Expenditures in Allegany, Montgomery, and Prince George's counties include those reported by certain regional agencies. Expenditures by the Washington Suburban Sanitary Commission are apportioned to Montgomery and Prince George's counties on a 50/50 basis. Fourteen municipalities and special taxing districts did not report their expenditures for fiscal 2021. There are no municipalities in Baltimore and Howard counties.

Source: Uniform Financial Reports; Department of Legislative Services

State Government Responsibilities, Services, and Funding

While local governments are responsible for operating and financing the water and sewerage systems and solid waste collection and disposal facilities, the State is generally responsible for monitoring and regulating these systems and facilities.

The Public Service Commission oversees and has authority to set rates for water and sewerage companies (as well as electric companies and suppliers and gas companies discussed later in this chapter under the heading “Electric and Gas Services”) operating in Maryland. The Public Service Commission is not responsible for overseeing the rates of governmental agencies or municipalities supplying water or sewer unless, and upon request, the water or sewerage services are sold to another county, sanitary district, or municipality.

The Maryland Department of the Environment is responsible for monitoring and regulating the various sanitation, sewerage, and water operations (as well as gas and electric operations discussed later in this chapter under the heading “Electric and Gas Services”) conducted by local governments to ensure environmental protection and safety. The Maryland Department of the Environment is structured into five major program areas: (1) Budget and Infrastructure Financing; (2) Air and Radiation Administration; (3) Water and Science Administration; (4) Land and Materials Administration; and (5) Operational Services Administration. The department provides oversight of public water systems and solid waste systems throughout the State. The department’s duties related to sewerage, solid waste, and water include:

- conducting sanitary surveys of public water systems (in connection with enforcement of the federal Safe Drinking Water Act);
- inspecting and monitoring community water supply systems and solid waste acceptance facilities;
- promoting local government involvement and private-sector support of the achievement of water quality goals;
- assisting in the development of water resource and solid waste plans;
- providing grants and loans to local governments for creating or upgrading community water supply systems;
- providing training and technical assistance to water and wastewater treatment plant operators;
- protecting and restoring the State’s land and water resources; and
- performing dam safety inspections.

The department is also responsible for issuing permits to individuals and local governments before the person or entity begins construction of a facility that uses water of the State.

In addition to regulatory oversight of local government water, sewerage, and solid waste facilities, the State also provides capital grants and loans to local governments and other entities through various programs including the water quality loan programs, supplemental assistance, nutrient removal programs, and water supply assistance program. For fiscal 2022 and 2023, the State appropriated approximately \$355.3 million and \$488.3 million in all funds to these programs, respectively, as shown in **Exhibit 16.3**.

Exhibit 16.3
State Environmental Grants and Loans Available to Local Governments
Fiscal 2022-2023
(\$ in Millions)

	<u>2022</u>	<u>2023</u>
Water Quality Revolving Loan Fund	\$176.8	\$203.1
Bay Restoration Fund Wastewater Program	75.0	78.0
Drinking Water Revolving Loan Fund	57.8	154.2
Comprehensive Flood Management Program	23.8	7.3
Supplemental Assistance Program	3.0	3.0
Conowingo Dam Watershed Program	0	25.0
Septic System Upgrade Program	15.0	15.0
Water Supply Financial Assistance Program	2.6	1.4
Mining Remediation Program	0.5	0.5
Hazardous Substance Clean-up Program	0.8	0.8
Total	\$355.3	\$488.3

Source: *Fiscal Digest for Fiscal 2022; Fiscal Digest for Fiscal 2023*

Other State Government Assistance – Maryland Environmental Service

Under Title 3, Subtitle 1 of the Natural Resources Article, State law establishes the Maryland Environmental Service as a not-for-profit public corporation charged with providing environmental and technical services, such as engineering, design, finance, construction, project management, operation, and maintenance, for water supply, wastewater treatment, and solid waste management projects that are provided by State agencies, counties, municipalities, and private entities. The Maryland Environmental Service has no regulatory authority and receives no direct State appropriations. The Maryland Environmental Service is a self-supporting instrumentality of the State that provides services at competitive rates to its government and private-sector clients. In fiscal 2021, the Maryland Environmental Service's revenues exceeded \$186.5 million.

Electric and Gas Services

Local Government Responsibilities, Services, and Funding

No county provides for the maintenance and operation of gas or electric power plants, although several counties have solar plants that are used for net metering of their own usage. Two municipalities (Berlin and Easton) own and operate electric power plants. In addition, three municipalities (Hagerstown, Thurmont, and Williamsport) each contract for the purchase of electricity for their residents and own their municipal electric distribution system. The Town of Easton, through the Easton Utilities Commission, is the only municipality that provides gas services to its residents. In fiscal 2021, these municipalities recognized \$69.7 million in revenues and incurred \$79.7 million in expenditures to provide these services. The funds for operating these plants come primarily from service charges and fees imposed on customers. A breakdown of these revenues and expenditures, excluding debt service costs, by municipality for fiscal 2021, is shown in **Exhibit 16.4**.

Exhibit 16.4
Electric and Gas Services Provided by Municipalities
Fiscal 2021

<u>Municipal Corporation</u>	<u>Revenue</u>	<u>Expenditures</u>
Berlin	\$5,942,114	\$5,634,582
Easton	31,619,530	41,573,640
Hagerstown	24,319,319	25,016,878
Thurmont	6,223,565	5,949,909
Williamsport	1,587,144	1,565,111
Total	\$69,691,672	\$79,740,120

Note: The amounts for Easton include both electric and gas services.

Source: Uniform Financial Reports; Audited Financial Statements; Department of Legislative Services

State Government Responsibilities, Services, and Funding

As is the case for water and sewerage companies operating in Maryland (discussed earlier in this chapter), the Public Service Commission also oversees and has authority to set rates for electric companies and suppliers and gas companies operating in Maryland.

Similarly, as is the case for various sanitation, sewerage, and water operations conducted by local governments, the Maryland Department of the Environment also is responsible for monitoring and regulating the gas and electric operations conducted by local governments to ensure environmental protection and safety.

Appendix 1
Maryland State/Local Relationships
Overview by Function

Program	State	Local
Chapter 2. Legislative/Executive Direction & State Administration		
Elections	State policy and direction through legislation and regulation. State shares cost with counties of statewide uniform voting system.	Counties and Baltimore City fund local election boards – budgetary role is limited.
Employee Pensions	State Pension and Retirement System.	Local governments may participate.
Personnel Management	The State Personnel Management System covers employees of the Executive Branch except those specifically excluded under State law.	All counties and some larger municipalities have employee merit or civil service systems, including unemployment insurance and health insurance.
Chapter 3. Financial Administration		
Tax Collection	State assesses all real and personal property. State collects State income tax and local income tax levied by counties; remits local income tax to counties.	Property taxes collected by counties and Baltimore City. Counties fund 50% of the State assessment costs.
Chapter 4. Courts and Related Offices		
Courts (Appellate and District Court)	State administers and funds appellate courts and the trial court of limited jurisdiction.	

Program	State	Local
Courts (Circuit Court)	<p>State policy and direction through legislation and judicial rules.</p> <p>State funds judges' salaries, clerks of the court, magistrates, family divisions, interpreter services, juror fees, and law clerks.</p>	Baltimore City and counties fund certain operating costs, including capital expenses and physical facilities.
State's Attorney (Prosecutor)	State policy and direction through legislation.	<p>Elected official in Baltimore City and each county.</p> <p>Each jurisdiction is solely responsible for funding its office.</p>
Orphans' Court	State policy and direction through legislation.	<p>Elected judges in Baltimore City and all counties except Harford and Montgomery counties.</p> <p>Jurisdictions fund operating expenses.</p>
Sheriff (Judicial Functions)	State policy through legislation and judicial direction.	<p>Elected official in Baltimore City and each county.</p> <p>Each jurisdiction is solely responsible for funding its office.</p>

Program	State	Local
Chapter 5. Public Safety		
Police	<p>State police patrol highways, provide specialized services (<i>i.e.</i>, crime lab), and provide backup to local police.</p> <p>State provides grants to local governments for police protection.</p> <p>State sets minimum standards for training.</p> <p>State funds and manages central booking facility for individuals arrested in Baltimore City.</p>	<p>Local governments provide policy direction, management, and budget approval for local police or sheriff's departments.</p> <p>Local governments provide 81% of funding.</p> <p>Sheriffs are responsible for local police function and corrections in rural counties.</p>
Fire and Emergency Services	<p>State grants (Amoss Fund) total \$15 million.</p> <p>State administers funding program for 9-1-1 System.</p> <p>State Fire Marshal provides support in investigation and inspection.</p> <p>State coordinates emergency services and runs Medevac helicopter rescue system.</p>	<p>Local governments provide policy direction, management, and budget approval for paid fire protection and coordination/financial support for volunteer fire companies, ambulances, and emergency medical services.</p> <p>Local governments provide 88% of the funding.</p>

Program	State	Local
Correctional Services	<p>State correctional system for long-term inmates (more than 12 months).</p> <p>State sets minimum standards for local facilities.</p> <p>State provides grants for construction of local facilities.</p> <p>State manages pretrial and short-term correctional facilities in Baltimore City.</p> <p>State manages community supervision populations.</p> <p>State and federally funded.</p>	<p>County operates and funds correctional system for pretrial (except Baltimore City) and short-term inmates (12 months or less).</p> <p>State provides grants for longer term inmates held in local facilities.</p>
Chapter 6. Public Education		
Public Schools	<p>State policy through legislation and regulation.</p> <p>State funding – 44%.</p> <p>Federal funding – 9%.</p>	<p>Local school board – autonomy in management.</p> <p>Baltimore City and county government – budget approval.</p> <p>County funding – 46%.</p> <p>Other local revenues – 1%.</p>

Program	State	Local
Chapter 7. Higher Education		
University System of Maryland and Other Public Four-year Institutions	<p>State policy through legislation and regulation.</p> <p>State funding – 26%; tuition and fees – 29%; grants, contracts, auxiliary revenue, and other sources – 23%.</p> <p>Federal funding – 22%, including Higher Education Emergency Relief Funds (5%).</p>	
Community Colleges	<p>State policy through legislation and regulation.</p> <p>Baltimore City Community College (BCCC) operated by the State.</p> <p>State funding (excluding BCCC) – 23%.</p> <p>Federal funding (excluding BCCC) – 17%, including Higher Education Emergency Relief Funds (8%).</p>	<p>College board – autonomy in management.</p> <p>County government – budget approval.</p> <p>County funding (excluding BCCC) – 31%; tuition and fees – 26%; other sources – 3%.</p>
Chapter 8. Public Libraries & Public Television		
Libraries	<p>State policy through legislation and regulation.</p> <p>State funding – 24%.</p> <p>Federal funding – 1%.</p>	<p>Local library board (except in Montgomery County, the public library system is a county agency) – autonomy in management.</p> <p>County government – budget approval.</p> <p>County funding – 65%; fees and other revenue – 10%.</p>

Program	State	Local
Chapter 9. Transportation		
Highways	<p>State manages interstate, primary, and secondary systems (except in Baltimore City).</p> <p>State allocates a share of highway user revenues (gasoline tax, vehicle titling tax, vehicle registration fees, etc.) to local governments.</p> <p>State/federal funding approximately 74%.</p>	<p>Counties and municipalities manage local roads.</p> <p>Baltimore City manages all roads within the city except certain interstate toll highways.</p>
Transit	<p>State funds transit costs in metropolitan area.</p> <p>State makes grants for transit in rural areas.</p>	<p>Baltimore City, counties, and municipalities offer supplemental services funded in part by State grants.</p>
Airport	<p>State maintains and operates Baltimore/Washington International Thurgood Marshall Airport and Martin State Airport.</p>	<p>Local governments own and operate 14 airports that are open to the public.</p>
Port	<p>State owns seven cargo terminals and a transfer facility. State manages dredging activities.</p> <p>State funding – 97%.</p> <p>Federal funding – 3%.</p>	

Program	State	Local
Chapter 10. Health Services		
Health Services	<p>State policy, standards, and direction through legislation, regulation, and directives.</p> <p>State funding – 23.5%.</p> <p>Federal funding – 75.9%.</p>	<p>Local health board, health officers, and health department in Baltimore City and each county.</p> <p>Baltimore City and counties have some discretion as to scope of programs.</p>
Chapter 11. Human Services		
Human Services	<p>State policy, standards, and management through legislation, regulation, and directives.</p> <p>State operates social services office in Baltimore City and every county except Montgomery County and Baltimore City child support. Montgomery County receives a block grant for State share of services. Baltimore City child support operated through a contract.</p> <p>Approximately 90% funded by State and federal governments.</p>	<p>Baltimore City and some counties provide supplemental funding or specialized programs.</p> <p>Montgomery County operates its own Department of Health and Human Services and provides additional funding.</p> <p>Local management boards coordinate service delivery for children, youth, and families.</p> <p>Area agencies on aging serve as the primary point of entry for elderly adults seeking to access services. They also deliver services funded by the State.</p>
Chapter 12. Housing & Community Development		
Housing	State makes grants and loans to local governments and private developers for construction projects.	Local governments manage housing programs as part of government or through a housing authority.

Program	State	Local
Chapter 13. Economic Development & Business Regulation		
Economic Development	<p>State focuses on state markets as well as national and international markets.</p> <p>State provides tax credits to qualifying businesses and makes grants/loans to businesses for locating in specific regions, participating in certain business sectors, and creating jobs, as well as for developing existing businesses in procuring land, structures, equipment, and training.</p> <p>State provides funding to local economic development entities.</p>	Local governments focus on local markets and coordinate with State activities.
Liquor Board	State policy and direction through legislation and regulation.	Boards are self-supporting from license fee revenues.
Chapter 14. Labor and Workforce Development		
Worker Protection and Unemployment Insurance	<p>State policy through legislation and regulation.</p> <p>State administers federal programs.</p> <p>State enforces local minimum wage laws, where the wage exceeds the State minimum wage.</p>	Local governments enforce local labor laws, such as paid sick leave laws, except for local minimum wage laws.

Program	State	Local
Workforce Development	<p>State policy through legislation and regulation.</p> <p>State administers federal programs.</p>	Workforce development services delivered through local government agencies or nonprofits.
Chapter 15. Natural & Historic Resources		
Environmental Protection	<p>State policy through legislation and regulation.</p> <p>State administers federal programs and enforces federal requirements.</p>	Baltimore City and counties enforce delegated environmental laws.
Parks/Recreation	<p>State manages system of State forests and parks.</p> <p>State makes grants for land acquisition/development.</p>	Local governments manage local parks and recreation programs.
Agricultural Services	<p>State policy through legislation and regulation.</p> <p>State provides annual funding to preserve farmland and promote good practices.</p> <p>State administers federal programs and enforces federal requirements.</p>	Soil conservation districts and local health departments administer programs.

Program	State	Local
Chapter 16. Public Works		
Water and Sewerage Services	<p>State policy through legislation and regulation.</p> <p>State provides construction loans and grants.</p>	<p>Counties and municipalities construct and operate water and sewerage systems.</p> <p>Operating costs almost 100% local funding, primarily through user charges.</p>
Solid Waste	<p>State policy through legislation and regulation.</p>	<p>Baltimore City and counties responsible for disposal.</p> <p>Public/private collection at county/municipal level.</p>